# UNIVERSAL REGISTRATION DOCUMENT 2019

ESKER®

The original French version of this Universal Registration Document was filed on May 26, 2020 with the AMF (*Autorité des Marché Financiers*), the French financial market regulator, as the competent authority under regulation (UE) 2017/1129, without prior approval pursuant to Article 9 of said regulation.

The Universal Registration Document may be used for the purposes of an offer to the public of securities or admission of financial securities to trading on a regulated market if it is supplemented by a securities note and, if applicable, a summary together with any amendments to the Universal Registration Document.

The whole has been approved by the AMF in accordance with Regulation (EU) 2017/1129.

Copies of this universal 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: www.esker.com/investors.

In accordance with article 28 of European Regulation (EU) 809/2004, the following information shall be incorporated by reference in this universal registration document:

- The Group's consolidated financial statements and the auditors' report thereon for the period ended December 31, 2018 as presented on pages 34 to 52, the separate parent company financial statements of the company, and the Auditors' report on the annual financial statements for the fiscal year ended December 31, 2018 presented on pages 53 to 67 of the original French language version of the registration document filed with the AMF on May 20, 2019 (No. D.18-0502),
- The Group's consolidated financial statements and the auditors' report thereon for the period ended December 31, 2017 as presented on pages 32 to 50, the separate parent company financial statements of the company, and the Auditors' report on the annual financial statements for the fiscal year ended December 31, 2017 as presented on pages 51 to 65 of the original French language version of the registration document filed with the AMF on May 18, 2018 (No. D.18-0492),

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 universal registration document.

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

*Translation disclaimer: This document is a free translation of the original "document d'enregistrement universel" or universal registration document issued in French for the year ended 31 December 2019 filed with the AMF on May 20, 2020. As such, the English version has not been registered by this Authority. The English version of this document has in consequence not been audited by our Statutory Auditors and the English translations of their reports included herein are provided for information only. In the event of any ambiguity or conflict between corresponding statements or other items contained in these documents and the original French version, the relevant statement or item of the French version shall prevail and only the original version of the document in French is legally binding. As such, this translation may not be relied upon to sustain any legal claim, nor be used as the basis of any legal opinion and ESKER SA expressly disclaims all liability for any inaccuracy herein.*

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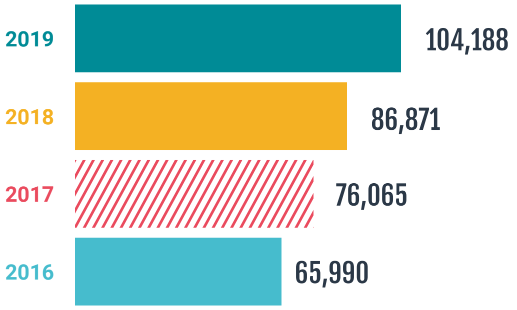
# 1

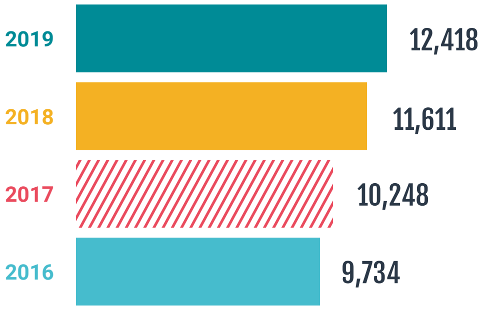
# PRESENTATION OF THE GROUP & ITS BUSINESS

# 1.1. FINANCIAL HIGHLIGHTS

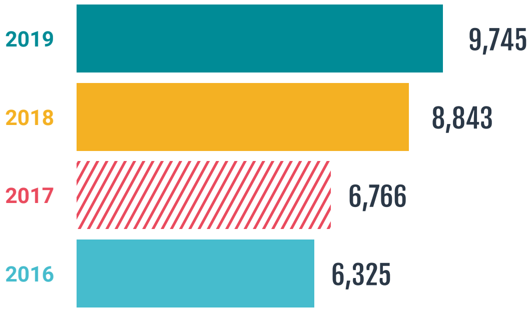
**Net sales (€ thousands)**



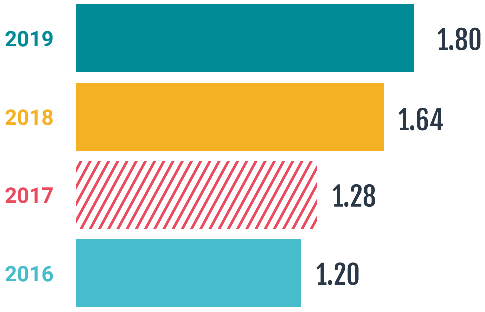

**Operating profit (€ thousands)**




**Net income (€ thousands)**




**Earnings per share (€)**




| (€ thousands) | 2019 | 2018 |
|---|---|---|
| Cash flow after net financial expense | 17,633 | 16,019 |
| Change in operating working capital | -477 | -650 |
| Net cash provided by operating activities | 17,313 | 15,634 |
| Net cash used in investing activities | -14,025 | -8,102 |
| Net cash used in financing activities | -5,145 | -5,493 |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | **-1,857** | **2,039** |

| (€ thousands) | 2019 | 2018 |
|---|---|---|
| Non-current assets | 47,201 | 39,635 |
| Current assets | 52,022 | 49,016 |
| **SHAREHOLDERS' EQUITY** | **56,647** | **47,769** |
| Provisions for contingencies and expenses | 1,760 | 1,492 |
| Borrowings | 6,516 | 9,318 |
| Other payables | 34,300 | 30,072 |

# 1.2. HISTORY AND MILESTONES

## 1.2.1 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 07, 1985

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

### Registered office and legal form

**Registered office:** 113 Boulevard de la Bataille de Stalingrad - 69100 Villeurbanne – France - 04 72 83 46 46

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

**Country of origin:** France

## 1.2.2. HISTORY OF THE GROUP

**1985**

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

**1989**

Launch of the Tun terminal emulation software connecting PCs to UNIX-based central servers. Management decided to position the Company as a developer of international software products and opened up its capital to outside investors.

**1991**

Opening of subsidiaries in the United Kingdom, Spain, Germany, Italy and the United States.

**1995**

Two venture capital companies acquired equity stakes.

**1997**

Esker was listed on the Nouveau Marché of the Paris stock exchange to accelerate its expansion in North America and diversify its product portfolio. Acquisition of a distributor in Australia.

**1998**

Acquisition of Teubner in the United States (Stillwater, Oklahoma), specialized in fax servers.

**1999**

Acquisition of Persoft in the United States (Madison, Wisconsin) specialized in terminal emulation software.

**2000**

Repositioning of the company in document process automation technologies.

**2001**

Acquisition in the United States of VSI, specialized in fax servers.

Launch of the first document process automation product: DeliveryWare.

**2003**

Launch of the first cloud-based document process automation solutions (mail and fax on demand).

**2007**

All document process automation solutions are transferred to the Cloud (Esker on Demand).

**2008**

Expansion into Asia with the creation of an office in Singapore and Kuala-Lumpur (Malaysia).

**2010**

Transfer of the share listing to Alternext (renamed EuroNext Growth).

**2011**

Adoption of the Agile project management methodology for R&D for the continuous development of new software solutions while remaining in step with customer demand and market developments.

**2013**

Integrating the Design Thinking methodology (UX : User eXperience) to improve end-user adoption of its software solutions.

**2015**

Acquisition of TermSync (collection solution) in the United States and CalvaEDI (Electronic Data Interchange) in France.

**2017**

Esker EDI Services was acquired in Ratingen (Germany) to consolidate the company's position in the EDI market.

Esker is ranked by Great Place to Work® for well-being in the workplace. To keep pace with its strong growth, Esker is required to carry out a number of recruitments. With that objective, it attaches particular importance to well-being in the workplace to attract and retainrecent graduates.

ISO 9001 (quality management system standard) and 27001 (information security management system standard) certifications for its Cloud platform.

**2018**

Esker maintained its positive momentum in the period with growth in revenue of 14%. The Group is continuing to invest to support this growth, with a 13.5% increase in the average headcount to 580 employees at the end of December and a new subsidiary opened in Hong Kong.

**2019**

During another period of accelerating growth reaching 20%, Esker invests massively in artificial intelligence in order to perfect its solutions. The company shifts its focus to indirect sales by signing partnerships with Fuji-Xerox and KPMG in the Netherlands.

## 1.2.3. ORGANIZATION

### Legal structure of the Esker Group as of December 31, 2019

**ESKER SA**

**Worldwide headquarters**
**Lyon, France**

General management finance, R&D, marketing, IT

Sales for France, Switzerland, Belgium and French-speaking Africa

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

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

### Business relations between Esker Group companies

Business relations between Esker Group companies are defined in the list of freely contracted agreements (transactions relating to ordinary operating activities concluded under normal conditions) for fiscal 2019, 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 2019, the amount invoiced by Esker S.A. on this basis to all subsidiaries totaled €12,894,000 (€11,081,000 in 2018).

These subsidiaries in turn invoiced the parent company €2,210,000 (€1,679,000 in 2018). 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 *Paragraph 2.6* of this document.

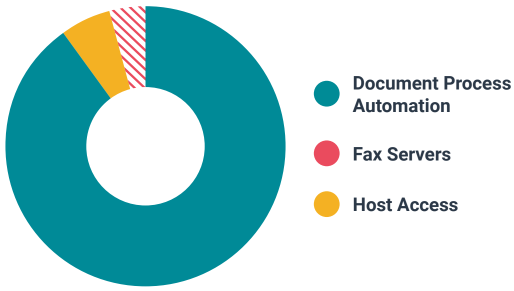
Segment information is provided in *Note 1* to the consolidated financial statements presented in *Paragraph 5.1* of this document and information on related parties in *Note 21* herein.

# 1.3. ANALYSIS OF THE GROUP'S FINANCIAL POSITION AND BUSINESS

## 1.3.1. ANALYSIS OF GROUP REVENUE

### Sales by business segment

| | 2019 | | 2018 | |
|---|---|---|---|---|
| In thousands of euros | Amount | % | Amount | % |
| Document process automation solutions as a service (SaaS) | 93,684 | 90% | 75,761 | 87% |
| Document process automation solutions and maintenance services (license-based) | 6,577 | 6% | 7,836 | 9% |
| Historic products | 3,927 | 4% | 3,274 | 4% |
| TOTAL | 104,188 | 100% | 86,871 | 100% |




Esker achieved its best performance in its history, crossing the milestone of €100 million in revenue.

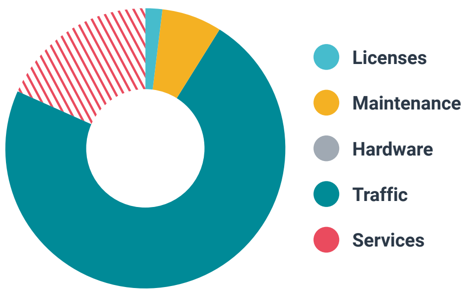
Revenue grew 20% (+18% at constant structure and exchange rates) to €104.2 million.

This performance was largely driven by the accelerating success of cloud-based document process automation solutions which represented nearly €94 million in 2019 (90% of total revenue), up 21% from 2018.

Revenue from traditional license-based document process automation solutions declined 18% to €6.6 million (6% of total revenue) while legacy products accounted for only 4% of revenue.

### Sales by product sub-segment

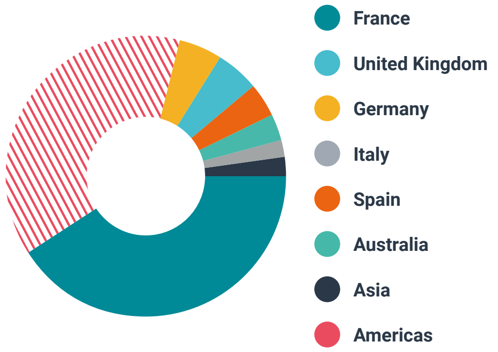
| | 2019 | | 2018 | |
|---|---|---|---|---|
| In thousands of euros | Amount | % | Amount | % |
| Licenses | 2,446 | 2% | 1,901 | 2% |
| Maintenance | 6,920 | 7% | 7,370 | 8% |
| Hardware | 414 | 0% | 470 | 1% |
| Traffic | 75,520 | 72% | 60,516 | 70% |
| Services | 18,888 | 18% | 16,614 | 19% |
| TOTAL | 104,188 | 100% | 86,870 | 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

| In thousands of euros | 2019 Amount | 2019 % | 2018 Amount | 2018 % |
|---|---|---|---|---|
| France | 42,933 | 41% | 35,737 | 41% |
| United Kingdom | 4,859 | 5% | 3,919 | 5% |
| Germany | 5,723 | 5% | 6,112 | 7% |
| Italy | 1,750 | 2% | 1,382 | 2% |
| Spain | 3,930 | 4% | 3,359 | 4% |
| Australia | 3,131 | 3% | 2,707 | 3% |
| Asia | 2,386 | 2% | 1,872 | 2% |
| Americas | 39,476 | 38% | 31,783 | 37% |
| TOTAL | 104,188 | 100% | 86,871 | 100% |




Sales outside of France account for 59% of revenue, with the Americas alone accounting for 38%.

## Competition in the document process automation market

### Esker on Demand

Competitors in the Esker on Demand product segment include:

| Company | 2019 Sales [1] |
|---|---|
| Coupa | €390m |
| Basware | €148m |
| OPEN TEXT | €2.869bn |
| ITESoft | €23.6m |

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

Smaller or more specialized competitors may also be cited even if they do not operate in exactly the same markets as Esker. These companies include: OMPrompt, SAP Concur, HyLand, Connexiom and Kofax.

Esker considers that it is the only player in this category covering simultaneously the two Procure-to-Pay and Order-to-Cash cycles, enabling it to offer a unique solution with a single interface for all administrative and financial processes which need to be automated.

Esker also recognizes that it has a considerable advance over its competitors in integrating artificial intelligence technologies into it solutions. Deep learning has allowed it to significantly improve the recognition of unstructured documents and offer new functionalities such as detecting anomalies or fraud.

### FlyDoc

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

### Basis of statements made by the issuer regarding its competitive position

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

## Group strategy

Esker's strategy is focused on developing and selling a cloud-based software platform for the automation of enterprise back-office processes. Specifically, the above solutions cover both Order-to-Cash (from the customer order to invoice collection) and Procure-to-Pay processes (from the selection of suppliers to the payment of invoices).

The company is focused on accelerating organic growth largely through a direct sales force. Since 2018, a network of partners has been developed to supplement the company's own resources, both for sales and consulting services (installation of the software at the customers' sites). Significant partnerships were developed with companies such as Fuji Xerox in the Asia-Pacific region, KPMG for the Netherlands, and Cegid for France, etc. These partnerships are still being ramped up and the resulting sales in 2019 was not yet significant. In contrast, the partnership with Quadient (formally Neopost) represented approximately 10% of Esker's sales. This partnership is however, largely focused on distributing simple hybrid mail solutions (reconversion of internet mail into physical form for transfer to the postal services) designed for SMEs, an activity which has historically represented a significant portion of the Group's business, and is destined to migrate to purely electronic document flowtype within the next 5 to 10 years.

To ensure sustainable growth over the medium term, Esker regularly invests in research and development, marketing, sales, and consulting. Because these sales cycles range between 12 to 18 months, such investments have an adverse impact on the company's short-term profitability. The management of Esker's growth is designed to achieve a positive operating margin of approximately 12% to 14% of sales.

### Regulations

The regulatory environment of the solutions sold by Esker is constantly evolving. This is particularly the case with respect to B2B invoicing activities.

For example, in France a law was adopted (Finance Act No. 2019-1479) requiring companies to adopt e-invoicing no later than January 1, 2025. This represents a major change in company operating practices. Similar changes have already occurred in different countries (Italy, Spain, etc.). These changes have traditionally led to an acceleration in the digital transition of companies which is a positive factor for Esker's activity.

## 1.3.2. RESEARCH AND DEVELOPMENT, PATENTS, AND LICENSES

### Research and development expenses

Esker has historically devoted significant resources to research and development. In 2019, the R&D budget represented nearly 10% of total Group sales. This policy ensures that Esker maintains its technological advance, the only effective means of meeting challenges from competitors. At December 31, 2019 at the site located in Villeurbanne, a team of 113 computer engineers work on developing Esker software programs. The R&D department also has a team based in Madison (Wisconsin, USA) of 14 engineers developing the TermSync solution and AR. Second-level technical support is provided by another team of 34 engineers.

The following table provides a breakdown of R&D expenses by major product lines before and after the capitalization of development expenditures (additional information on this subject is provided in *Notes 2* and *14* to the consolidated financial statements presented in *Section 5.1* of this document:

| In thousands of euros | 12/31/19 | 12/31/18 | 12/31/17 |
|---|---|---|---|
| R&D expenses for the period | -10,478 | -9,331 | -8,291 |
| Capitalized development expenditures | 6,281 | 5,742 | 5,204 |
| Amortization of capitalized development expenditures | -4,738 | -4,137 | -3,633 |
| **RESEARCH AND DEVELOPMENT EXPENSES NOT CAPITALIZED** | **-8,935** | **-7,726** | **-6,720** |

Research and development expenditures are focused primarily on the document process automation lines. Development expenditures recognized as assets in 2019 concern mainly software as a service (SaaS) solutions (Esker on Demand), capitalized every six-month period.

### Patents

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

In particular, this protection covers the following patents:

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

### Trademarks

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

- CalvaEDI
- FaxGate
- Smarterm
- Tun
- Quit Paper
- FlyDoc
- Green Doc
- Smartmouse
- Persona
- VSI-Fax
- TermSync

### Independence of the issuer

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

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

## 1.3.3. CAPITAL EXPENDITURES

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

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

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

### Major capital investments in 2018 and 2019

| (€ thousands) | 2019 | 2018 |
|---|---|---|
| Esker on Demand | 7,416 | 5,741 |
| *Of which finance leases recognized under assets* | *1,135* | *0* |
| Buildings | 400 | 0 |
| Other fixed assets | 3,179 | 2,051 |
| **TOTAL** | **10,995** | **7,792** |

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

Additional information is provided in *Notes 3* and *4* of the consolidated financial statements presented in *Section 5* of the universal registration document.

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

### Principal current and future investments

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

- Increasing the processing capacity of its existing production centers over the next three years,
- Creating new mail processing centers,
- Improving document automation processes in SaaS specifically to accelerate their deployment and configuration for key accounts.

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

Information on methods used to finance these capital investments is presented in *Paragraph 1.4.5.* of this document.

### Principal future investments subject to firm commitments by management bodies

None.

## 1.3.4. PROPERTY, PLANT AND EQUIPMENT

### Important property, plant and equipment

In France, Esker SA owns the property which houses its production plant in Décines Charpieu. The premises, including the Esker SA's headquarters located in Villeurbanne, are leased.

Excluding Esker Italy, which acquired its premises in Milan in April 2019, the other Group's other companies do not own buildings. The premises occupied are subject to lease agreements. The characteristics of these leases are described below:

| Establishments | Address | Lease expiration date | Area |
|---|---|---|---|
| Esker France | Villeurbanne - France | June 2023 | 5,795 m2 |
| CalvaEdi | Paris - France | February 2025 | 207 m² |
| Esker GMBH | Munich - Germany | September 2024 | 477 m² |
| Esker EDI Services | Ratingen - Germany | January 2021 | 667 m² |
| Esker Ibérica | Madrid - Spain | January 2021 | 180 m² |
| Esker Ibérica Production | Madrid - Spain | July 2022 | 169 m² |
| Esker Ltd | Derbyshire -United Kingdom | January 2020 | 271 m² |
| Esker Pty | Sydney - Australia | November 2020 | 229 m² |
| Esker Inc. | Madison - United States | April 2026 | 3,800 m² |
| Esker Pte Ltd | Singapore | June 2020 | 148 m² |
| Esker Sdn Bhd | Kuala Lumpur -Malaysia | January 2022 | 220 m² |

At December 31, 2019, total liabilities from these leases amounted to €11,823,000 (€11,270,000 in 2018).

Otherwise, the main tangible assets of the Group include:

- **computer equipment** (computers, printers),
- **production equipment required for the on Demand services** : mainly postage machines and production printers.

The figures for property, plant and equipment are presented in *Note 4* to the consolidated financial statements, included in *Section 5* of this universal registration document.

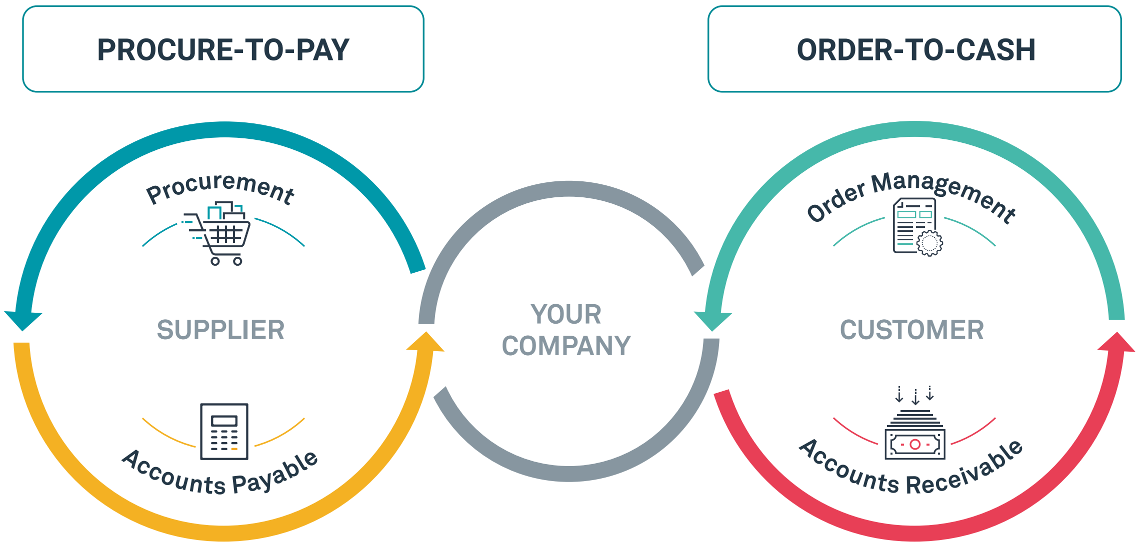
There were no major changes with respect to these items.

# 1.4. MANAGEMENT DISCUSSION AND ANALYSIS

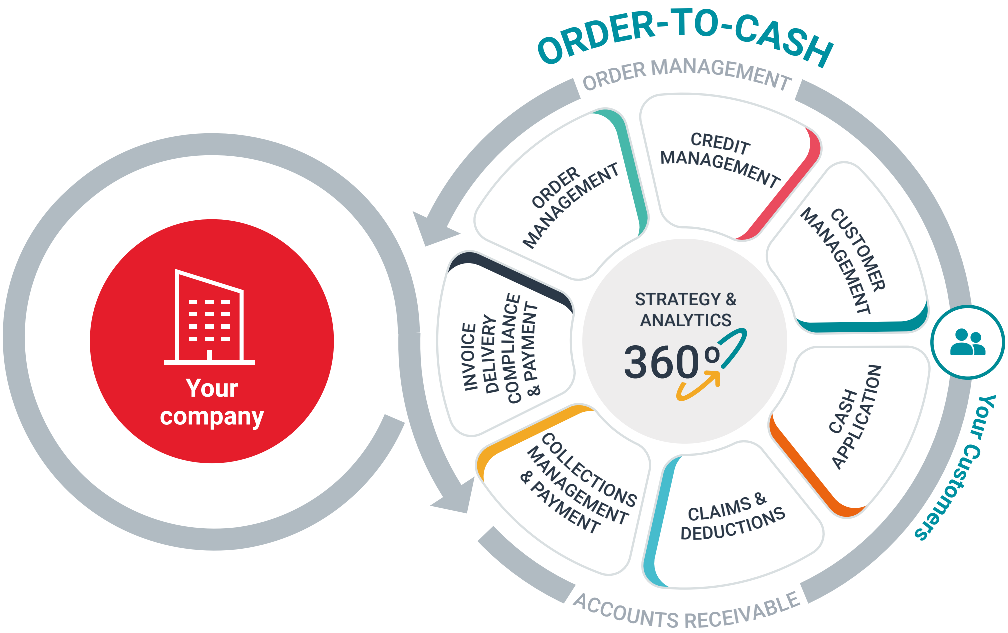
## 1.4.1. OVERVIEW OF THE COMPANY'S ACTIVITIES

Esker is a worldwide provider of document process automation and document management solutions for businesses. Esker software products are sold in the form of on-demand online services (SaaS). In 2019, on-demand services accounted for 90% of revenue. The balance represented revenue from the sale of licenses, maintenance contracts and corresponding product upgrades.

**Cash Conversion Cycle**




Esker solutions cover all customer and supplier cycles. They can accelerate and streamline the cycles by automating the corresponding management processes. They also make it possible to significantly improve relations with customers and suppliers while freeing up administrative personnel from the more tedious, time-consuming tasks so they can be more productive.




**The Esker solution accelerates all processes within the Order-to-Cash cycle, from order management to accounts receivable, making it possible to service customers more quickly and speed up collections.**

**This solution in particular makes it possible to:**

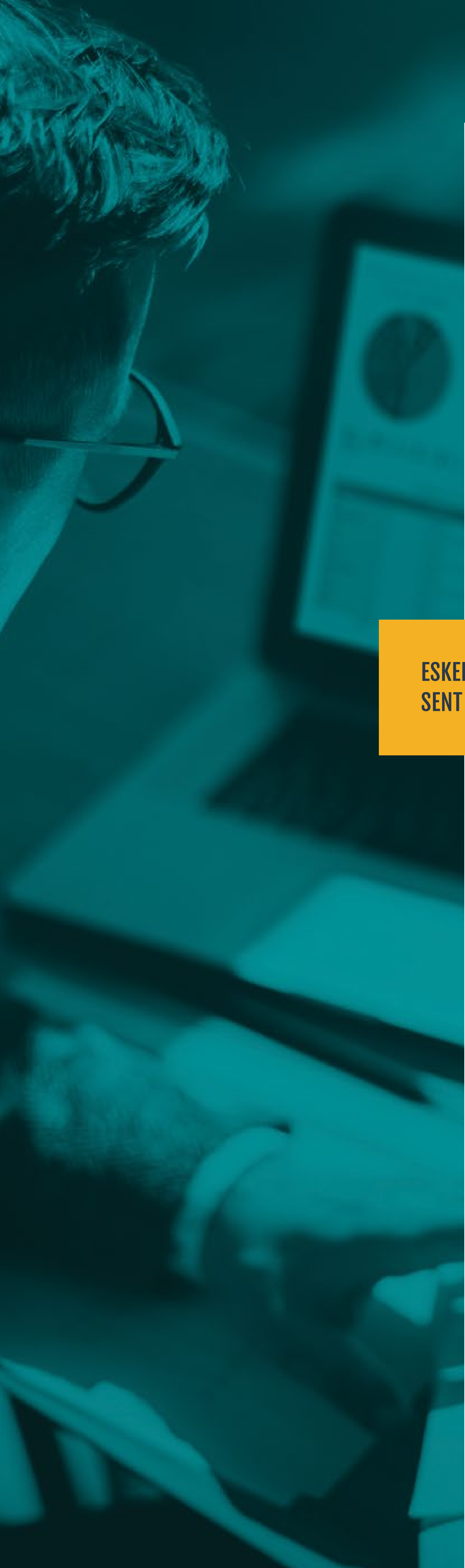
- Manage the creation of new customers and their credit rating (Customer Information Management).
- Eliminate manual data entry by electronically processing all customer orders and automatically extract all order information (Order Management).
- Ensure the multi-channel distribution of invoices and facilitate the transition to electronic invoicing (Invoice Delivery).
- Offer customers the possibility to make payments online, reducing the rate of payment defaults (Payment).
- Reconcile customer payments with invoices (Cash Application).
- Reduce DSO through collection assistance tools (Cash Collection).
- Monitor claims and deductions and constantly improve the process by analyzing the causes (Claims & Deductions).
- Offer a global view of customer behavior from receipt of the orders to the payment of customer invoices.

**Esker's Order Management solution makes it possible to:**

- Accurately and rapidly process the flow of customer orders regardless of the transmission channel (email, fax, EDI, scan).
- Eliminate delays or the loss of orders.
- Double productivity of the AR department by automatically reading and verifying documents.
- Free up time to generate additional sales or simply improve the customer relationship.
- Create a more relaxed working environment for sales administration employees.

**Esker's Accounts Receivable solution:**

- Provides a natural support to automating the invoicing process.
- Reduces payment delays.
- Improves customer credit risk management.
- Ensures greater responsiveness in the event of payment delays.
- Facilitates the rapid identification and resolution of disputes.
- Reduces the use of paper and the corresponding costs through electronic invoicing.



## EXAMPLE: PROCESSING ORDERS AND INVOICES

Today: The company receives orders from customers by email or fax. These orders are then printed and the sales administration personnel enter the data they contain in the ERP. An order confirmation is then sent by fax or email to the customer before copying the 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 folded, inserted in an envelope, and mailed to the customer. Several copies of the invoice are made for archiving purposes.

Customer payments indicated on the bank statements are manually reconciled with the invoices. Potential discrepancies are managed at the same time.

Customers with payments past due are notified by reminder letters. Telephone interactions with delinquent customers are recorded in an Excel file and reminders are recorded in the post-It application until final payment is received.

### ESKER’S SOLUTION ELECTRONICALLY RECEIVES CUSTOMER ORDERS SENT BY EMAIL, EDI OR 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 enterprise management application (ERP). At the same time, the order is electronically stored and confirmation of the order is automatically sent to the customers by fax or email.

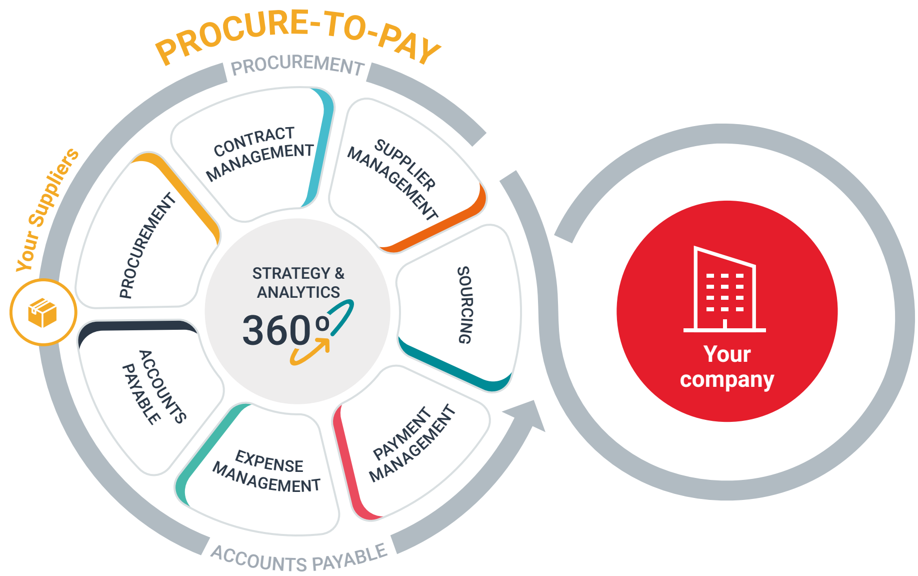
When the shipment is completed, the sales administration personnel requests issuance of an invoice which is transmitted to Esker on Demand for transmission in electronic format or sometimes conversion into a traditional letter and mailed. A copy of this invoice is stored electronically. Customers are systematically provided with a copy of the invoice in their personal space on the company’s portal.

The customer can settle the invoice directly by a bank card or a SEPA bank order.

Payment reconciliation is performed automatically by means of the bank statements through an Artificial Intelligence (AI) tool which presents the most probable results by calculating the potential discrepancies.

The reminder letters are sent electronically like the invoices. Delinquent customers are monitored in real time. Their interactions with the accounting department are recorded in the application so that the customer can be monitored by different persons.

In this example, with Esker ’s process automation solution, all manipulation of paper and time-consuming tasks are eliminated, even if the customer continues to manually fax and receive invoices by mail.



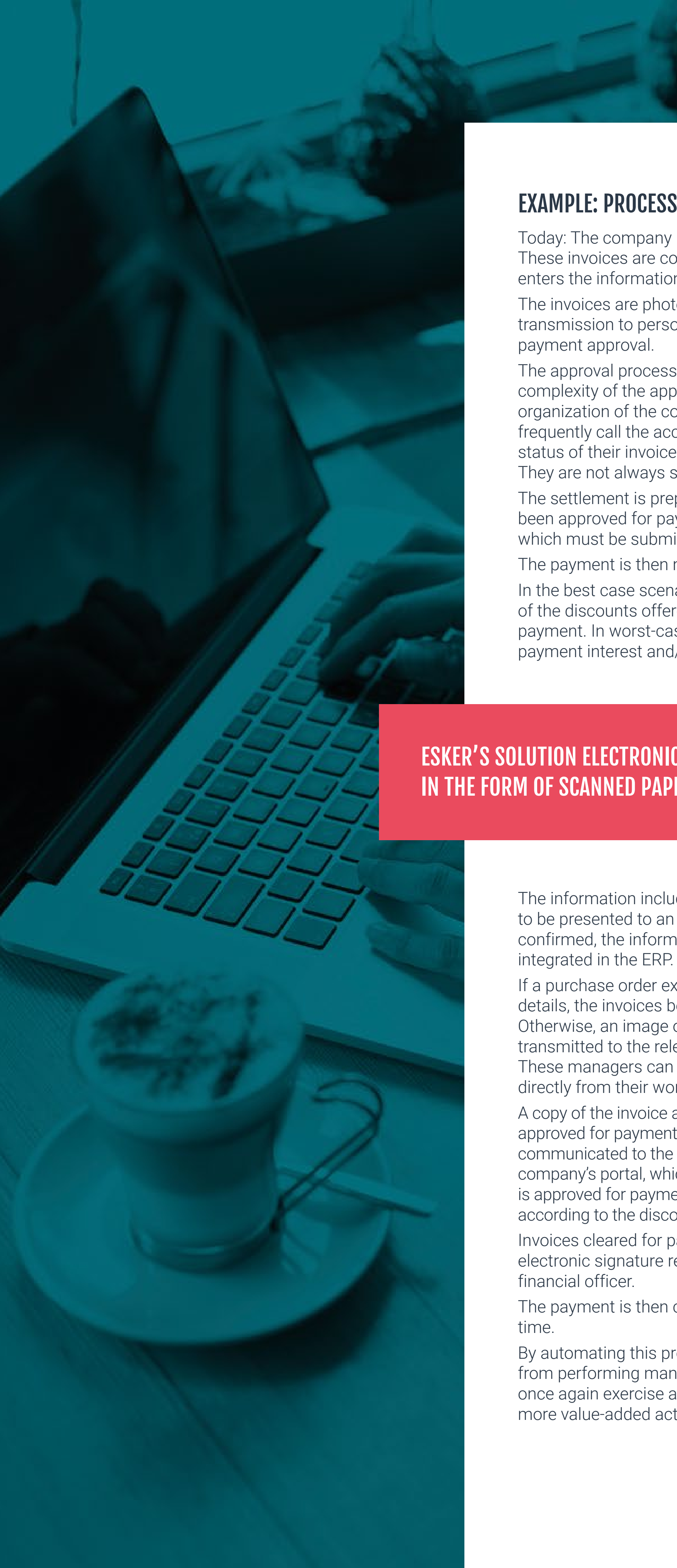

**For the supplier cycle (Procure-to-Pay), the Esker solution also enables finance departments to control and anticipate budget commitments while improving the productivity of accounting personnel and the company's financial resources.**

**This solution in particular makes it possible to:**

- Manage the supplier relationship and the corresponding administrative documents, for example company registration certificates (K-bis), insurance certificates or bank account identification forms (Supplier Management).
- Establish a purchase request by selecting the articles from an internal electronic catalog or attaching a quote or contract and obtain the approval of managers before sending the purchase order (Procurement).
- Manage the receipt of goods or services.
- Eliminate manual data entry by electronically processing all invoices and automatically extracting all information they contain (Accounts Payable).
- Reconcile supplier invoices with purchase orders before issuing and/or launching an approval workflow with the buyers or cost center managers.
- Make the invoices available to suppliers so they can consult their status at any time.
- Prepare the payments and inform the suppliers when completed (Payment).
- Request rebates in exchange for advance payments or enable third parties to prepay invoices in exchange for interest payments (Supply Chain Financing).
- Offer a global version of the procurement process from the purchase request to final settlement.

**Concretely, the Procure-to-Pay solution helps companies transition to workflow automation and offers the following advantages:**

- Better controlling anticipated commitments.
- Reducing out-of-process purchases.
- Doubling the productivity of accounting teams.
- Reducing the risk of fraud and non-compliance.
- Reducing the number of calls by suppliers to obtain information about the status of their invoices.
- Respecting payment terms.
- Optimizing cash management.
- Eliminating the use of paper and corresponding manual tasks.



## EXAMPLE: PROCESSING SUPPLIER INVOICES

Today: The company receives invoices from suppliers by mail. These invoices are collected and the accounting staff manually enters the information they contain in the ERP.

The invoices are photocopied for archiving purposes and transmission to persons responsible in the company to obtain their payment approval.

The approval process can be particularly long according to the complexity of the approval channel as well as the geographical organization of the company. During this time, the suppliers frequently call the accounting department to inquire about the status of their invoices and obtain an estimated payment date. They are not always successful in obtaining a clear response.

The settlement is prepared once a certain number of invoices have been approved for payment. A payment signature book is prepared, which must be submitted to the finance manager for approval.

The payment is then made.

In the best case scenarios, it is generally too late to take advantage of the discounts offered by suppliers in exchange for rapid payment. In worst-case scenarios, the company may incur late payment interest and/or a supply chain disruption.

**ESKER'S SOLUTION ELECTRONICALLY RECEIVES SUPPLIER INVOICES IN THE FORM OF SCANNED PAPER INVOICES, EMAIL PDFS OR EDI.**

The information included in the invoices is automatically extracted to be presented to an accountant for validation. After being confirmed, the information is transformed in order to be directly integrated in the ERP.

If a purchase order exists which corresponds to the invoice details, the invoices becomes automatically cleared for payment. Otherwise, an image of the invoice with the key information is transmitted to the relevant cost center managers for approval. These managers can communicate their authorization or rejection directly from their workstation or from their smartphone.

A copy of the invoice and its status (received, pending approval, approved for payment, paid, rejected) is systematically communicated to the supplier in its personal space of the company's portal, which may be consulted at any time. If the invoice is approved for payment, the supplier may request early payment, according to the discount terms defined in the invoice footer.

Invoices cleared for payment are periodically collected in an electronic signature record in order to be approved by the chief financial officer.

The payment is then completed and the supplier is informed in real time.

By automating this process, the accounting team is dispensed from performing manual data entry tasks. This enables them to once again exercise a genuine control function and to perform more value-added activities.

# TECHNOLOGIES

## Cloud Platform

Esker's Cloud platform offers a number of advantages for the optimization of business processes: 24/7 availability, a high level of security (ISO 27001, HIPAA), complete personalization for each user or company as well as simultaneous integration with many ERPs.

## Artificial Intelligence

The Artificial Intelligence (AI) technologies developed by Esker are conceived to imitate human intelligence by combining Machine Learning and Deep Learning to manage and analyze structured and unstructured data from the most complex business processes.

Esker's core expertise includes the recognition of documents, images and content, and analysis and reporting tools.

Machine Learning is a form of AI technology that uses algorithms to teach a computer what is natural for people. It "learns" how to manage orders, process invoices and handle exceptions of all kinds, while continually improving its understanding of data over time to become even more accurate and efficient.

Deep Learning is based on algorithms by means of which an application learns how to perform tasks through a neural network by leveraging large quantities of data. Esker uses this technology for document recognition and classification as well as for prescriptive and predictive analytics.

## Mobility

The majority of the user interfaces of Esker solutions are available on smartphones so that managers or users can access company documents even when they are away from the office. The mobile application is used mainly for recording orders when visiting customers, approving invoices or purchase requests, consulting indicators or statistics, or recording travel expenses.

## EDI

The cloud-based nature of Esker's automated platform means that O2C and P2P solutions can be easily configured to work with IT installations without altering existing infrastructure. This technology is destined for large companies and governments. It requires a certain frequency in the number of exchanges as a significant period of adjustment required to become efficient.

# PRODUCTS

## Esker on Demand

An on-demand document process automation platform for outsourcing and automating the enterprise process linked to the circulation of documents (invoicing, reminders, sales administration).

## Esker DeliveryWare

This application offers the same functionalities as the Esker on Demand solution and consists of 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). The sale of this product was discontinued in September 2019.

### FlyDoc

FlyDoc is an online fax and mail delivery service.

### CalvaEDI

This SaaS solution is designed for transport decision-makers, manufacturers, freight forwarders, logistic services providers as well as the haulers themselves for automatically exchanging shipping orders in real time in the EDI (Electronic Data Interchange) format.

### Esker EDI Services

This SaaS solution enables industrial companies to exchange different business documents (orders, order confirmations, delivery slips, invoices, payment notices, inventory reports, consignment notes, etc.) in EDI format (EDIFACT, X12, EANCOM, TRADACOMS,EDITEC, OASIS UBL, PEPPOL BIS, etc.) with their partners.

### TermSync

A cloud-based service for managing the accounts receivable collection process for customer invoices issued by Esker on Demand or any other third-party solution.

### Esker Fax

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

### VSI-Fax

A production fax server operating under UNIX and Linux offering approximately the same features as the Esker Fax product for these environments.

### Tun PLUS

A terminal emulator reproducing the screens of large systems in a Windows-type environment, It makes it possible to replace passive terminals and communicate with the company’s large legacy applications for users with Windows-type workstations. Tun Plus is marketed mainly for SCO Unix, Linux, IBM AIX, HP-UX, IBM 390 and IBM AS/400 servers. The attractiveness of this product line is based on the rich offering of emulations proposed (more than 20 today).

### SmarTerm

A terminal emulator marketed primarily for Digital (VAX Open VMS), Data General and IBM mainframe (3270) servers.

### 1.4.2. MATERIAL CONTRACTS

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

### 1.4.3. FINANCIAL POSITION OF THE GROUP

The Group's operating and financial review is presented in the management discussion and analysis of the Executive Board summarized below. This information concerns the consolidated financial statements as presented in *Paragraph 5.1* 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 5.1.*

#### Analysis of Group revenue

Esker achieved its best performance in its history, crossing the milestone of €100 million in revenue.

Revenue grew 20% (+18% at constant structure and exchange rates) to €104.2 million.

This performance was largely driven by the accelerating success of cloud-based document process automation solutions which represented nearly €94 million in 2019 (90% of total revenue), up 21% from 2018.

Revenue from traditional license-based document process automation solutions declined 18% to €6.6 million (6% of total revenue) while legacy products accounted for only 4% of revenue.

#### Strong growth in new orders and continuing investments to support growth

Beyond this growth in revenue, 2019 was also a record year in terms of commercial performances. The minimum guaranteed value for the Group of contracts signed in 2019 (order intake) increased significantly by 47% in relation to 2018, significantly outpacing growth in sales. All regions showed strong momentum for order intake in 2019, with a particularly exceptional performance for the United States where the value of new contracts signed grew 75%.

It should be noted that the multi-year marginal contracts have a marginal impact on sales in the year of their signature, whereas their acquisition costs (mainly marketing and sales expenses) are incurred in their entirety in the period. This commercial success has an adverse impact on the immediate profitability and the benefit of future results.

In 2019, the average number of employees of the group rose 18% to 681 employees at December 31. As in prior periods, the Consulting department represented the largest rise, with a 22% increase additional staff. This recruitment supported the implementation of new contracts but also represents a key success factor for partnership agreements signed by Esker throughout the world (KPMG in the Netherlands, Fuji Xeroxin the Asia-Pacific region, Cegid in France, etc.).

In 2019, Esker also invested in the creation of a Customer Experience department, devoted to monitoring and improving the satisfaction of its existing customers. In the cloud business model, customer retention and development represents the foundation of rapid and profitable growth. Esker invested more than €1 million to create a dedicated department focusing on this mission and expects that it will produce lasting benefits in the coming periods.

Bolstered by the continuing success of Esker solutions with its customers and the company's confidence in the strength of its markets, it is already actively preparing for growth in the years ahead. To that purpose, the staff of its commercial marketing teams were increased by 20% in 2019.

#### Growth in current operating income

The Group's current operating income grew 10% in 2019 to €12.7 million, up from €11.6 million 2018. A certain number of non-recurring expenses totaling €0.9 million were nevertheless registered in the period. The decrease in the discount rate applicable to Group obligations linked to retirement severance benefits resulted in a significant mechanical increase in the corresponding provision in Esker's accounts (€400,000).

Additional provisions for the impairment of outstanding accounts receivable were considered necessary and prudent for selected accounts in France and Italy in the amount of €0.4 million Finally, the nature of work carried out by Esker's R&D teams resulted in application of tax and accounting rules, in a decline in both the amount of the research tax credit and also the percentage of development expenditures recognized as intangible assets.

The combined estimated impact of these two factors was €0.3 million in relation to prior periods. In addition to unusual items, the strength of sales provided significant resources to finance growth investments while maintaining a significant profit margin, in line with the Group's long-standing strategy.

On that basis, the Group's net income grew at the same pace as current operating income.

## 1.4.4. BUSINESS TRENDS, OUTLOOK AND SIGNIFICANT POST-CLOSING EVENTS

### Business trends and outlook

In the years ahead, all organic growth will be driven by cloud-based solutions. The absence of an initial investment combined with operating comfort make these solutions very popular with customers. Esker's goal is to occupy 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 and value-added processes (Order-to-Cash and Procure-to-Pay) while at the same time integrating artificial intelligence technologies.

To further leverage its growth, Esker is working with partners capable of assisting it in marketing and integrating its solutions in other customer segments. These include Fuji-Xerox in Japan, Quadient in the sector of SMEs and KPMG in the Netherlands. Esker is currently working to ensure the success of these partnerships and the extension of its ecosystem through its dedicated business development team.

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

In light of the significant percentage of recurrent business (+80%) as well as in strong growth in order intake (+47%), the company remains confident in the outlook for 2020. However, revenue in the second quarter will nevertheless be impacted by the reduced activity of our customers as a result of the coronavirus crisis. In addition, the reduced number of new contracts signed in this same quarter may also be expected to slow the pace of growth until the beginning of 2021. In consequence, and based on our knowledge of the situation at March 30, 2020, we are expecting organic growth in 2020 of close to 10% which to a large extent will be driven by contracts signed in 2019.

Esker again strengthened its consulting, business development and R&D teams to keep pace with its growth without impacting operating profit, with profitability expected to remain close to the level achieved in 2019.

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 2020 are as follows:

- Secure the cloud platform and maintain its recently acquired ISO 27001 certification,
- Grow the cloud platform in order to accommodate continuing growth in the number of customers,
- Integrate artificial intelligence technologies (Machine learning, Deep Learning) for all its solutions to further enhance the automation rate,
- Identify new channel and integrator partners in the Group's main countries while continuing to develop those already working with Esker.

### Significant post-closing events

In response to the worldwide Covid-19, Esker has taken all measures necessary to safeguard the health of its employees and to guarantee the continuity of its services to its customers. The nature of the company's activity, in the majority of cases, is compatible with telework arrangements. Esker customers can continue, even during lockdown conditions, to benefit from the Group's solutions to manage their back-office activities by using a cloud platform. Finally, Esker's business model based on multi-year contracts and subscriptions unrelated to the business volumes will limit the adverse effects of the virus on the economy.

Esker accordingly confirms at this stage its confidence in meeting its targets for double-digit growth in sales in 2020 with earnings expected to maintain its positive momentum in relation to 2019. Esker will revise its guidance and immediately inform the market in consequence, according to the development of the situation.

In addition, to strengthen its cash position during the health crisis, Esker obtained a French state guaranteed loan of €11.5 million.

## 1.4.5. CAPITAL RESOURCES

### Capital of the issuer

Information concerning the capital is presented in the consolidated statement of changes in equity in *Paragraph 5.1. "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 5.1*.

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

At December 31, 2019, the Group's US and UK subsidiaries had positive cash balances. In this respect, the euro's appreciation in relation to the US dollar or the pound sterling constitutes an impediment to the transfer of funds from the United States and the United Kingdom to France.

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

### Borrowing requirements and funding structure

As indicated above in *Section 1.4.3. Note 12* of the consolidated financial statements *Paragraph 5.1.* of this document, financial liabilities at year-end amounted to €6,525,000 and included the following items:

- €1,382,000 in financial debt in connection with finance leases capitalized in the period and concerning one printing and two inserting machines used for outsourced on-demand mail delivery services.
- €5,143,000 in bank borrowings to finance external growth and the acquisition of the site of the production plant in Décines (France).

### Restrictions on the use of capital resources

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

### Anticipated sources of funds

To strengthen its cash position, Esker SA plans to obtain a French state-guaranteed bank loan under measures adopted in response to the Covid-19 crisis to support companies.

## 1.4.6. PROPOSAL FOR THE APPROPRIATION OF NET PROFIT TO THE GENERAL MEETING

It is proposed that the profit of the period of €10,684,575.22 be appropriated as follows:

| | |
|---|---|
| ▪ €28,650.40 will be allocated to the "Legal reserve", increased accordingly from €1,121,793.20 to €1,150,443.60, | €28,650.40 |
| ▪ €1,898,231.94 for the distribution of dividends to shareholders, it being noted for the record that treasury shares held by the Company do not confer dividend rights, and the amounts corresponding to dividends not paid on these shares will be allocated to "Retained earnings": | €1,898,231.94 |
| ▪ with the balance of €8,757,692.88 to be allocated to "Retained earnings", which would be increased accordingly from €27,253,252.11 to €36,010,944.99: | €8,757,692.88 |
| Total equaling the profit of the period | €10,684,575.22 |

The dividends will be payable as of the date of the General Meeting within the statutory time limits in the amount of €0.33 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 2019, 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 €0.36 per share for eligible shares.

## 1.4.7. INFORMATION ON DIVIDENDS

The Executive Board will propose a dividend of €0.33 per share at the annual general meeting of June 18, 2020.

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

| FY (French GAAP) | Net dividend (in euro) | Net dividend / earnings per share |
|---|---:|---:|
| 2018 | 0.41 | 25% |
| 2017 | 0.32 | 26% |
| 2016 | 0.30 | 25% |

# 2 CORPORATE GOVERNANCE

# 2.1. CORPORATE GOVERNANCE BODIES

## 2.1.1. COMPOSITION OF CORPORATE GOVERNANCE BODIES

In accordance with the provisions of article 225-102 Paragraph 3 of the French commercial code, the list of offices exercised is provided below:

| | | OFFICES EXERCISED IN OTHER COMPANIES | | | | | |
|---|---|---|---|---|---|---|---|
| Name | Office or position exercised in Esker S.A. | Company | Nationality | Office / Position | Year of initial appoint-ment | Expiration of appointment: General Meet-ing ruling on the financial statements for the fiscal year ending in | Professional address (primary position) |
| M.C. Bernal | Chair of the Supervisory Board | Esker SA | French | Chair of the Supervisory Board | 2001 | 2024 | 113 boulevard de Stalingrad 69100 Villeurbanne |
| K. Beauvillain | Vice Chair of the Supervisory Board | Esker SA | French | Vice Chair of the Supervisory Board | 1999 | 2022 | 113 boulevard de Stalingrad 69100 Villeurbanne |
| T. Wolfe | Supervisory Board member | Esker SA | French | Member of the Supervisory Board | 1999 | 2022 | Esker Inc. 1850 Deming Way Suite 150 Middleton, WI 53562 – USA |
| N. Pelletier-Perez | Supervisory Board member | Esker SA | French | Supervisory Board member | 2017 | 2022 | 113 boulevard de Stalingrad 69100 Villeurbanne |
| | | Actif DPS | French | Supervisory Board member | 2016 | 2019 | 22 bis rue des Malines 91090 Lisses |
| | | Femmes Business Angels | French | Director | 2018 | 2020 | 23-25 rue Jean-Jacques Rousseau 75001 Paris |
| J.M. Bérard | Chair of the Executive Board | Esker SA | French | Chair of the Executive Board | 2000 | 2020 | 113 boulevard de Stalingrad 69100 Villeurbanne |
| | | Esker Inc. | US | Vice President | 2001 | N/A | 1850 Deming Way, Suite 150 Middleton, WI 53562 - USA |
| | | Esker UK Ltd. | British | Vice President | 1999 | N/A | Durham House - Stanier Way Wyvern Business Park - Derby Derbyshire DE21 6BF United Kingdom |
| | | Esker Software 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 (VA) Italy |
| | | Esker Ibérica SL | Spanish | Director | 2001 | 2100 | Calle Chile 8, oficina 206 28290 Las Rozas de Madrid |
| | | Esker Australia Pty Ltd. | Australian | Vice President | 1997 | N/A | Suite 1502, Level 15 227 Elizabeth Street Sydney NSW 2000 |
| | | Esker Document Automation Asia Pte Ltd | Singapore | Vice President | 2007 | N/A | 47 Scotts Road #05-04 Goldbell Towers Singapore 228233 |
| | | Esker Document Automation (HK) Limited | Hong Kong national | Vice President | 2018 | N/A | Units 24027-7 24th Floor Berkshire House No.25 Westland Rd Quarry Bay, Hong Kong |
| | | Esker Documents Automation (M) Sdn. Bhd. | Malaysia | Vice President | 2009 | N/A | 16-12 Q Sentral Jalan Stesen Sentral 2 50470 Kuala Lumpur Malaysia |
| | | Esker Solution Canada Inc. | Canadian | Director | 2012 | N/A | 630 René-Lévesque Blvd West Suite 2800 Montreal, Québec Canada H3B 1S6 |
| | | CalvaEDI | French | Chair | 2015 | N/A | 58/A rue du Dessous des Berges - 75013 Paris |
| | | TermSync | US | Vice President | 2015 | N/A | 1850 Deming Way, Suite 150 Middleton, WI 53562 - USA |
| | | Esker EDI services | German | Chair | 2017 | N/A | Calor-Emag-Straße 3 40878 Ratingen |
| E. Olivier | Member of the Executive Board | Esker SA | French | Member of the Executive Board | 2003 | 2020 | 113 boulevard de Stalingrad 69100 Villeurbanne |

- **Marie-Claude Bernal** has served as Chair of the Supervisory Board of Esker since 2000. Graduated from the HEC-JF School of Management in 1967, followed by an MBA from the University of Chicago in 1971, she joined the Banque de Neuflize where she became one of the first women in France to manage a mutual fund. In 1977, she joined Wellington Management in Boston, one of America's oldest and largest independent investment management firms, where she helped launch and grow the international department of this fund, becoming a partner in 1994. She pursued her collaboration with this company until 2000. Marie-Claude Bernal is also a director of a privately held US company and a French public company.
- **Kléber Beauvillain** has served as Vice Chair of the Supervisory Board since 2000. He was Managing Director of Hewlett Packard France for more than 20 years before becoming the Chair of the Supervisory Board. He currently serves on the boards of several companies including the Alpha Mos Group listed on the Paris stock exchange.
- **Nicole Pelletier-Perez** has been a member of the company's Supervisory Board since 2017. She began her career at Digital Equipment as a systems engineer, and then technical team manager. In 1898 she joined Oracle France to create the public sector division, and then became manager of Oracle Application. In 1994 she was appointed to SAP France's executive management team. At the end of 1996, she joined Wincap Software as Vice President for Sales, Europe and Japan. In 1999 she was recruited by IBM Europe and in 2011 she joined IBM France's hardware division. She has been a director of Actif DPS since 2015 and a member of France's Women Business Angels network (FBA) since 2016.
- **Tom Wolfe** member of the Supervisory Board is the founder of Persoft Inc, acquired by Esker in 1999.

Information on the career and professional background of Jean-Michel Bérard, Chairman of the Executive Board and Emmanuel Olivier, Chief Executive Officer, is presented in *Paragraph 2.8.1.* of this document.

### 2.1.2. PRACTICES OF CORPORATE GOVERNANCE BODIES AND CONFLICTS OF INTEREST

#### Practices of corporate governance bodies

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

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

In fiscal 2018, the Executive Board met four times at the company's registered office. The average rate of attendance at these meetings was 100%.

To the best of the Company's knowledge:

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

#### Information on Executive Board practices

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

- **Jean Michel Bérard** (Chair of the Executive Board), appointed by the Supervisory Board on August 31, 1999, and then reappointed by the Supervisory Board on June 18, 2000; June 24, 2003; June 22, 2005; June 28, 2007; June 26, 2009; June 10, 2011; June 13, 2013; June 16, 2015; June 22, 2017 and June 20, 2019.
- **Emmanuel Olivier**,(Chair of the Executive Board), appointed by the Supervisory Board on January 27, 2003, and then reappointed by the Supervisory Board on June 24, 2003; June 22, 2005; June 28, 2007; June 26, 2009; June 10, 2011; June 13, 2013; June 16, 2015; June 22, 2017; and June 20, 2019.

#### 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 between any of the officers or Supervisory Board members and any chief executive and their private interests and/or other duties.

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

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

## 2.1.3. SPECIAL COMMITTEES

### Audit committee and compensation committee

The audit committee has three members from the Supervisory Board: Ms. Bernal, Ms. Pelletier-Perez and Mr. Beauvillain. This committee met once in 2019 in the presence of all members (100% attendance rate).

The compensation committee is comprised of Supervisory Board members. This committee met once in 2019 with all members attending (100% attendance rate).

## 2.1.4. MANAGEMENT

### Management team

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

**Jean-Michel Bérard**
58, 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**
52, Worldwide Chief Operating Officer and Member of the Executive Board.

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

**Jean-Jacques Bérard**
54, Executive Vice President, Research and Development, and invited member of the Executive Board

Jean-Jacques Bérard received his engineer's degree in 1988 from Lyon Institut National des Sciences Appliquées. Before coming to Esker, he was research and development (R&D) team manager at Andersen Consulting in Lyon. He joined Esker in 1995, first as project leader for the SQL team and then advancing to R&D manager in November 1997. In June1998, he was named Executive Vice President, Research and Development. In this capacity, Jean-Jacques Bérard implements product strategy and oversees product planning and development.

**Eric Bussy**
**44, Director of Marketing and Product Management, and invited member of the Executive Board**

Eric Bussy received his master's degree in Business Administration from the Ecole Supérieure de Commerce IDRAC Lyon, France. Before joining Esker, he spent 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 for 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**
58, 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 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,**
53, Vice President of Business Development, and invited member of the Executive Board

Eric Thomas joined Esker in September 1997 and started as Managing Director for France and then South European Director for 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 Business Administration studies in the USA, Eric started his career at France Telecom EGT where he successfully held various positions in sales and sales management.

**Anne Grand-Clément**
50, WW Vice President of Professional Services and Technical Support, and invited member of the Executive Board

Holder of three undergraduate degrees (AES, MASS & LEA), Anne Grand-Clément received her Master's Degree in Computer Science Applied to Business Administration (MIAGE) in 1991. Before coming to Esker, she spent 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.

# 2.2. COMPENSATION AND BENEFITS OF EXECUTIVE OFFICERS AND DIRECTORS

## Compensation of Supervisory Board members

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

| Corporate officer | Office or position exercised in Esker S.A. | Company paying the compensation | Compensation paid in 2019 (gross basis) | Nature of compensation paid for FY 2019 | | | |
|---|---|---|---|---|---|---|---|
| | | | | Fixed salary, fees | Variable compensation | Benefits in kinds | Attendance fees |
| Marie Claude Bernal | Supervisory Board Chair | Esker SA | €39,000 | €30,000 | | | €9,000 |
| K. Beauvillain | Supervisory Board Vice Chair | Esker SA | €24,000 | €15,000 | | | €9,000 |
| N. Pelletier-Perez | Supervisory Board member | Esker SA | €21,000 | €15,000 | | | €6,000 |
| T. Wolfe | Supervisory Board member | Esker Inc. | €21,000 | €15,000 | | | €6,000 |
| **TOTAL** | | | **€105,000** | **€75,000** | **€0** | **€0** | **€30,000** |

For information purposes, a comparative information of compensation paid for the previous period is presented below:

| Corporate officer | Office or position exercised in Esker S.A. | Company paying the compensation | Compensation paid in 2018 (gross basis) | Nature of compensation paid for fiscal 2018 | | | |
|---|---|---|---|---|---|---|---|
| | | | | Fixed salary, fees | Variable compensation | Benefits in kinds | Attendance fees |
| Marie Claude Bernal | Supervisory Board Chair | Esker SA | €39,000 | €30,000 | | | €9,000 |
| K. Beauvillain | Supervisory Board Vice-Chair | Esker SA | €24,000 | €18,000 | | | €6,000 |
| N. Pelletier-Perez | Supervisory Board member | Esker SA | €24,000 | €15,000 | | | €9,000 |
| T. Wolfe | Supervisory Board member | Esker Inc. | €21,000 | €15,000 | | | €6,000 |
| **TOTAL** | | | **€108,000** | **€78,000** | **€0** | **€0** | **€30,000** |

## Compensation of executive corporate officers

The Compensation Committee meets at the end of each year to review the compensation of Executive Board members. A summary of the compensation of the Chair of the Executive Board and the Chief Executive Officer is provided below:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| (in €) | Amounts due | Amounts paid | Amounts due | Amounts paid |
| **Jean-Michel Bérard – Chair of the Executive Board** | | | | |
| Fixed compensation | 238,620 | 208,620 | 201,620 | 201,620 |
| Variable compensation | 159,750 | 148,018 | 178,000 | 203,750 |
| Attendance fees | None | None | None | None |
| Benefits in kinds | 6,936 | 6,936 | 6,936 | 6,936 |
| **TOTAL** | **405,306** | **363,574** | **386,556** | **412,306** |

| | 2019 | | 2018 | |
|---|---|---|---|---|
| (in €) | Amounts due | Amounts paid | Amounts due | Amounts paid |
| **Mr. Emmanuel Olivier, Worldwide Chief Operating Officer, Executive Board member** | | | | |
| Fixed compensation | 187,971 | 187,971 | 179,243 | 179,243 |
| Variable compensation | 125,000 | 105,190 | 125,000 | 100,774 |
| Attendance fees | None | None | None | None |
| Benefits in kinds | 7,488 | 7,488 | 7,488 | 7,488 |
| **TOTAL** | **320,459** | **300,649** | **263,166** | **257,235** |

No restricted stock units (*actions gratuites*) were awarded in 2018. For that reason, in 2019 the number of restricted stock units granted to members of the Executive Board were, on the exceptional basis, doubled.

The compensation of Executive Board members was approved by the Supervisory Board on March 21, 2019.

Since 2017, compensation paid to Mr. Jean-Michel Bérard, 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, 2019.

Compensation paid to Mr. Emmanuel Olivier in 2019 includes variable compensation linked to achievement of commercial objectives relating to fiscal 2019. Only an advance on the variable compensation component linked to achieving objectives defined for fiscal 2019 was paid in that year, with the balance accrued for in the accounts at December 31, 2019.

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

Benefits in-kind concerned the company cars granted to Messrs. Jean-Michel Bérard and Emmanuel Olivier.

Executive Board members are eligible for participating in the restricted stock unit plan. The shares under this plan are not subject to conditions of performance.

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

| (in €) | 2019 | 2018 |
|---|---|---|
| **Jean-Michel Bérard, Chair of the Executive Board** | | |
| Compensation due for the year | 405,306 | 386,556 |
| Measurement of options granted in the period | None | None |
| Measurement of performance shares granted in the period | 1,347,200 | 0 |
| **TOTAL** | **1,752,506** | **386,556** |
| **Mr. Emmanuel Olivier, Worldwide Chief Operating Officer, Executive Board member** | | |
| Compensation due for the year | 320,459 | 311,731 |
| Measurement of options granted in the period | None | None |
| Measurement of performance shares granted in the period | 1,077,760 | 0 |
| **TOTAL** | **1,398,219** | **311,731** |

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

For the fiscal year ended December 31, 2019, no stock options were granted, for valuable consideration or free of consideration, to executive officers of the Company.

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

For the fiscal year ended December 31, 2019, no stock options were exercised by executive officers of the Company.

### Restricted stock units awarded in the period to each company officer

For the fiscal year ended December 31, 2019, respectively 16,000 and 12,800 restricted stock units (*actions gratuites*) were awarded to Messrs. Jean-Michel Bérard and Emmanuel Olivier.

### Restricted stock units vesting in the period for each company officer

In 2019, the number of restricted shares vesting in the period amounted to 9,000 shares for Mr. Jean-Michel Bérard and 8,250 shares for Mr. Emmanuel Olivier.

### Summary of stock options awards

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

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

### Options to subscribe for or purchase shares awarded to and exercised by the top 10 non-corporate officer employee beneficiaries

| | Total number of options granted | Weighted average price | Plan 11 | Plan 12 | Plan 13 | Plan 14 | Plan 15 |
|---|---|---|---|---|---|---|---|
| Options granted in the period | 0 | None | None | None | None | None | None |
| Options exercised in the period | 24,000 | 5.82 | 8,500 | 7,500 | 8,000 | None | None |

On June 24, 2019, the Executive Board decided to award 28,750 stock options of the company.

The Executive Board also decided at the meetings of June 24 to award 98,300 restricted stock units of the company.

These awards are described in the special reports concerning the award of restricted shares and stock options.

### Stock options and restricted share awards

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

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

### Grant of attendance fees

The general Meeting of June 20, 2019 decided to grant all Supervisory Board members for the period ended December 31, 2019, a total annual gross amount of attendance fees of €40,000.

### 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

In the period, Mr. Jean-Michel Bérard, Chair of the Executive Board, sold 41 shares.

Mr. Emmanuel Olivier, Executive Board member, sold 11,552 shares.

# 2.3. STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

In our capacity as Statutory Auditors of your Company, we hereby report on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements brought to our attention or discovered by us during the course of our audit, as well as the reasons justifying that such agreements are in the company's interest, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements, if any. It is your responsibility, pursuant to article R.225-58 of the French commercial code, to assess the interest involved in respect of the conclusion of these agreements with a view to their approval.

In addition, we are required, where applicable, to inform you in accordance with article R.225-58 of the French commercial code concerning the implementation, during the year, of the agreements already approved by the General Meeting of shareholders.

We performed procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie nationale des Commissaires aux Comptes*) relating to this engagement. These standards require that we ensure that the information provided to us is consistent with the relevant source documents.

## Agreements submitted for approval to the General Meeting

### Agreements authorized in the period

Agreements approved and entered into in the period ended.

We hereby inform you that we were not notified of any agreement authorized and entered into during the past financial year to be submitted to the Annual General Meeting for approval in accordance with the provisions of article L.226-86 of the French commercial code

## Agreements already approved by the General Meeting

We inform you that we have not been advised of any agreement already approved by the General Meeting remaining in force in the period ended.

*Villeurbanne and Lyon, April 30, 2020*

*The Statutory Auditors*

*[French original signed by]*

**ORFIS**
Valérie Malnoy

**DELOITTE & ASSOCIÉS**
Nathalie Lorenzo Casquet

*This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

The share capital is set at ELEVEN MILLION FIVE HUNDRED FOUR THOUSAND FOUR HUNDRED THIRTY-SIX EUROS (€11,504,436) and divided by FIVE MILLION SEVEN HUNDRED FIFTY-TWO THOUSAND TWO HUNDRED EIGHTEEN (5,752,218) ordinary shares of TWO EUROS (€2) per share, fully paid up.

## 2.4. 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 | | | |
| 2014 | Exercise of stock options and warrants | 333,628 | 400,546 | 10,191,680 | 5,095,840 | €2 |
| 04/20/15 | 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 |
| 04/02/16 | Capital increase through the capitalization of reserves | 108,000 | | 10,604,230 | 5,302,115 | €2 |
| 2016 | Exercise of stock options and warrants | 184,486 | 486,963 | 10,788,716 | 5,394,358 | €2 |
| 06/20/17 | Capital increase through the capitalization of reserves | 85,500 | | 10,874,216 | 5,437,108 | €2 |
| 10/13/17 | Capital increase through the capitalization of reserves | 3,600 | | 10,877,816 | 5,438,908 | €2 |
| 2017 | Exercise of stock options and warrants | 82,916 | 304,671 | 10,960,732 | 5,480,366 | €2 |
| 07/01/18 | Capital increase through the capitalization of reserves | 125,200 | | 11,085,932 | 5,542,966 | €2 |
| 2018 | Exercise of stock options and warrants | 131,998 | 403,619 | 11,217,930 | 5,608,965 | €2 |
| 05/04/19 | Capital increase through the capitalization of reserves | 97,800 | | 11,315,730 | 5,657,865 | €2 |
| 2019 | Exercise of stock options and warrants | 188,706 | 743,141 | 11,504,436 | 5,752,218 | €2 |
| **2019** | | | | **11,504,436** | **5,752,218** | **€2** |

# 2.5. MAJOR SHAREHOLDERS

At December 31, 2019, the shareholder base was as follows:

| Shareholders | As of 12/31/19 | | | As of 12/31/18 | | |
|---|---|---|---|---|---|---|
| | Number of shares | % of capital | % of voting rights | Number of shares | % of capital | % of voting rights |
| Jean-Michel Bérard | 394,797 | 6.9% | 11.1% | 385,797 | 6.7% | 11.1% |
| Thomas Wolfe | 270,895 | 4.7% | 7.8% | 270,895 | 4.7% | 8.0% |
| Marie Claude Bernal | 18,000 | 0.3% | 0.5% | 18,000 | 0.3% | 0.5% |
| Emmanuel Olivier | 63,822 | 1.1% | 1.7% | 62,502 | 1.1% | 1.6% |
| Kleber Beauvillain | 7,100 | 0.1% | 0.2% | 7,100 | 0.1% | 0.2% |
| **TOTAL MANAGEMENT** | **754,614** | **13.1%** | **21.3%** | **744,294** | **13.3%** | **21.4%** |
| Treasury shares | 150,242 | 2.6% | | 153,372 | 2.7% | |
| Registered shares | 1,298,444 | 22.6% | 17.8% | 830,961 | 14.4% | 18.3% |
| Free float | 3,548,918 | 61.7% | 50.9% | 3,880,338 | 67.5% | 57.3% |
| **TOTAL** | **5,752,218** | **100.0%** | **100.0%** | **5,608,965** | **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, 2019.

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 2019

By letter dated June 21, 2019, Wasatch Advisors Inc. (505 Wakara Way, 3rd floor, Salt Lake City, 84108 United States), reported having crossed above the reporting threshold imposed by the bylaws of 5% of Esker's share capital and voting rights.

By letter dated September 27, 2019, Allianz IARD (1 cours Michelet - CS 30051 - 92076 Paris La Défense), reported having crossed above the reporting threshold imposed by the bylaws of 8% of Esker's share capital.

# 2.6. MEMORANDUM OF INCORPORATION AND ARTICLES OF ASSOCIATION

### Corporate purpose

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

- The design, development and operation of information technology products,
- The provision of mail services for third parties including printing, envelope stuffing, and postage metering,
- Fax, SMS and 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 purpose,
- Participation through all means in undertakings or companies created or to be created, that relate to its corporate purpose, and notably by the creation of new companies, capital contributions, partnerships, or by way of subscription, or acquisition of shares or ownership rights, alliances, joint ventures or economic interest groupings (*groupement d'intérêt économique*) or lease management arrangements.

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

The articles of association updated on January 02, 2019 describe the operation of the Company's corporate governance bodies. The rules governing the Executive Board and Supervisory Board are those established by the French commercial code.

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

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

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

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

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

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

### General Meetings

According to articles 20 to 22 of the articles of association, general meetings are called and proceedings conducted 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 represent, 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 Company's bylaws, in addition to the obligation of informing and the *Autorité des Marchés Financiers* (AMF), the French financial market authority, any natural person or legal entity, acting alone or in concert, acquiring more than one twentieth, one tenth, three twentieths, one fifth, one quarter, one third, one half, two thirds, eighteen twentieths or nineteen twentieths or one percent of the capital or voting rights, or crosses above or below these thresholds must inform the company of the number of shares or voting rights it possesses within five (5) trading days from the date of this occurrence by registered letter with acknowledgment of receipt.

Failure to inform the Company within five (5) trading 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, on condition that a request to that purpose has been duly made and recorded in the minutes of the General Meeting by one or more Shareholders 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.

# 2.7. INFORMATION ABOUT ANY CAPITAL WHICH IS UNDER OPTION

## Stock options conferring rights to subscribe for or purchase shares

Under the authorizations granted by the Extraordinary General Meetings, the Executive Board granted to selected members of the personnel of the Esker Group stock options granting rights to respectively subscribe for or purchase Esker SA shares.

Information about these different plans including the grant dates and number of options outstanding and the average exercise price is provided in *Note 11* to the consolidated financial statements included in *Paragraph 5.1.* of this document. In addition, the following information is available in the Executive Board's special report on options included in *Appendix 2* of this universal registration document:

- options issued and exercised in the period
- options issued before the close of the period ended and not yet exercised
- options granted and exercised by the executive officers of the company in the period ended
- options exercised by each of the 10 employee beneficiaries who are not officers of the company granted the largest number of shares

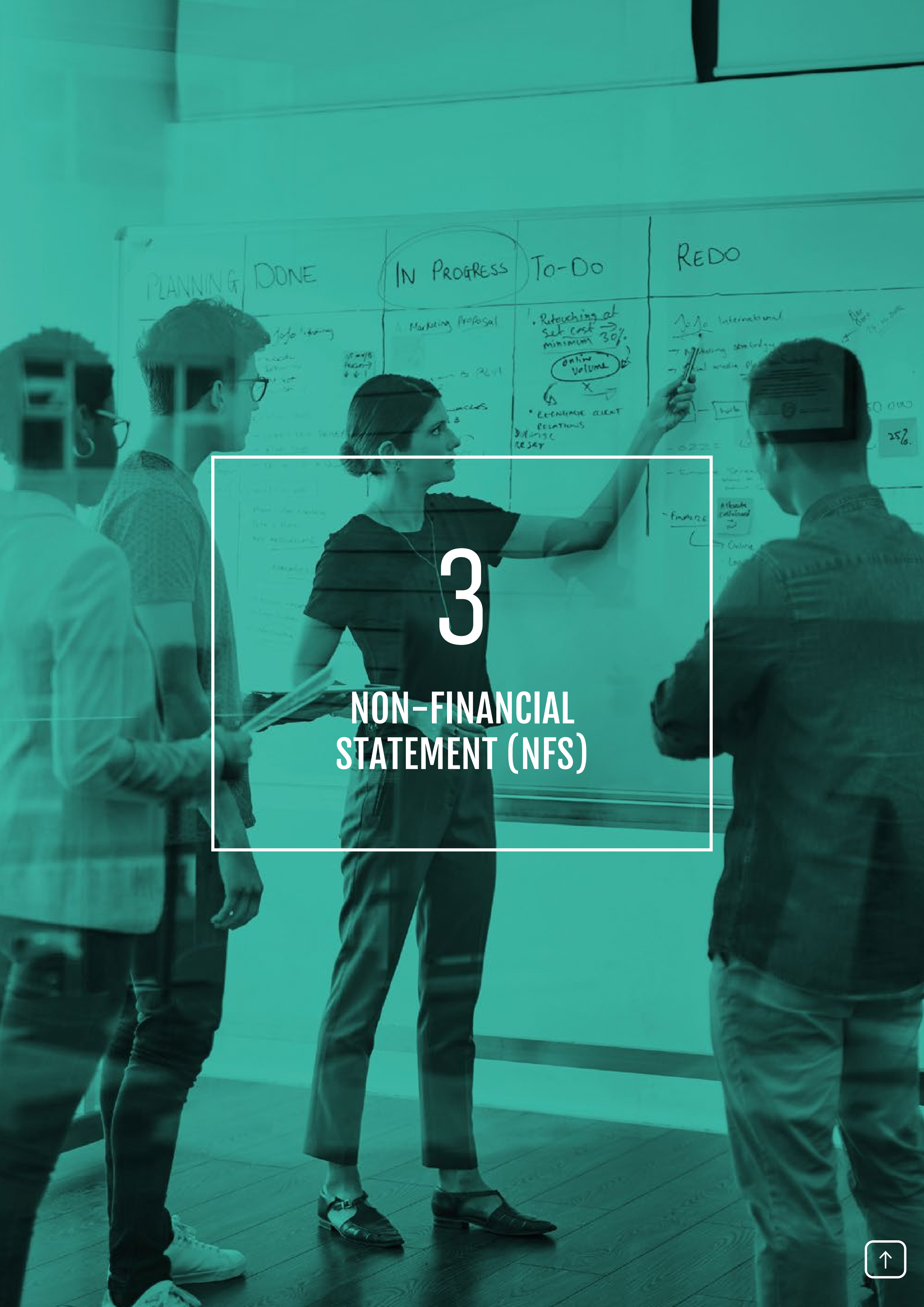
## Restricted stock units

Under the authorization granted by the Extraordinary General Meeting on June 16, 2015, the Executive Board granted restricted stock units (*actions gratuites* or free shares) to selected personnel of Esker Group.

Information about these different plans including the grant dates number of options outstanding and the average exercise price is provided in *Note 10* to the consolidated financial statements included in *Paragraph 5.1.* of this document and the Executive Board's special report included in *Appendix 2* of this universal registration document.

## Information relating to the potential dilution of the company's share capital

| | Stock options | Stock warrants | Restricted stock units | TOTAL |
|---|---|---|---|---|
| Number of shares to which instruments issued would confer rights | 244,255 | 0 | 111,500 | 355,755 |
| **Potential dilution of the share capital** | **4.46%** | **0.00%** | **2.03%** | **6.49%** |




# 3

# NON-FINANCIAL STATEMENT (NFS)

# 3.1. NON-FINANCIAL STATEMENT

## Governance of corporate social responsibility

A CSR working group, comprised of the Chief Information Officer, the Chief Financial and Administrative Officer, Director of Human Resources the Director of Technical Services, an invited member of the Executive Board, and a project manager (exercising in parallel other functions within the company) meets once a month at the Group's headquarters. The members of this team exchange views about initiatives and good practices in the areas of human resources, ethics and the environment, spearheading initiatives focusing on employees and suggesting actions through the company's Executive Management.

An environmental and social action committee whose members include the head of General Services and motivated employee volunteers, proposes and implements concrete measures to raise employee awareness and reduce Esker's impact on the environment while ensuring a coherent social policy.

CSR correspondents in each subsidiary ensure the that corporate responsibility initiatives are deployed in all entities.

### THE THREE PILLARS OF OUR CSR APPROACH

Our CSR strategy is built around three priorities:

**THE ENVIRONMENT,**
because this is a question of immediate importance for the company which particularly affects our employees.

**EDUCATION**,
because supporting youth and providing them access to the jobs of the future will improve their employment prospects.

**EXTENDING THE REACH OF OUR LOCAL TERRITORY**,
because Esker is committed to maintaining its roots in its home region.

### INVOLVEMENT IN THE ECOSYSTEM

The quality of our CSR policy is recognized by the financial community and, particularly by SRI investors (Socially Responsible Investing), through the Gaïa-rating index rating produced by EthiFinance in complete independence. We are ranked 14th out of 74 for companies with less than €150 million in revenue.
Website: http://www.gaia-rating.com/

In 2019, our performance in the area of CSR was measured by the EcoVadis platform in order to promote transparency and the confidence of our customers and commercial partners. The Silver label, already obtained in 2018, was confirmed again this year, with a score of 58/100, placing Esker in the top 17% of companies evaluated by this platform.
Website: https://ecovadis.com/

Esker joined the United Nations Global Compact in March 2019 and undertakes to respect its 10 principles in the area of human rights, labor rights, the environment and combating corruption. Global Compact France is mandated by the United Nations to support the 2030 Agenda and promote the adoption of the Sustainable Development Goals by the French economic stakeholders.
Website: https://www.unglobalcompact.org/

# Presentation of Esker

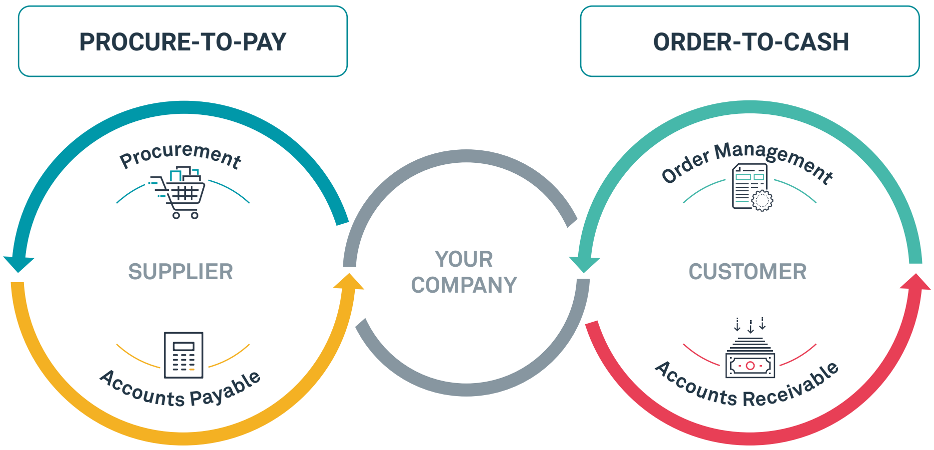
## OUR BUSINESS

*Esker's business and solutions are presented in Chapter 1.4. of the universal registration document.*

Esker is a worldwide provider of document process automation solutions for businesses. Esker software products are sold in the form of on-demand online services (SaaS) which represented 90% of Esker sales in 2019. The balance represented revenue from the sale of licenses, maintenance contracts and the corresponding product upgrades.

Based on Artificial Intelligence (AI), Esker solutions cover all customer and supplier cycles. They can accelerate and streamline these cycles by automating the corresponding business documents and significantly improve relations with customers and suppliers while freeing up administrative personnel from the more tedious, time-consuming tasks so they can be more productive.

Present in 14 countries, Esker teams distribute the Group solutions used by 6,000 customers throughout the world.




## OUR VALUES

Our corporate culture is driven by core values: collaborating at a global level, building relations based on trust and respect of all parties, achieving progress through innovation, creating a healthy and positive work environment and focusing on satisfaction for all. These values guide us in our day-to-day actions, the way we work and inspire our 700 employees across the globe to build highly effective and innovative solutions.

**One Team Beyond Boundaries:** We encourage open collaboration between departments and countries. We bring people together and share ideas to grow strong and successful.

**More Gratitude, Less Attitude:** We believe that a successful organization is built on respect and trust. Appreciation and genuine communication create an environment where people feel truly valued.

**Dare To Innovate, Initiate and Iterate:** Thinking outside the box is a skill we value greatly. We start small and adapt along the way to reach ambitious goals — one story at a time.

**Good Vibes Only:** A positive work environment promotes better performance. We make sure everyone finds the right balance by respecting individual needs.

**All Actions Toward Satisfaction:** For our customers and employees, satisfaction isn't just a goal, it's our mission. Our experience and perseverance allow us to overcome challenges and deliver value.

## BUSINESS MODEL

*The description of the company and its activities is presented in Chapter 1 of the universal registration document.*

### Our resources

**FINANCE**
- Stock market value: €481M
- Debt: €61M
- Treasury: €21.1M

**PEOPLE**
- 675 employees (as of 12/31/2019)
- 1 out of 4 employees dedicated to product development

**ENVIRONMENT (*)**
- Electricity consumption: 680,856kWh
- Vehicle fleet: 44, including 4 hybrids
- Main paper supplier ranked in the top 1% of the world's best performing companies for sustainable development (**)

### Our activity

**OUR MISSION**
Reinvent the customer and supplier experience thanks to digital transformation via the automation of business processes

**OUR VISION**
Offer a unique platform for all business administrative, financial and human processes

**OUR CULTURE**
Collaborate globally, base our relationships on mutual trust and respect, innovate to progress, create a healthy and positive work environment, and mobilize for the satisfaction of all

**OUR GROWTH DRIVERS**
- Recurrent revenue
- Dynamic investments
- Cloud pioneer
- Artificial intelligence

### Our value creation

**FINANCE**
- Ranking among software vendors: 2nd vendor in the ARA region
- 2019 sales revenue: €104M
- Results: 9% of 2019 sales revenue

**PEOPLE**
- # 14 in Best Workplaces in France ranking (*)
- 400 employees participated in a training session in 2019
- Women account for 29% of the workforce

**OUR CULTURE**
- $CO_2$ emission by document processed: 10g (2018 stat - see methodological note) (*)
- Waste recovery: 2117kg of waste recycled (*)
- Reforestation projects in Haiti – 5,000 trees planted

**COMPANY**
- 6,000 customers worldwide engaged in their digital transformation
- 600,000 users on our cloud-based platform Esker on Demand
- 1 billion transactions processed by Esker
- €340K in sponsorship projects promoting education and access to culture (*)

(*) French reporting scope only

(**) Ecovadis' evaluation of the supplier, Stora Enso

## STAKEHOLDERS AND ECOSYSTEM

By nature, the activity of independent software vendor means that Esker interacts with several types of stakeholders within its ecosystem: employees, customers, technology and commercial partners, suppliers, professional bodies and civil society organizations. The quality of its relations and ethical conduct underpinning its operations within this ecosystem represent the foundations of Esker Group's core values.

| Stakeholders | Value creation | System/Measures | Sustainable Development Goals |
|---|---|---|---|
| **Employees** | - Reinforcing Esker's attractiveness<br>- Offering a caring and pleasant working environment<br>- Ensuring the health and safety of employees<br>- Helping talented employees develop their expertise<br>- Maintaining constructive and regular dialogue | - Conducting an annual customer satisfaction survey<br>- Meetings with employee representative bodies<br>- Developing expertise through employee training initiatives<br>- Awareness-raising through training initiatives on first aid measures, fire risks and road safety | 3 GOOD HEALTH AND WELL-BEING<br>4 QUALITY EDUCATION<br>5 GENDER EQUALITY<br>11 SUSTAINABLE CITIES AND COMMUNITIES<br>12 RESPONSIBLE CONSUMPTION AND PRODUCTION |
| **Customers** | - Supporting companies to successfully achieve their digital transformation<br>- Ensuring the security of our information systems and protecting data about our activity, personnel and our customers<br>- Reducing our customers' carbon footprint | - Solutions to modernize and increase the added value of finance business lines<br>- Reducing the use of paper in companies<br>- Adopting a customer-centric organization<br>- Ecovadis Label<br>- A team devoted to monitoring and ensuring the security of our cloud platform | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE<br>13 CLIMATE ACTION |
| **Partners and suppliers** | - Collaborate with our suppliers and service providers based on a code of business ethics<br>- Encouraging the best practices in terms of protecting human rights and the environment | - Choosing partners and suppliers based on environmental and social criteria<br>- Technological partnerships to jointly develop software, technical integration and hosting services | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION<br>17 PARTNERSHIPS FOR THE GOALS |
| **Investors and shareholders** | - Reinforcing ethical governance<br>- Maintaining growth momentum and attractive profitability | - Listed on Euronext Growth<br>- Index Gaïa<br>- Communicating on a regular basis in accordance with best practices in English and French<br>- Numerous meetings with investors and financial analysts<br>- Participation in trade shows | 8 DECENT WORK AND ECONOMIC GROWTH<br>16 PEACE, JUSTICE AND STRONG INSTITUTIONS |

| Stakeholders | Value creation | System/Measures | Sustainable Development Goals |
|---|---|---|---|
| **Civil society** | - Promoting access to culture and education to all<br>- Optimizing energy consumption and waste recycling | - Membership of the United Nations Global Compact<br>- Providing financial and human support to training organizations<br>- Contributing to the development of cultural programs accessible to all<br>- Recycling company waste and reducing the consumption of resources |  |

## Esker's main corporate social responsibility risks and priorities

In accordance with the transposition of the European Non-Financial Reporting Directive (NFRD), Esker has included in its management report the Non-Financial Statement which describes the main governance, employment-related, environmental or social risks relating to its activity.

### IDENTIFICATION OF RISKS

To identify these risks, an online survey was completed by all Esker employees to determine the issues they consider to be the most important and to ensure the coherence of the company's CSR approach with the values of its employees as Esker's main resource. This initiative is part of a more global process and method within the company designed to promote the participation of individuals in the decision-making processes to ensure their adhesion and motivation for implementing these actions.

Analysis was then conducted by the CSR working group (mentioned in the section Governance of Corporate Social Responsibility in the NFS' introduction) to identify the impacts of the company on its entire ecosystem, in addition to the risk factors presented in *Chapter 4* of the universal registration document and the priorities identified through the employee survey.

Finally, the results of this analysis were presented to the Chair and Chief Executive Officer of the company in order to adjust and validate the major challenges and priorities.

These priorities are the result of a collective effort of the company's management, its different business line departments and all employees who responded to the survey that were published in this document for 2019.

- GOVERNANCE: Respecting ethical principles in the conduct of Esker's activities;
- EMPLOYEES: Attracting, retaining and developing talent;
- SOCIAL: Having a positive impact on our territory, companies and future generations;
- ENVIRONMENT: Contributing to the transition to a low-carbon economy.

In line with the priorities identified, its business model and the Group's commitments, Esker has presented in this section the lines of action for creating value in connection with the Sustainable Development Goals representing a frame of reference recognized worldwide and shared by many companies and institutions worldwide.

## KEY PERFORMANCE INDICATORS

The following table summarizes the main key performance indicators for each non-financial risk identified:

| Non-financial priorities | Indicators | Reporting boundary | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Respecting ethical principles in the conduct of Esker's activities | Number of meetings presenting results | Group | 2 | 2 | 2 |
| | Number of meetings with employee representatives (*délégués uniques du personnel*) | France | - | 10 | 10 |
| | Platform availability rate | Group | 99.8575 | 99.948 | 99.826 |
| | Percentage of employees having received online training to raise awareness about data safety and protection, renewed annually | Group | 100% | 100% | 100% |
| | Number of complaints for noncompliance with the GDPR | Group | - | 0 | 0 |
| Attracting, retaining and developing talent | Best Workplaces France ranking | France | 29th | - | 14th |
| | Percentage of positive responses to the question "Overall, I can say that the company is a good place to work" | France | 94% | - | 95% |
| | TrustIndex® established by the Great Place To Work Institute | France | 84% | - | 85% |
| | Number of employees at 12/31 | Group | - | - | 675 |
| | - by gender | Group | - | - | 198 women (29.33%) |
| | - by contract | Group | | | 663 CDI |
| | Average seniority | Group | - | 6.8 years | 6.4 years |
| | New employees: total recruitment | Group | - | 110 | 163 |
| | - by gender | Group | - | - | 56 women |
| | - by contract | Group | - | | 153 CDI |
| | Departing employees: total departures | Group | - | 36 | 49 |
| | - Resignation rate | Group | - | 4.97% (27) | 5.61% (36) |
| | - Dismissal rate | Group | - | 0.37% (2) | 0.15% (1) |
| | - Other reasons for termination | Group | - | 1.29% (7) | 1.87% (12) |
| | Absenteeism rate | Group | - | - | 2.85 |
| | Frequency rate | Group | - | 14.4 | 7.05 |
| | Severity rate | France | - | 0.14 | 0.41 |
| | Number of employees who received training | France | - | - | 400 |
| | Number training hours (in-house and external) | France | | - | 9472 |
| Contributing the transition to a low-carbon economy | CO2 emissions per document processed | France | - | 10g | not available |
| | Number of hybrid cars in the automobile fleet | France | - | - | 4 out of a total of 44 vehicles |
| | Electricity consumption (kWh) | France | - | 445,827 | 680,856 |
| | Quantity of recycled waste (in kg) | France | - | 1327 | 2116.8 |
| Having a positive impact on our territory, its companies and future generations | Amount invested for education (in € thousands) | France | - | 90 | 90 |
| | Amount invested for culture (in € thousands) | France | 150 | 50 | 250 |
| | Number of customers | Group | - | - | 6,000 |
| | Number of users of the Esker on Demand platform | Group | - | - | 600,000 |
| | Number of transactions on the Esker on Demand platform | Group | - | - | 1 billion |

# 1 RESPECTING ETHICAL PRINCIPLES IN THE CONDUCT OF ESKER'S ACTIVITIES

## Reinforcing ethical governance to ensure company sustainability

In addition to complying with laws and regulations, Esker integrates best practices in non-financial areas to improve performance and strengthen the confidence in the company of both its internal and external stakeholders and in this way contribute to the company's sustainability.

**KEY PERFORMANCE INDICATORS:**

- Two annual meetings presenting results
- Financial information available every quarter in English and French
- 10 meetings organized per year with the employee representatives (*délégués uniques du personnel*) (*)

### POLICY

#### Social dialogue

Every company of the Group has its own system for the representation of employees through the bodies defined by law. Beyond the measures taken to imply with the legal provisions and regularly organized meetings, the Group attaches considerable importance to social dialogue which contributes to its economic performance. In this context, employee representatives may be consulted for subjects other than those that are not included among the mandatory topics. The results of the company are shared with employee representatives before being presented in a company meeting to all employees. This presentation is also available in English for all employees throughout the world.

#### Dialogue with shareholders and investors

To strengthen dialogue with shareholders and promote the long-term commitment of investors, Esker maintains regular contacts with these stakeholders. The results of the company are presented every six months in French and English to an audience comprised of investors, analysts and all persons interested in the company's activities. Information on quarterly sales is communicated to stakeholders. Finally, the company's management also participates in professional investor exhibitions. In addition, a specific website for investors enables all interested persons to consult the latest presentations and contact the company's management to organize a meeting or obtain additional information or clarifications.

#### Compliance with the Sapin II law

The Administrative and Finance Department has adopted measures to comply with French Law on transparency, the fight against corruption and modernization of the economy (the "Sapin II" law). This initiative provided an opportunity to support Esker's transformation by reinforcing the adoption of an ethical and exemplary corporate culture under the direction of Executive Management. In this context, the responsible purchasing policy was initiated in 2019 by drafting a suppliers' code of conduct designed to ensure compliance with ethical principles by suppliers in the management of their own companies.

#### Respecting human rights

Esker is committed to respecting human rights in all countries where the company operates. In this framework, the company supports the UN Global Compact and a suppliers' code of conduct was drafted to ensure the support and commitment of its commercial partners in respecting rules relating to the environment, human rights, preventing discrimination, abolishing child labor and forced labor, as well as the rules with respect to fair wages and maintaining a healthy and positive work environment.

## ACTIONS

### Social dialogue

- A dynamic corporate agenda (*)
- 11 members and 9 alternate members in the Social and Economic Committee (*Comité Social et Economique or CSE*) team (*)

### Dialogue with shareholders and investors

- Creation of a specific website for investors available in French and English
- Participation in exhibitions for professional investors

### Compliance with the Sapin II law

- Launch of the mapping project for corruption risks and the inventory of practices of our subsidiaries
- Drafting of a code of conduct, a whistle blowing system, a policy for gifts (these documents are in the process of being validated) and an ethics clause and provisions for combating corruption integrated in supplier contracts

### Respecting human rights

- Membership of the United Nations Global Compact
- Drafting a code of conduct for our main suppliers

## RESULTS

**10** Meetings with the CSE team during the year 2019 (*)

**Number of visitors to the US investors site (online since March 2019):**

**24,000** pages viewed

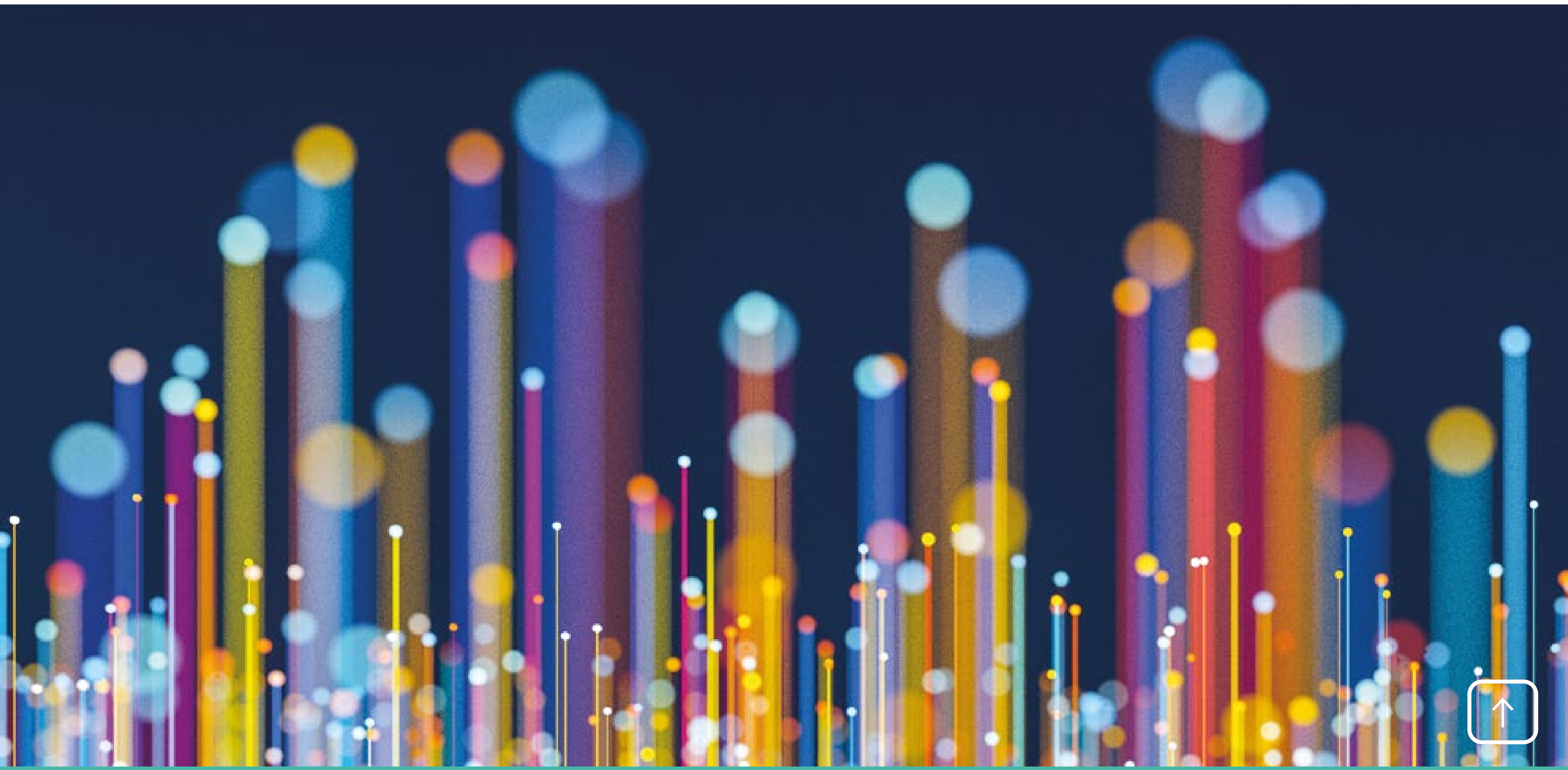
**4,000** single visitors

**Number of visitors to the French investors site (online since November 2018):**

**17,000** pages viewed

**3,200** single visitors

(*) France only



## Ensuring the security of our information systems and protecting data about our activity, personnel and our customers

*The risk of the failure of the production platform and attempts to penetrate our servers are described in Chapter 4.1. Technological risks of the universal registration document.*

Becoming increasingly sophisticated in recent years, cybercrime threatens the security, reliability and continuity of information systems and the digital sector is faced with increasingly important challenges for ensuring the protection of personal data.

### KEY PERFORMANCE INDICATORS

- The average rate of the availability of the Esker on Demand cloud platform in 2019: 99.826%
- The information security management system (ISMS) is audited and ISO 27001 certified for the Esker on Demand cloud-based activities
- 100% of employees worldwide have received online training to raise awareness about data safety and protection, renewed annually

### POLICY

With a cloud platform available 24/7 throughout the world, IT security is a major issue for Esker that takes all possible measures to guarantee its customers a very high level of availability of its services. Specific themes are devoted to ensuring the safety and security of our structure. Esker is also equipped with an information security management system (ISMS) audited and ISO 27001 certified for the activities of its Esker on Demand cloud platform.

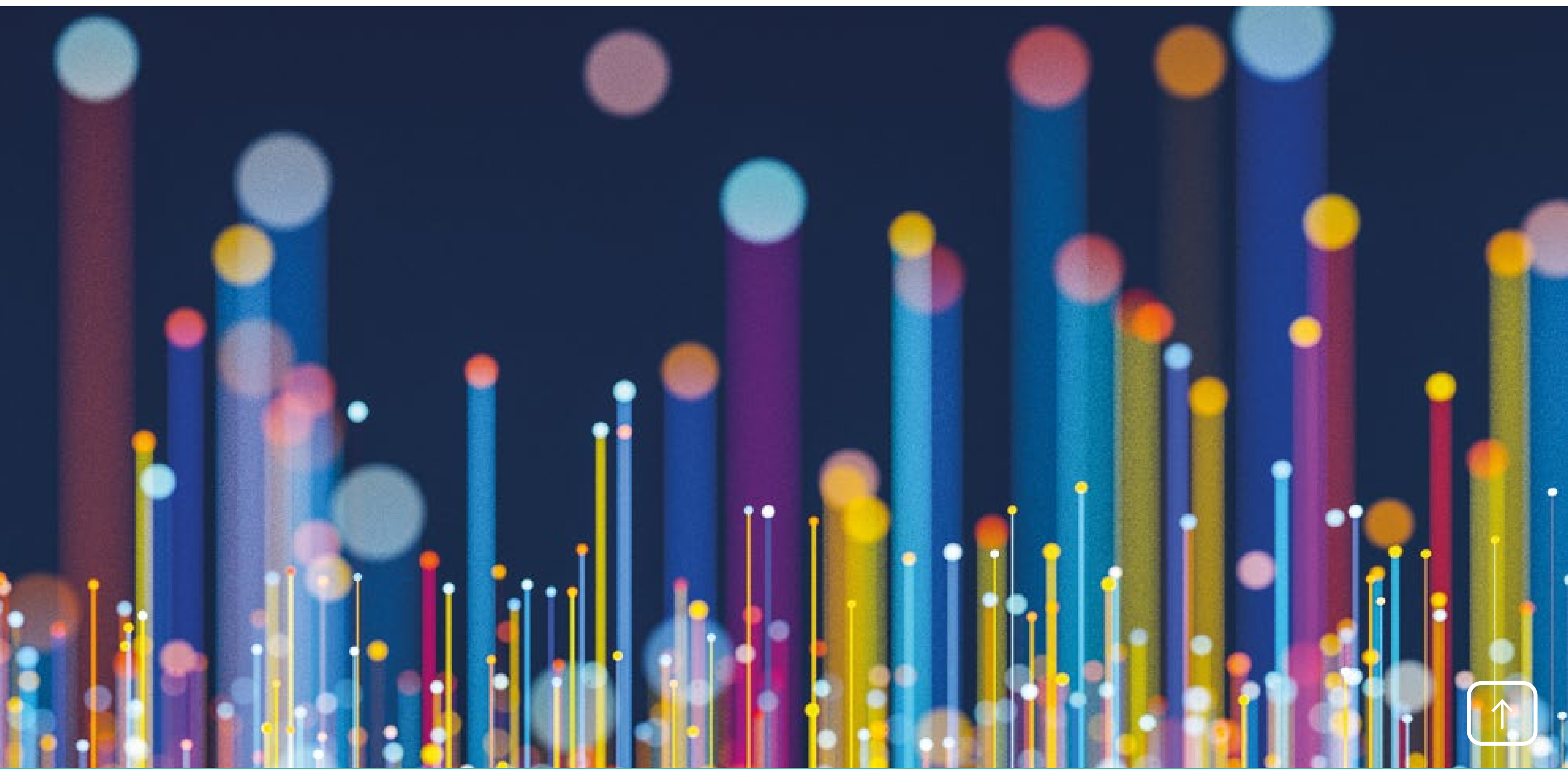
A Data Protection Officer (DPO) and an Informtion Systems Security Officer (ISSO) were appointed to monitor the proper application of the rules for ensuring the protection of personal data.

### ACTIONS

- Online training provided on an annual basis to raise awareness about information security risks and policies
- Intrusion test performed once a year
- Quarterly automated vulnerability scans

### RESULTS

- Number of complaints for noncompliance with the GDPR: 0
- 100% of employees successfully completed online training designed to raise awareness about data safety and protection



# 2 ATTRACTING, RETAINING & DEVELOPING TALENT

## Human resources at Esker in numbers

**675**
Employees

**37.9**
Average age

**6.4 YEARS**
Average seniority

December 31, 2019, Esker Group had 675 employees (563 in 2018) including 303 outside of France (252 in 2018). The average age and average seniority were respectively 37.9 years and 6.4 years in 2019 (38.9 years and 6.8 years in 2018).

| Country | Women | | | | Men | | | | Total Group | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Fixed-term employment contracts | Permanent employment contracts | Total | Average age | Fixed-term employment contracts | Permanent employment contracts | Total | Average age | Fixed-term employment contracts | Permanent employment contracts | Total | Average age |
| France | 3 | 101 | 104 | 36.5 | 6 | 262 | 268 | 35.9 | 9 | 363 | 372 | 36.1 |
| United Kingdom | 0 | 7 | 7 | 41.8 | 0 | 15 | 15 | 43.8 | 0 | 22 | 22 | 43.3 |
| Germany | 0 | 10 | 10 | NA | 0 | 37 | 37 | 44.4 | 0 | 47 | 47 | NA |
| Italy | 0 | 2 | 2 | 45.6 | 1 | 9 | 10 | 37.2 | 1 | 11 | 12 | 38.6 |
| Spain | 0 | 7 | 7 | 43.2 | 0 | 12 | 12 | 41.2 | 0 | 19 | 19 | 41.9 |
| Australia | 0 | 2 | 2 | 42.4 | 1 | 10 | 11 | 43.3 | 1 | 12 | 13 | 43.1 |
| Asia | 1 | 11 | 12 | 36.3 | 0 | 12 | 12 | 38.8 | 1 | 23 | 24 | 37.6 |
| Americas | 0 | 54 | 54 | 38.6 | 0 | 112 | 112 | 38.3 | 0 | 166 | 166 | 38.4 |
| **TOTAL** | **4** | **194** | **198** | **38.1** | **8** | **469** | **477** | **37.8** | **12** | **663** | **675** | **38** |

Women accounted 29.33% of the workforce (compared to 29.84% in 2008) and men 70.56%.

This table includes all employees who were part of the workforce at December 31, regardless of the nature of their employment contract (in progress or suspended) with the exception of interns and international business volunteers (IBV), including fixed term and work-study contracts. Every employee is counted regardless of the length of time worked. The breakdown between men and women corresponds to the Group workforce at December 31.

# Reinforcing Esker's attractiveness

To ensure the sustainability and development of the company's activities, Esker must attract and retain employees with highly specialized and complementary expertise. This goal is particularly challenging within the competitive sector of digital services where employment opportunities largely exceed demand. This requires providing a framework in terms of human relations, equipment and professional development opportunities designed to encourage employees to express their talent in the service of the company.

**KEY PERFORMANCE INDICATORS**

- 163 new employees joined in 2019
- Women represented 29.33% of the workforce
- 11 different nationalities in France and 19 worldwide

## POLICY

Esker's recruitment policy, on which an internal HR Scrum team is working, comprised of recruitment specialists, a marketing project head and developers, is organized around different priorities:

- The development of the Esker employer brand by promoting the corporate culture, its expertise and the company's areas of differentiation
- The added value of our business lines and the work of teams on assignment with customers
- The simplification of the recruitment process and the diversification of sourcing to facilitate access to different applicant profiles
- Promoting an attractive referral program

### ACTIONS

- Developing partnerships with schools (Lyon National Institute of Applied Sciences or INSA IF, 42 Lyon) (*)
- The multiplication of local educational initiatives by staff in schools, simulated meetings, school forums, etc. (*)
- Creation of a blog in France to promote the work of the technical teams (*)
- A measure to promote referrals with a €2,000 bonus (*)
- Promoting diversity in its workforce and combating discrimination by training members of the Human Resources Department about good recruitment practices
- Promoting our presence in social media among employees to increase our audience

### RESULTS

- 2019 recruitment:

| Recruitment | Women | Men | Total Group |
|---|---|---|---|
| Fixed-term employment contracts: | 6 | 4 | 10 |
| Permanent employment contracts: | 50 | 103 | 153 |
| **TOTAL** | **56** | **107** | **163** |

- 10 articles written by employees in France and published in the Esker Labs blog (*)
- 33 employees co-opted in the world in 2019
- Women accounted for 34.35% of new employees
- 39% of new employees were less than 28 years of age, an age bracket representing 15% of the total workforce
- 1,710 new subscribers for a total of 4,950 subscribers to Esker France's LinkedIn page at the end of 2019 (compared to 3,240 at the end of 2018) (*)

(*) France only

## Offering a caring and pleasant working environment

In a company where human capital represents the most important resource, the ability to retain talent is vital. To achieve this objective, companies must ensure the well-being of each employee by addressing both their collective and individual needs and adapting to evolving social trends.

### KEY PERFORMANCE INDICATORS

- Ranking among the Best Workplaces in France: 14th in 2019 (*)
- Percentage of positive responses to the question “Overall, I can say that that the company is a good place to work” in the Great Place to Work survey: 95% (*)
- Average seniority: 6.4 years
- Resignation rate: 5.61%

### POLICY

Esker takes into account the priorities of its employees by offering working conditions as closely aligned as possible with their expectations. Offices are designed by consulting with employees and their representatives with several areas specifically designed to address the teams’ different needs. Esker seeks to promote a healthy environment based on a strong and positive corporate culture and to facilitate achieving a balance between private and professional life, by making it possible, for example, to engage in sports activities in the workplace. In France, and in our US subsidiary, Fun@work committees (made up of around 15 volunteer employees) organize activities in the offices to promote team spirit. Finally, because the search for meaning contributes to workplace wellness, a shared vision and role in executing projects is one of the integral missions of Esker managers.

### ACTIONS

- Offering employees a high degree of flexibility for organizing their working hours
- Initiating a study on the possibility of adopting teleworking in coordination with the team CSE (*)
- Offering employees, technicians and supervisors a base compensation 5% above the minimum wage in 2019 (*)
- Offering one day of work per employee and per year to contribute to a CSR initiative of their choice (*)
- Promote gender equality in the company
- Offer preferential access to employees to the different venues and special events proposed by the Lyon Contemporary Art Biennial as part of our partnership (*)

### RESULTS

- Selection of 34 part-time employees, or 5% of the workforce
- Launch in 2020 of a teleworking trial included on the agenda of six Social and Economic Committee meetings before final implementation (*)
- Turnover of the employee, technician and supervisory personnel category: 14% (15% in 2018) (*)
- Incidents of harassment reported in 2019: 0 (*)
- Women-men index: 90/100 (*)
- In 2019, as part of our partnership with the Lyon Contemporary Art Biennial, employees were able to participate in specific conferences, photo workshops, private and guided tours with their children, the collaborative intervention of an artist as well as private evening events at the Fagor Factory cultural venue and the Musée d'art contemporain de Lyon (*)

(*) France only

## Ensuring the health and safety of employees

Measures to prevent professional risks are carried out every year in France in different areas and presented in detail in a specific document designed for that purpose (*document unique d'évaluation des risques professionnels*). In addition, a manager is appointed at each site with responsibility for implementing actions concerning the occupational health and safety of our employees.

**KEY PERFORMANCE INDICATORS**

- Frequency rate: 7.05 (vs. 14.4 in 2018) (**)
- Severity rate: 0.41 (vs. 1.23 in 2018) (**)
- The worldwide absenteeism rate: 2.85%

**Breakdown of types of absences (worldwide, days of absence):**

| 2,307 | 1,035 | 591.5 | 528 | 5,366 |
|---|---|---|---|---|
| Illness + Commuting accidents + Occupational accidents | Maternity leave / Paternity leave / Adoption | Family events | Other causes | Total days of absences |

### POLICY

Esker ensures the health and safety of its employees by offering a jointly-designed, agreeable and functional workplace and by adopting the necessary health and safety measures. All employees at our headquarter office and in the United States are equipped with adjustable desks designed to limit the risk of musculoskeletal disorders. Employees in the mail production facility in Décines are equipped with security equipment adapted to their activity including safety boots and protective earplugs.

All our offices throughout the world include rest or relaxation areas equipped with table football, game consoles or a multipurpose room at the headquarters where yoga and gymnastic sessions are organized. In France, employees are also eligible for massages organized by our Social and Economic Committee and healthy snacks are provided to our employees once a week in the form of fruit baskets. In France and in the United States, health information sessions are organized as "lunch'n'learn" events with health insurance partners. Every employee is eligible for reimbursement of any subscription or purchases made for their well-being such as for example a gym subscription, the purchase of a new bike or sports shoes.

### ACTIONS

- Organization of a day devoted to raising awareness about road safety for cyclists (*)
- Organization of a visit to our mail production facility by our occupational physician at least every three years and monitoring its recommendations as applicable (*)
- Training employee volunteers in first aid and evacuation procedures in the event of a fire (*)
- Organization of a conference on the topic of "digital technology and our cognitive limits" (*)
- Promotion of the prevention platform on health practices (*Mes attitudes Santé*) in partnership with Malakoff Médéric (mutual and personal protection insurer): our French employees are able to obtain advice online on different subjects including health, diet, addictions, memory, etc.
- Appointment of a "Health / Workplace Wellness" ambassador in the HR team whom employees may contact for any questions relating to health at work (*)

### RESULTS

- Implementation of a charter on the right to disconnect from digital devices: Esker in this way reasserts the importance of the proper use of digital tools and professional communications and the need to regulate their use in order to respect the rest and vacation periods, as well as ensuring the proper balance between the private and professional lives of employees. This charter is attached to our company rules of procedure
- 15% employees received first aid training (OSH) (*) *The French National Research and Safety Institute for the Prevention of Occupational Accidents and Diseases (INRS) recommends that 10% to 15% of employees receive OSH training*
- Percentage of employees trained in fire evacuation procedures: 8% (*)

(*) France only

(**) France only. Refer to the employment indicators in the methodology note

# Helping talented employees develop their expertise

Esker's success is based mainly on the experience and expertise of its employees. For that reason supporting their training is vital to ensure the employability of employees both in respect to their internal career development and ensuring the maximum benefits of their skills for outside assignments.

### KEY PERFORMANCE INDICATORS

- 400 employees received training in 2019 (*)
- 9,472 hours of training in 2019 (*)
- 34 employees worldwide benefited from internal career development opportunities in 2019

## POLICY

The training policy is built around strategic priorities defined once a year by senior management at the request of managers who, after adopting new working tools and methods, require training for some of their staff and also for those staff wishing to pursue opportunities for career development or a career change. The training budget takes into account these priorities and their degree of priority. The needs expressed in professional interviews are studied and ranked in order of priority according to the above areas. For training organized by outside service providers, an evaluation is performed of the skills acquired to enhance the management expertise.

Esker also has its own internal training center, Esker University, which includes several instructors and numerous online modules accessible to employees throughout the world. Classroom-based training is provided to newly recruited employees. At the operational level, managers are provided a calendar of training actions to help them select the employees concerned.

### ACTIONS

- Offer all employees the possibility to receive training at least once every three years (*)
- Propose new training programs for personnel development
- Give preference to internal candidates when posts become available by encouraging employees to apply for these positions in priority

### RESULTS

- Internal mobility in 2019: 25 in France, nine in the United States

(*) France perimeter

# 3 HAVING A POSITIVE IMPACT ON OUR TERRITORY, COMPANIES & FUTURE GENERATIONS

## Contributing to the economic development of our region

Companies contribute to the development of the local economy by creating employment and added value and by joining forces with other local stakeholders to promote synergies and innovation.

**KEY PERFORMANCE INDICATORS**

- Participation in the local economy through volunteer-sector organizations and local economic initiatives: Digital League
- Sponsorship initiative promoting the development of the territory: the Lyon Contemporary Art Biennial, Research Chair of the INSEEC Business School

### POLICY

The engagement of Esker's Executive Management through local economic volunteer-sector organizations, and notably Digital League since 2014, promotes innovation within companies of the region and their economic development. The Digital League is a regional cluster of digital services companies pooling their efforts and sharing their expertise to promote the adoption of good practices among entrepreneurs, schools, laboratories, investors, institutions to produce synergies.

Esker has also been supporting the Lyon Contemporary Art Biennial since 2015 that provides a showcase for the artistic creations of many local artists and their performance. Esker also contributed to the creation of the Research Chair for Artificial Intelligence at the INSEEC business school, and actively contributes to its activities through its field-based expertise.

### ACTIONS

- Active participation of Esker's Chair-CEO in the Digital League as co-chair (*)
- Sponsorship of the Lyon Contemporary Art Biennial: €250,000 (*)
- Financing of a Research Chair at the INSEEC business school in the amount of €60,000 per year to develop the fields of finance through Artificial Intelligence (*)

### RESULTS

- Contribution to the network of the Digital League's network of more than 500 members (*)
- Artistic creations in connection with the Lyon Contemporary Art Biennial, through short channels in collaboration with the local economy (*)
- Results of research on Artificial Intelligence (*)

(*) France only

## Supporting companies in their digital transformation

Digital transformation henceforth represents a major vector for the development of companies. Esker Group, through its offering of document process automation solutions, directly contributes to the lasting transformation of these companies and their employees.

### KEY PERFORMANCE INDICATORS

- A worldwide customer base of 6,000
- 600,000 users of the Esker on Demand platform
- A total of 1 billion documents processed on the platform

### POLICY

Esker intervenes as a trusted partner by providing digital solutions to optimize and boost the performance of company administrative and financial services and customer services. Our solutions contribute to creating a more stress-free work environment, making it possible to devote more time to higher added value tasks and improve relationships with suppliers and customer satisfaction.

### ACTIONS

- Solutions offering more closely aligned to customer needs notably by deploying the Agile methodology and developing new functionalities more rapidly and on a more regular basis
- Developing a network of partners, notably to support customers: integrating solutions, training users and driving change

### RESULTS

- 799 new contracts were signed in 2019

### Customer testimonials

ESKER'S SOLUTION HAD A VERY POSITIVE IMPACT ON THE DAY-TO-DAY ACTIVITIES OF ACCOUNTANTS. JOB DESCRIPTIONS WERE REDEFINED WITH RESPONSIBILITIES BY SUPPLIER RATHER THAN TASK, WITH THE FOCUS ON WORKING TOGETHER AS OPPOSED TO WORKING SIDE-BY-SIDE IN ORDER TO PUT PEOPLE AT THE HEART OF OUR BUSINESS!"

ALEXANDRA VLATKOVI, ASSISTANT ACCOUNTING MANAGER, FEU VERT GROUP

WE CHOSE TO SWITCH TO AUTOMATED PROCESSES TO ELIMINATE THE EXPONENTIAL VOLUME OF PAPER THAT WAS BUILDING UP. MORE THAN DATA ENTRY, OUR NEED WAS MAINLY TO ASSIGN ORDERS TO THE RIGHT PERSON AND ENSURE THEIR TRACEABILITY. WITH ESKER'S SOLUTION, WE NO LONGER REQUIRE A PERSON TO SORT AND DISTRIBUTE FAXES ONE BY ONE TO THE DIFFERENT RECIPIENTS."

THIERRY FOURNIER CHIEF ADMINISTRATIVE AND OPERATING OFFICER, THE VAILLANT GROUP'S FRENCH SUBSIDIARY

## Promoting access to education and culture for all

Access to culture and education is key to building a caring and inclusive society. Quality education ensures the employability of future generations while access to culture offers everyone an opportunity to open up new horizons, develop a critical spirit and broaden one's understanding of the world.

### KEY PERFORMANCE INDICATORS

- Amount invested for education: €90,000
- Amount invested for culture €250,000

### POLICY

By supporting the Lyon Contemporary Art Biennial, Esker contributes to the emergence and access of culture for all by promoting the values of excellence and professionalism. The impact of the Lyon Contemporary Art Biennial is both international and local, with visitors, journalists and artists coming from the entire world, but also local companies solicited by the event and the artists to support the production of their artistic creations.

We also provide support for the development of several schools in the region. Our engagement is both financial and human, with our employees, for example, presenting their business to students or giving them an opportunity to discover our company by organizing on-site visits. This support to schools helps students gain access to the job market, while increasing technical profiles offers available on the job market.

### ACTIONS

- Donations of €50,000 per year for three years to the 42 Lyon school, a second chance school for coding, since 2018. Jean-Michel Bérard, Chair of Esker, is also a school administrator
- Intervention by employees at Ecole 42
- Intervention at the Eden School, a programming school for students who are no longer in the conventional school system, to learn the profession of developer, as early as middle school, where instruction is based on apprenticeship through action
- Sponsorship of a class of the INSA Lyon engineering school
- Donation of €250,000 in 2019 to the Lyon Contemporary Art Biennial

### RESULTS

- 125 students trained by the 42 Lyon school in Lyon
- 2019 Lyon Contemporary Art Biennial:
  - 273,800 visitors
  - 78 of the territory's companies solicited
  - 5,000+ persons received at 80 events organized for companies and partners

### Customer testimonials

WE NEEDED A SCALABLE SOLUTION THAT WOULD ALLOW US TO ADVANCE IN STAGES, AUTOMATING THE PROCESSING OF INVOICES WHILE GRADUALLY MOVING TO E-INVOICING. THIS IS WHY WE CHOSE ESKER'S SOLUTION IN ADDITION TO THE SIMPLICITY OF ITS ADOPTION AND EASE-OF-USE."

STÉPHANE POIRIER, PROJECT MANAGER, NEXECUR

ESKER'S SOLUTION MET ALL OUR GOALS. ITS MULTITUDE OF FUNCTIONALITIES MEANT THERE WAS NO REASON TO TEST ANY OTHER SOLUTIONS. PAYMENT REMINDERS ARE SENT OUT ELECTRONICALLY, OUR STAFF IS MORE PRODUCTIVE AND PROACTIVE AND OUR CUSTOMERS ARE HAPPY."

KARA DEIST, CFO, LINPEPCO

# 4 CONTRIBUTING TO THE TRANSITION TO A LOW-CARBON ECONOMY

## Optimizing energy consumption and reducing the carbon footprint

In response to the threat of climate change, Esker is optimizing its resources to develop its businesses: the environmental risk linked to the activity of its mail centers, managing the energy efficiency of the digital flows (data centers, eco application design, etc.) and its automobile fleet. The policy for purchasing and depreciation also includes environmental criteria for computer equipment (purchase of Epeat Bronze or Gold certified workstations and servers and Energy Star certified monitors).

**KEY PERFORMANCE INDICATORS**

- 10 grams of CO2 per processed document (for 2018 - see methodology note) (*)
- 4 hybrid cars in Esker's automobile fleet (out of a total of 44 vehicles) (*)

### POLICY

Esker's environmental policy is aligned with its commitment to environmentally positive sustainable development. In France, employees are encouraged to use low impact transport by reimbursing subscriptions for Lyon public transportation and a kilo metric allowance for employees commuting to work by bicycle and by making available a fleet of bicycles in our premises. The company's vehicle fleet is gradually being replaced by hybrid or electric vehicles. Production resources are optimized as part of a continuing effort to reduce electricity consumption and Esker selecting in priority suppliers in large part using renewable energy. Finally, to facilitate the transition of companies to document automation processes, Esker is contributing to reduce the use of paper among its customers and indirectly combating deforestation.

### Customer testimonials

THANKS TO ESKER AND ITS AP AUTOMATION SOLUTION, THE USE OF PAPER HAS TODAY BEEN LARGELY ELIMINATED."

HERVÉ BIGOT, HEAD OF FINANCIAL PROJECTS, ADEO SERVICES

WE ENCOURAGE OUR VENDORS TO SUBMIT THEIR INVOICES DIRECTLY AND ELECTRONICALLY ON OUR SUPPLIER PORTAL. IT HAS HELPED US SIGNIFICANTLY CUT DOWN ON PAPER HANDLING AND IMPROVE THE EFFICIENCY OF INVOICE FLOW AND PAYMENT PROCESSING."

PROJECT COMMITTEE, SHARED SERVICE CENTERS, SUNWAY

(*) France only

### ACTIONS

- Promoting employee use of low-impact transportation
- Signature of the partnership with a reforestation NGO (Reforest'Action)
- Increasing the percentage of hybrid or electrical vehicles in the company's automobile fleet
- Installing presence sensors managing 100% of the lighting in the common areas
- Installing an anti-heat film over 50% of the glass surface of our Décines site
- Raising awareness about the importance of eco-design to integrate environmental impacts in the design stage of our IT solutions and organization of a conference led by Frédéric Bordage in the Esker offices
- Selection of datacenter suppliers committed to sustainable development

### RESULTS

- Installation of six charging stations for electrical bicycles
- A 50% increase in the capacity of our bicycle fleet
- 5,000 trees planted in Haiti in partnership with Reforest'Action
- Decrease of more than 25% in the number of W/H consumed per page produced at our Décines site
- Management agreement for the implementation of recurrent training programs to raise team awareness about developing good practices for eco-design software
- 100% of the environments of our new customers are hosted in Microsoft Azure public cloud using a minimum of 60% renewable energy, in accordance with Microsoft's targets

## Customer testimonials

BY AUTOMATING THE PROCESSING OF CUSTOMER ORDERS AND THE SENDING AND ARCHIVING OF ELECTRONIC INVOICES, WE HAVE ACHIEVED SIGNIFICANT TIME SAVINGS. THANKS TO THE AUTOMATION OF THESE TWO STRATEGIC PROCESSES WE ARE MOVING TOWARD EFFICIENT AND ECOLOGICAL PAPER-FREE HANDLING."

ALBERTO BARBERO, CUSTOMER SERVICE MANAGER, BEL ESPAÑA

BY OUTSOURCING AND AUTOMATING OUR DOCUMENT FLOWS WITH ESKER'S SOLUTIONS, WE WILL NOT ONLY IMPROVE PRODUCTIVITY, BUT STRENGTHEN OUR INVOICING EXPERTISE WHILE CONTRIBUTING TO OUR ENVIRONMENTAL POLICY BY REDUCING PAPER CONSUMPTION."

BRIGITTE ANDREOLIS-CLAVIER, CFO, STACI

ESKER HAS ENABLED US TO DELIVER A SUPERIOR LEVEL OF SERVICE QUALITY TO OUR CUSTOMERS. THE AMOUNT OF SPEED AND TRANSPARENCY IN THE PROCESS ARE TWO KEY ELEMENTS THAT WILL ALLOW US TO ACHIEVE OUR OBJECTIVE OF ZERO PAPER IN THE FUTURE."

ALAIN FAVRE, CEO, GECITECH

# Saving resources and recycling waste

As economic performance drivers, saving resources contributes significantly to protecting the environment while waste recycling contributes to the development of the circular economy.

### KEY PERFORMANCE INDICATORS

- Electricity consumption: 680,856 kWh (*)
- Quantity of recycled waste: (*)
  - plastics 60.5kg (vs. 21kg in 2018)
  - paper/cardboard: 2,051.3kg (vs. 1,305kg in 2018)
  - sundry metals: 5kg (vs. 1kg in 2018)

## POLICY

Esker seeks to achieve savings in the use of raw materials at its mail centers and our waste production is primarily linked to our mail production activities. The reduction of waste products by minimizing production scrap by adopting an ISO 9001 quality management system and increasing the waste recovery rate is therefore a priority. Raising staff awareness and facilitating the sorting of waste also are among the actions that will allow us to maximize the recovery of waste.

### ACTIONS

- Reducing and recovering production scrap at the Décines mail production facility (*)
- Adopting an environmental management certification process (*)
- Implementing measures to raise staff awareness about recycling (*)
- Facilitating sorting at our headquarter office by providing recycling containers for batteries, light bulbs, plastic caps, plastic bottles, cans, paper, cardboard and aluminum coffee capsules (*)
- Selection of paper suppliers committed to sustainable development

### RESULTS

- 10% less scrap in relation to 2018 at our Décines mail production facility; 100% recycling of ink, paper and envelopes production waste (*)
- Obtaining ISO 14001 certification of our mail center (*)
- Organizing morning workshops to raise staff awareness about recycling, the lifecycle of waste and the functioning of a sorting facility. (*)
- Quantity of recycled waste: (*)
  - plastics 60.5kg (vs. 21kg in 2018)
  - paper/cardboard 2,051.3kg (vs. 1,305kg in 2018)
  - sundry metals: 5kg (vs. 1kg in 2018)
- The main paper supplier ranked number one worldwide of the top-performing companies in terms of sustainable development

(*) France only

# METHODOLOGY NOTE

Non-financial reporting covering all CSR indicators at the Group level was initiated in 2019. This approach highlights a positive dynamic and will result in the gradual extension of the scope for these indicators and their adoption.

## Methodological explanations and limitations

The process for collecting information and indicators will be correctly updated, notably in light of the scope of the changes, and by raising the awareness of contributors in order to reinforce the quality and materiality of the information.

Reporting on certain indicators may have limitations due to:

- the absence of national and/or internationally recognized definitions;
- the necessary estimates, representativeness of the measures or limited availability of external data required for calculations;
- the practical procedures for collecting and recording this information.

For that reason, whenever possible, definitions, methodologies and, where applicable, the associated margins of uncertainty, are specified for the corresponding indicators.

### GUIDELINES AND REPORTING SCOPE

#### Topics excluded from our Non-Financial Statement

Considering the nature of Esker's activities as presented in this document and, in particular, its business model, it would appear that the implications of the law on sustainable food (combating food insecurity, respecting animal well-being, responsible fair and sustainable practices and combating food waste) are limited for the company.

In addition, with respect to the responsible conduct of its activities, Esker Group ensures the compliance with all rules applicable in the country where it is present, including those governing tax evasion. Today, no Group entity has been subject to a tax audit.

#### Employment indicators

Employment indicators are those derived primarily from the internal reporting guidelines used to produce corporate social responsibility report for the entities concerned. For the Group, headcount data (incoming, outgoing, seniority) is centralized in the HRIS. Concerning absenteeism, accidentology, training, each subsidiary submits its own report to its entity for consolidation purposes.

Information on employees (number, gender, contract, seniority, recruitment, resignation) are derived from the HRIS used by the administrative department of the subsidiaries and the human resources departments. Apprentices and work-study program students are included in the headcount and interns and IBVs are excluded. Rates are calculated on the basis of the average permanent workforce over a 12-month period (641.7 in 2019). The resignation rate includes contracts terminated at the employee's initiative. The dismissal rate includes contracts terminated at the employer's initiative. The end of trial periods and negotiated terminations are included in a separate category: "Other reasons for termination." Resignations and dismissals concern only permanent employment contracts.

The absenteeism rate is based on the consolidation of absences derived from data provided by the subsidiaries and, for France, from an absence management tool linked to our HRIS.

The frequency and severity rate of occupational accidents are calculated on the French reporting scope using data provided by the payroll service which centralizes accident reports.

The absenteeism rate is calculated as follows: the total number of hours of absences of each subsidiary / the total theoretical number of hours worked in each subsidiary or 33,450.25 / 1,179,300. This excludes annual holidays and includes the number of days of absence for working days for the following category of absences:

- illness (Group), commuting and occupational accidents (France)
- maternity and paternity leaves, adoption, birth (Group)
- family events: birth, marriage, family death (Group)
- other causes: unjustified leave without pay, educational leave and training rights, transfer days, authorized leave, absence for a sick child, disabled worker absence, recovery days (Group)

Frequency and severity rates concern only France The accident frequency rate represents the number of lost time injuries per million hours worked. The severity rate of lost time injuries is expressed in number of lost time calendar days per lost time injury divided by thousand hours worked. These two rates increased significantly in 2018 following the transfer of the company to the new premises. They then decreased significantly in 2019, after employees became accustomed to their commuting routines.

Concerning training, the indicators concern only France. Outside training provided by a service provider is included in this data as is our in-house training. Data on training derived from the HRIS enabled us to total the number of hours and the number of employees who participated in one or more training programs, external and/or in-house, organized in France in 2019. For internal training, Esker has a training platform, Esker University, and a training department with seven employees in 2019 (six in France and one in the United States). Interns and external consultants are excluded from this data, as is e-learning training.

The results of the Great Place To Work survey are provided by the Great Place To Work Institute, an independent organization and reference for workplace quality-of-life.

The presentations of the company's results are available at the website: https://www.esker.com/investors/.

The number of meetings with employee representatives (***délégués uniques du personnel***) was calculated from minutes of the Social and Economic Committee meetings.

The number of recruitments is based on reports established from the HRIS, based on the starting date of employees in 2019.

### Employment indicators

The availability rate of the platform is available in real time at the Trust Esker site to which customers of the Esker on Demand platform have access.

Our internal training tool Esker University is able to monitor the number of employees who receive training and successfully completed the online training about the importance of data security and protection.

As part of our confidentiality policy, no complaints were received by our DPO.

The amounts paid in connection with this sponsorship agreement are justified by contracts signed with organizations supported by Esker.

The number of Esker customers and transactions on the Esker on Demand platform are based on reports issued by the company's CRM system. The number of the platform's users is determined by queries submitted by the development teams, indicating the number of identifiers having access to the cloud platform.

### Environmental indicators

Environmental indicators concern the French reporting scope only. This includes the offices located at 113 boulevard Stalingrad in Villeurbanne, the Décines mail production facility, the offices of CalvaEDI in Paris and all data centers in France (internal IT of Esker France, Calva EDI, and the EoD servers), as well as all employees in France. The production activity of CalvaEDI was recognized for the carbon assessment, though excludes electricity consumption for their Paris premises and waste management for their offices as this is considered non-material (7 employees at the end of 2018).

The indicator selected by Esker to measure its performance in terms of reducing greenhouse gas emissions is the number of grams of CO2 emissions by a document processed by the Esker on Demand production platform, all media combined.

CO2 emissions per document processed were calculated by an external consultant, taking into account the following factors:

- **Total kg CO2 Scope 1: 230,893** - Includes emissions from fixed sources of combustion (gas or generators), direct emissions from mobile sources with combustion engines (fuel consumption of company vehicles), direct fugitive emissions (leakage from cooling equipment).

Esker is not concerned by direct emissions originating from non-energy sources and biomass (soil and forests).

- **Total kg CO2 Scope 2: 10,469** - Includes indirect emissions from electricity consumption (lighting and consumption). Esker is not concerned by indirect emissions linked to electricity consumption (heating / air-conditioning - inseparable common expenses for Décines; production : machines / computers / servers), indirect emissions linked to the consumption of steam, heat, cold (consumption linked to the heat or cooling distribution networks).
- **Total kg CO2 Scope 3: 1,911,429** - Includes the purchase of products and services (raw materials, subcontracting of printer maintenance; security services for the surveillance of sites or servers, food services), the manufacture of goods , waste management (Villeurbanne site and the Décines production facility), inbound transportation of goods (transportation of raw materials), professional travel (professional travel of employees by their private vehicles; professional travel by plane/train) and employee commuting to and from work. Esker is not concerned by emissions linked to energy not included in categories 1 and 2 (extraction, production and transportation of fuel; emissions associated with the transport and distribution of electricity; extraction, production and transport of fuel consumed for production by the company), upstream leased assets, investments, transportation of visitors and customers, downstream transportation of goods, use of goods sold, the end of life of products sold, downstream franchises, downstream leasing.

Total greenhouse gas emissions from the different Esker sites in France in 2018 amounted to 2,153 tons. In 2018, the number of documents processed on the Esker on Demand production platform for France amounted to approximately 219.27 million documents including 42.14 million letters. The benchmark indicator for 2018 in consequence equals 10 grams of CO2 per document processed.

**With respect to GHG emissions, for 2019, because data is not yet available, only information for 2018 is provided. A carbon assessment was performed in 2018, even though this is not required for the company; In addition, negative emissions corresponding to activities including recycling have a more important positive impact than the activity itself on the environment. For 2019, there is no specific item able to explain a more important increase other than the increase proportional to the company's activity. A marginal decline is even expected in 2019, as the number of documents processed has increased whereas energy consumption did not increase in this same period**.

The number of hybrid cars in the Esker automobile fleet is determined by the information on the vehicle mentioned in our long-term leasing contracts with the company ALD Automotive. Vehicles actually delivered in the period are taken into account not only those made available by the service provider (there sometimes exists a small gap between these two figures) for employees of the head office and the Décines plant.

Electricity consumption is calculated from the invoices provided by our electricity supplier, EDF, for the head office and the Décines plant.

ELISE, which manages waste recycling for Esker provides reports every quarter on the activity and the quantity of waste recovered. The annual amount corresponds to the addition of these quantities.

# 3.2. NFS STATEMENT

## Report by one of the statutory auditors designated as the independent third-party assurance service provider on the consolidated non-financial statement

Fiscal year ended December 31, 2019

*To the annual general meeting of the shareholders*

In our capacity as Esker's statutory auditors designated as the independent third-party assurance service provider certified by COFRAC under No. 3-1048 (for details on the scope refer to www.cofrac.fr), we hereby present our consolidated non-financial statement (hereafter the "Statement") presented in the group management report prepared for the period ended December 31, 2019 in accordance with the provisions of article L. 225 102-1, R. 225-105 and R. 225-105-1 of the French commercial code.

### RESPONSIBILITY OF THE COMPANY

The Executive Board is responsible for issuing a Statement in accordance with the legal and regulatory provisions that includes a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied with regard to these risks and the results of these policies, including key performance indicators. The Statement was prepared by applying the company's procedures (hereinafter the "Guidelines"), the significant elements of which are presented in the Statement and available on the company's website or on request from the company's headquarters.

### INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by the provisions of Article L. 822-11 of the French commercial code and the Code of Ethics (*Code de Déontologie*) of our profession. We have also implemented a quality control system comprising documented policies and procedures for ensuring compliance with the codes of ethics, professional doctrine and applicable legal and regulatory texts.

### RESPONSIBILITY OF THE STATUTORY AUDITOR DESIGNATED AS THE INDEPENDENT THIRD-PARTY

Based on our work, our role is to formulate a reasoned opinion expressing moderate assurance as to:

- the Statement's compliance with the provisions of Article R. 225-105 of the French commercial code;
- the sincerity of the information provided in application of Paragraph 3 of Section I and II of Article R. 225-105 of the French commercial code, namely the results of the policies, including key performance indicators, and the actions relating to the main risks (hereinafter referred to as the "Information").

However, it is not our responsibility to express an opinion on the company's compliance with other applicable legal and regulatory provisions, particularly with regard to anti-corruption measures and taxation, or on the compliance of products and services with the applicable regulations.

### NATURE AND SCOPE OF THE WORK

Our work described above was performed in compliance with the provisions of articles A. 225-1. of the French commercial code determining the procedures according to which the independent third-party assurance service provider performs its engagement and according to professional doctrine of the of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this mission as well as the international standard ISAE 3000 (*Assurance engagements other than audits or reviews of historical financial information*).

We carried out checks allowing us to assess the Statement's compliance with the legal and regulatory provisions and the fair presentation of the Information:

- We duly noted the activity of all entities included in the consolidation scope, their exposure to the main social and environmental risks.
- We assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, impartiality and comprehensibility and taking into account best industry practices where appropriate.
- With verified that the Statement covers each category of information provided for in Section III of Article L. 225-102-1 on social and environmental matters as well as respect for human rights and the combating of corruption and tax evasion.
- We verified that the Statement discloses the information provided for in II of Article R. 225-105, where this information is relevant to the main risks and that it provides, where applicable, an explanation of the reasons for non-disclosure of the information required by the 2nd Paragraph of III of Article L. 225-102-1.
- We verified that the Statement presents the business model and a description of the main risks linked to all the entities included within the scope of consolidation, including, whenever relevant and proportionate, the risks engendered by business relations, products or services as well as the policies, reasonable diligence procedures and results, including key performance indicators.

- We consulted the documentary sources and conducted interviews to:
  - Assess the process for selecting and approving the main risks as well as the consistency of the results, including the key performance indicators presented, in terms of the main risks and policies described; and
  - corroborate the qualitative information (action and results) we deemed the most important[1] - for qualitative information related to certain risks (*corruption and taxation*), our review was performed at the level of the consolidating level, and for others at the level of the consolidating entity and on a selection of entities.
- We verified that the Statement covers the consolidated scope, i.e., all the companies included in the scope of consolidation in compliance with article L. 233-16 of the French commercial code, with the limits specified in the Statement.
- We have taken note of the internal control and risk management procedures implemented by the entity and assessed the data collection process used by the entity to ensure that the Information is both complete and accurate.
- For the key performance indicators and the other quantitative results[2] that we considered to be the most significant, we implemented:
  - analytical procedures consisting in verifying the correct consolidation of collected data as well as the consistency of changes in them;
  - detailed tests based on sampling, consisting in verifying the proper application of definitions and procedures, and in reconciling data with supporting documents. This work was conducted with a selection of contributing entities[3] and covers between 54% and 100% of the consolidated data of the key performance indicators and results selected for these tests.
- We assessed the overall consistency of the Statement in relation to our knowledge of the entity.

We consider that the work we carried out by exercising our professional judgment allows us formulate a conclusion of moderate assurance; a higher level of assurance would have required more extensive verification work.

## RESOURCES AND METHODS

Our work made use of the expertise of four persons in April 2020.

In the performance of this engagement, we were assisted by our sustainable development and social responsibility specialists. We conducted around ten meetings with persons responsible for preparing the Statement.

## CONCLUSION

Based on our work, and bearing in mind the scope of our responsibility, we did not observe any significant misstatement likely to call into question the statement of non-financial performance's conformity with the applicable regulatory provisions or the fair presentation of the Information, taken as a whole, in accordance with the Guidelines.

## COMMENTS

Without qualifying the above conclusion, and in accordance with the provisions of article A. 225-3 of the French commercial code, we draw your attention as an emphasis of matter to following comment: as specified in the methodology note of the consolidated non-financial statement, for the environmental indicators and certain employment-related indicators, the reporting boundary is limited to activities in France.

*Villeurbanne and Lyon, April 30, 2020*

*One of the Statutory Auditors*

**DELOITTE & ASSOCIÉS**

*[French original signed by:]*

**Nathalie Lorenzo Casquet**
Partner, Audit

**Julien Rivals**
Partner, Sustainable Development

*This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

1 Selected qualitative information Promoting access to culture and education to all
Supporting companies to successfully achieve their digital transformation

2 Selected quantitative information Number of meetings with employee delegates, Workforce (by gender, by contract), Average seniority of staff, Recruitment (by gender, by contract), Resignation rate, Absenteeism rate, Frequency rate, Severity rate, Number of employees which received training in 2019, Number of hours of training, CO2 emissions per processed document, % of hybrid cars in the automobile fleet, Electricity consumption.

3 Esker France

# 4

# INFORMATION ON RISKS

Pursuant to Regulation (EU) 2017/1129 ( "Prospectus 3") whose provisions with respect to risk factors came into effect on July 21, 2019, the presentation of this chapter has been simplified in the interest of clarity. Under this new regulation, only risks which are significant and specific to the Company are now presented in this chapter.

On that basis, of the 14 risks initially presented by the Company, only seven have been retained. The risk mapping process in consequence enabled the Company to present five main categories of risks without any order of importance.

In each of these five aforementioned categories, risks have been classified on the basis of a twofold approach combining:

- The potential impact on the Company's operations (which continues to be designated under the term "criticality"), classified according to three levels: critical risk, significant risk, low risk; and
- The probability of occurrence of the risk also classified according to three levels: high, moderate or low;

It being specified that the risks with the highest probability of occurrence and the highest potential negative impact are ranked first in each category.

Risks are assessed as a "net risk", i.e., after taking account the risk management measures adopted by the Company.

This risk mapping thus reflects the specific exposure of Esker Group.

# 4.1. TECHNOLOGICAL RISKS

## 4.1.1. RISKS RELATING TO A MALFUNCTION OF THE PRODUCTION PLATFORM

Documents processed by the Esker on Demand service are received, recorded and stored in a technical platform consisting of all infrastructure hardware and software enabling this service to function.

The company has implemented a prevention plan integrating notably:

- The identification of the main risks associated with the platform,
- Measures in place to prevent these risks,
- Procedures for dealing with incidents,

The company decided to host this platform either through colocation data centers operated by certified suppliers or through the cloud-based environment provided by Microsoft Azure. This choice ensures a high level of security for the platform. In addition, the company performed a risk analysis, updated annually, in connection with its Information security management system (ISMS), audited and certified ISO 27001.

To identify potential weaknesses, the platform is monitored 24/7 by dedicated teams.

The company has ranked the probability of this risk as **low**.

The company considers the impact of this risk as **critical**.

## 4.1.2. RISK RELATING TO THE MALICIOUS PENETRATION OF OUR SERVERS

IT security is a major priority for the Esker Group. For several years, we have observed an increase in potential weaknesses as an increasing number of companies and employees are connected.

The storage of data and business processes belonging to third-party entities maintenance may incite the interests of ill-intentioned persons seeking to take advantage of this trend.

In order to prevent any risks of malicious penetration, a technical audit is conducted by the company once a year (penetration test). This audit is supplemented by automated quarterly audits (vulnerability scans). The purpose of these audits is to identify potential areas of vulnerability. These vulnerabilities are ranked by order of criticality and result, if required, in a remediation plan which is included and the development plans.

In addition to these technical audits, the company also adopts a policy to raise awareness about the risks and security policies in place. All employees receive training every year on the security rules to be followed which is validated by a test of their knowledge. The best practices which are promoted are tested during annual social engineering audits to evaluate human behavior and detect areas for improvement.

The company has ranked the probability of this risk as **high**.

The company considers the impact of this risk as **significant**.

# 4.2. RISKS RELATING TO THE MARKET IN WHICH THE GROUP OPERATES

## 4.2.1 LOSS OF COMPETITIVENESS

Within an extremely competitive environment, the ability to innovate and adapt solutions to the needs of its customers is a major priority for the Group.

The market in which the Esker Group is positioned is characterized by rapid technological changes. This means that in order to meet demand and maintain its market position, it needs to regularly launch new products (modules and software) responding to these new criteria.

Software development is a long and complex process requiring significant investments in research and development. Developing at a slower pace than its competitors will impact the company's competitive position in its market.

In addition, the introduction of radically new and disruptive solutions by new market entrants or existing competitors could render all Esker's solutions obsolete.

To minimize this risk, for a number of years Esker has been consulting on a regular basis the recommendations, opinions and needs of its customers with respect to its solutions. Customer conventions are organized on a regular basis in the Group's main market. The marketing teams are in regular contact with the customer base and monitor the developments of competitors. The new CX (Customer Experience) teams monitor the actual use of the solutions by the customer to ensure their satisfaction.

The company has ranked the probability of this risk as **low**.

The company considers the impact of this risk as **critical**.

### 4.2.2 A DEPENDENCY ON THIRD PARTIES

The company has a diversified customer base in terms of accounts and industries.

The Group's largest customer is its joint venture with the Quadient group which accounted for 10% of Group sales in 2019. It should be noted that this entity asserts, through the operational entities of Quadient, the distribution of Esker packaged solutions to more than 3,500 end customers, mainly in France, the United States and the United Kingdom.

After Quadient, Esker's most important customer accounts for 1% of sales and the 20 top customers less than 11% of sales.

The Esker Group sells horizontal solutions generally used by a very diverse range of sectors of the economy. The customer portfolio in consequence has no particular or significant degree of concentration.

The company has ranked the probability of this risk as **low**.

The company considers the impact of this risk as **significant**.

## 4.3. LITIGATION AND REGULATORY RISKS

#### Risks relating to personal data protection

The Group is subject to different international and local regulations governing personal data protection. The increase in projects linked to process automation of key activities of our customers leads the latter to be more demanding regarding guarantees against the risks of data protection breaches be provided by the Group. This is even more the case as regulations in this area are increasing, not only following the application of the European General Data Protection Regulation in May 2018, but also because of the adoption of a laws in this area and a number of countries outside the European Union.

In the event of non-compliance with rules applicable to data protection or a voluntary or involuntary disclosure of all or part of personal data longing to a customer or third-party, the Group's liability may be incurred. A financial penalty could also be applied by the personal data protection authorities, exposing the Group to both financial and reputational risks.

In order to comply with data protection regulations, the Group has updated its personal data protection policies and implemented procedures and tools to comply with European regulation in this area.

The company has ranked the probability of this risk as **low**.

The company considers the impact of this risk as **significant**.

## 4.4. HUMAN RESOURCES RISKS

#### Difficulty in attracting, developing and retaining talent

Successfully recruiting highly qualified technical personnel is critical to the Group's development. The current market for new technologies is characterized by an abundant supply of jobs and insufficient demand which mechanically pushes the market price upward.

Recruiting adequate personnel while maintaining the criteria in terms of requirements and quality and preserving a balanced wage policy is in consequence an important Group priority.

From a short-term perspective, the Group is also exposed to a potential risk of high turnover.

In order to take measures to reduce the inherent risks, the Group has developed an effective recruitment process, equipped with tools adapted to the Group's needs and notably facilitating contacts with candidates. In addition, the Group also has an attractive human resources management policy, based notably on a strong corporate culture, a young population, an attractive compensation policy, a range of training plans in addition to stock option plans.

The company has ranked the probability of this risk as **moderate**.

The company considers the impact of this risk as **significant**.

# 4.5. FINANCIAL RISKS

### Foreign exchange risks and analysis of sensitivity

The Group's foreign subsidiaries invoice customers in their local currency. In consequence, 52% of Group sales are in euros. Foreign exchange risks incurred by Esker concern primarily intercompany transactions (invoicing of products, services, royalties) in USD, GDP and AUD. Most of the transactions between subsidiaries are carried out with the parent company that in consequence incurs the foreign exchange risk.

The existing procedure for hedging foreign exchange risks is based on the analysis and monitoring of:

- Medium-term currency and economic trends;
- Existence of an established date for the collection of receivables and settlement of payables;
- The volatility of the relevant currencies.

An estimation of foreign exchange risk from an unfavorable increase of one cent of euros (the currency used for the preparation of financial statements) against the USD, GBP and AUD (for example with the exchange risk for USD determined on the basis of an increase in the exchange rate of €1.20 for one dollar to €1.21) is provided below:

| As of December 31, 2019 (in foreign currency) | USD | GBP | AUD | SGD |
|---|---|---|---|---|
| Assets | 527,141 | 676,295 | 1,147,613 | 674,050 |
| Liabilities | 0 | 0 | 0 | 0 |
| **Position before hedging** | **527,141** | **676,295** | **1,147,613** | **674,050** |
| Hedging instruments | None | None | None | None |
| **Net position after hedging** | **527,141** | **676,295** | **1,147,613** | **674,050** |
| **FOREIGN EXCHANGE RISK ON THE BASIS OF A NEGATIVE CURRENCY EFFECT OF 1 EURO CENT** | **-3,635** | **-8,496** | **-4,842** | **-2,609** |

| As of December 31, 2018 (in foreign currency) | USD | GBP | AUD | SGD |
|---|---|---|---|---|
| Assets | 83,755 | 504,914 | 1,026,330 | 667,020 |
| Liabilities | -201,316 | 0 | 0 | 0 |
| **Position before hedging** | **-117,561** | **504,914** | **1,026,330** | **667,020** |
| Hedging instruments | None | None | None | None |
| **Net position after hedging** | **-117,561** | **504,914** | **1,026,330** | **667,020** |
| **FOREIGN EXCHANGE RISK ON THE BASIS OF A NEGATIVE CURRENCY EFFECT OF 1 EURO CENT** | **811** | **-6,343** | **-4,330** | **-2,582** |

Sales in the US accounted for close to 37% of this total and contributed approximately €11,757,000 to the Group's operating income before corporate expenses incurred by France.

The main foreign exchange risk of the Group in consequence concerns this contribution. Any significant change in the US dollar reduces the US contribution for the coverage of corporate expenses stated in euros. In fiscal 2019, the negative impact on Group operating profit of a 10 cent decline in the US dollar in relation to the euro would be €964,000 (€804,000 in 2018).

The company has ranked the probability of this risk as **high**.

The company considers the impact of this risk as **significant**.

# 4.6. INSURANCE AND RISK MANAGEMENT

The Company has implemented a policy to cover the main insurable risks for amounts that it considers compatible with the nature of its business In consequence, insurance policies have been obtained by the different entities to cover the following risks:

- Business civil liability
- Professional civil liability and cyber risks,
- Operating loss,
- Property damage.

All these guarantees are destined to cover the significant risks and assets, even though it is not possible to anticipate the consequences and potential losses that may be incurred by the company.

No significant claims were reported by the Group in 2019 and 2018.

# 5

# CONSOLIDATED FINANCIAL STATEMENTS

# 5.1. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

## CONSOLIDATED BALANCE SHEET

| | Notes | 12/31/19 | 12/31/18 |
|---|---|---|---|
| Goodwill | 2 | 6,178 | 6,082 |
| Intangible assets | 3 | 23,145 | 22,014 |
| Property, plant and equipment | 4/5 | 10,434 | 7,050 |
| Financial assets | | 6,177 | 3,745 |
| Equity-accounted investments | | 1,267 | 744 |
| **Non-current assets** | | **47,201** | **39,635** |
| Inventories | | 185 | 147 |
| Trade receivables | | 24,884 | 20,516 |
| Deferred tax assets | | 465 | 524 |
| Other receivables and accruals | | 5,131 | 5,035 |
| Cash and marketable securities | 6 | 21,357 | 22,794 |
| **Current assets** | | **52,022** | **49,016** |
| **Cash and marketable securities** | | **99,223** | **88,651** |

| SHAREHOLDERS' EQUITY AND LIABILITIES (€ thousands) | Notes | 12/31/19 | 12/31/18 |
|---|---|---|---|
| Share capital | | 11,504 | 11,218 |
| Additional paid-in capital | | 20,424 | 19,681 |
| Consolidated income (loss) | | 9,745 | 8,843 |
| Reserves and retained earnings | | 14,974 | 8,027 |
| **Shareholders' equity** | **7** | **56,647** | **47,769** |
| *Attributable to the parent* | | **56,647** | **47,769** |
| *Attributable to non-controlling interests* | | **0** | **0** |
| **Provisions for contingencies and expenses** | **9** | **1,760** | **1,492** |
| Borrowings and financial liabilities | 10 | 6,516 | 9,318 |
| Trade payables | | 8,772 | 6,157 |
| Tax and employee-related payables | | 15,293 | 14,415 |
| Deferred tax liabilities | | 626 | 430 |
| Other payables and accruals | 11 | 9,609 | 9,070 |
| **Payables** | | **40,816** | **39,390** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **99,223** | **88,651** |

## CONSOLIDATED INCOME STATEMENT

| (€ thousands) | Note | 12/31/19 | % of sales | 12/31/18 | % of sales |
|---|---|---|---|---|---|
| **Sales** | **12** | **104,188** | **100%** | **86,871** | **100%** |
| Own production of goods and services capitalized | 13 | 6,281 | 6% | 5,742 | 7% |
| Other operating income | | 1,206 | 1% | 1,324 | 2% |
| Cost of sales | | -1,880 | -2% | -1,429 | -2% |
| Change in inventory | | 6 | 0% | -25 | 0% |
| Other operating expenses | | -27,648 | -27% | -22,726 | -26% |
| Staff costs | | -59,961 | -58% | -50,015 | -58% |
| Tax and similar expenses | | -1,281 | -1% | -1,213 | -1% |
| Net allowances for amortization and depreciation | | -7,593 | -7% | -6,626 | -8% |
| Net allowances for provisions | | -900 | -1% | -292 | 0% |
| **Operating profit** | | **12,418** | **12%** | **11,611** | **13%** |
| **Net financial income / (expense)** | **14** | **268** | **0%** | **-57** | **0%** |
| **Current operating income of consolidated operations** | | **12,686** | **12%** | **11,554** | **13%** |
| **Net exceptional items** | | **-62** | **0%** | **-88** | **0%** |
| Income taxes | | -3,402 | -3% | -2,940 | -3% |
| Share of income from equity-accounted associates | | 523 | 1% | 317 | 0% |
| Allowances for goodwill amortization | | 0 | | 0 | |
| **Net income** | | **9,745** | **9%** | **8,843** | **10%** |
| *Basic earnings per share in euros* | *15* | *1.80* | | *1.64* | |
| *Diluted earnings per share in euros* | | *1.72* | | *1.59* | |

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| (€ thousands) | Capital stock | Additional paid-in capital | Translation difference | Annual profit/(loss) | Reserves and retained earnings | Shareholders' equity |
|---|---|---|---|---|---|---|
| **Balance as of December 31, 2017** | **10,961** | **19,277** | **-972** | **6,766** | **3,588** | **39,620** |
| Retained earnings/(accumulated deficit) | | | | -5,010 | 5,010 | 0 |
| Annual profit/(loss) | | | | 8,843 | | 8,843 |
| Currency translation adjustments | | | 526 | | | 526 |
| Stock options | 257 | 404 | | | | 661 |
| Treasury shares | | | | | | 0 |
| Dividends | | | | -1,756 | | -1,756 |
| Other changes | | | | | -125 | -125 |
| **Balance as of December 31, 2018** | 11,218 | 19,681 | -446 | 8,843 | 8,473 | 47,769 |
| Retained earnings/(accumulated deficit) | | | | -6,506 | 6,506 | 0 |
| Annual profit/(loss) | | | | 9,745 | | 9,745 |
| Currency translation adjustments | | | 566 | | | 566 |
| Stock options | 286 | 743 | | | | 1,029 |
| Treasury shares | | | | | | 0 |
| Dividends | | | | -2,337 | | -2,337 |
| Other changes | | | | | -125 | -125 |
| **Balance as of December 31, 2019** | 11,504 | 20,424 | 120 | 9,745 | 14,854 | 56,647 |

## CONSOLIDATED STATEMENT OF CASH FLOWS

| (€ thousands) | 12/31/19 | 12/31/18 |
|---|---|---|
| **Consolidated net income** | 9,745 | 8,843 |
| **Adjustments to reconcile non-cash items to cash generated from operations :** | | |
| Net allowances for depreciation and provisions | 7,902 | 7,170 |
| - Carrying value of assets sold | 23 | 65 |
| - Proceeds from the disposal of assets | -37 | -59 |
| **Cash flows after net financial expense** | 17,633 | 16,019 |
| Tax liabilities | 3,402 | 2,940 |
| Taxes paid | -3,329 | -2,795 |
| Interest expense and income | 84 | 120 |
| **Change in operating working capital** | -477 | -650 |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | 17,313 | 15,634 |
| Acquisition of intangible assets | -10,995 | -7,792 |
| Acquisition of property, plant and equipment | 37 | 279 |
| Proceeds from the disposal of PPE and intangible assets | -2,544 | -46 |
| Change in non-current investments | -523 | -543 |
| **NET CASH USED IN INVESTING ACTIVITIES** | -14,025 | -8,102 |
| Dividends paid to shareholders of the parent company | -2,237 | -1,756 |
| Capital increases or contributions | | |
| Issuance costs for capital increases | | |
| Amount received from the exercise of stock options | 1,029 | 661 |
| Change in treasury shares | | |
| Repayment of borrowings – finance leases | -3,937 | -4,398 |
| Change in borrowings | | |
| **NET CASH PROVIDED BY FINANCING ACTIVITIES** | -5,145 | -5,493 |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | -1,857 | 2,039 |
| Effect of exchange rate changes on cash | 420 | 124 |
| **Cash and cash equivalents at beginning of year** | 22,794 | 20,632 |
| **Cash and cash equivalents at end of year** | 21,357 | 22,794 |

## 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, 2019 were adopted by the Executive Board and submitted for approval to the Supervisory Board on March 19, 2020.

#### 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 99-03 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.

#### 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 area are translated at the average rate for the period and balance sheet accounts are translated at the corresponding year-end rate. Currency translation differences are presented as a distinct line item under equity.

### Preferred methods

The following preferential methods have been applied:

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

### Use of estimates

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

The main Management estimations concern assumptions relating to:

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

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

### Goodwill

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

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

### Intangible assets

#### DEVELOPMENT EXPENDITURES

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

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

Development expenditures incurred by Esker Group concern 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:

- Land........................................................................................................ unlimited
- Buildings ................................................................................................ 20 years
- Fixtures, improvements, fittings...................................................... 5 to 8 years
- Transport equipment......................................................................... 3 to 5 years
- Office and computer equipment..................................................... 2.5 to 8 years
- Furniture................................................................................................ 5 years

■ LEASES

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

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

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

### Impairment of fixed assets

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

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

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

For the purpose of this test, the values of assets are aggregated on the basis of Cash-Generating Units (CGU). 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 PLANS

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

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

- Estimated age of retirement,
- Seniority of personnel on retirement date,
- Probability of continued presence at the retirement age,
- Salary escalation rate,
- 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 incomee."

### 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.

## Group structure for consolidation

There have been no changes in the consolidation scope in 2019.

| Company | Head office | 2019 Controlling interest (%) | 2019 Ownership interest (%) | 2018 Controlling interest (%) | 2018 Ownership interest (%) | Consolidation method (1) |
|---|---|---|---|---|---|---|
| ESKER | Lyon (France) | Parent company | | | | |
| ESKER Software 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 Italia | Milan (Italy) | 100.0% | 100.0% | 100.0% | 100.0% | F |
| ESKER Ibérica Sl | Madrid (Spain) | 100.0% | 100.0% | 100.0% | 100.0% | 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 |
| Esker Document Automation (HK) Ltd | Hong Kong | 100.0% | 100.0% | 100.0% | 100.0% | F |
| CalvaEDI | Paris (France) | 100.0% | 100.0% | 100.0% | 100.0% | F |
| TermSync | Madison (United States) | 100.0% | 100.0% | 100.0% | 100.0% | F |
| ESKER EDI Services | Ratingen (Germany) | 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.C. : Full consolidation
E.M. : Equity method

## 2. 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 | 12/31/19 | 12/31/18 |
|---|---|---|
| Software sales | 2,446 | 1,901 |
| Fax card sales | 414 | 470 |
| Contracts for product updates and maintenance | 6,920 | 7,370 |
| Services | 18,888 | 16,614 |
| Traffic | 75,520 | 60,516 |
| **NET SALES** | **104,188** | **86,871** |

### INFORMATION RELATING TO GEOGRAPHICAL AREAS

| As of December 31, 2019 In thousands of euros | France | Germany | United Kingdom | Southern Europe | Australia, Asia | United States, Canada | TOTAL Group |
|---|---|---|---|---|---|---|---|
| External sales | 42,933 | 5,723 | 4,859 | 5,680 | 5,517 | 39,476 | 104,188 |
| Property, plant and equipment and intangible assets | 29,361 | 271 | 16 | 717 | 114 | 3,100 | 33,579 |

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

### INFORMATION RELATING TO KEY CUSTOMERS

In fiscal 2019 the largest customer represented 10.2% of total Group revenue.

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

## NOTE 2: Goodwill

| In thousands of euros | 12/31/19 | | | 12/31/18 |
|---|---|---|---|---|
| | Gross | Amortization | Net | Net |
| TermSync | 5,149 | 95 | 5,054 | 4,958 |
| CalvaEDI | 137 | 2 | 135 | 135 |
| ESKER EDI Services | 989 | | 989 | 989 |
| **TOTAL GOODWILL** | **6,275** | **97** | **6,178** | **6,082** |

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

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

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

## NOTE 3: Intangible assets

| In thousands of euros | 12/31/19 | | | 12/31/18 |
|---|---|---|---|---|
| | Gross | Amortization | Net | Net |
| Development expenditures | 39,916 | 27,612 | 12,304 | 11,054 |
| Trademarks | 1,636 | | 1,636 | 1,627 |
| Software | 1,746 | 1,630 | 116 | 131 |
| Customer-related intangible assets | 7,410 | 1,407 | 6,003 | 6,428 |
| Intangible assets in progress | **3,086** | | **3,086** | 2,774 |
| **TOTAL INTANGIBLE ASSETS** | **53,794** | **30,649** | **23,145** | **22,014** |

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, 2019

| As of 12/31/19<br>In thousands of euros | Opening balance | Increases | Decreases | Other changes | Closing balance |
|---|---|---|---|---|---|
| Development expenditures | 33,922 | | | 5,994 | 39,916 |
| Trademarks | 1,627 | | | 9 | 1,636 |
| Software | 1,836 | 50 | -156 | 16 | 1,746 |
| Customer-related intangible assets | 7,410 | | | | 7,410 |
| Intangible assets in progress | 2,774 | 3,217 | | -2,905 | 3,086 |
| **INTANGIBLE ASSETS – GROSS VALUE** | **47,569** | **3,267** | **-156** | **3,114** | **53,794** |
| Development expenditures | 22,868 | 4,738 | | 6 | 27,612 |
| Software | 1,705 | 65 | -155 | 15 | 1,630 |
| Customer-related intangible assets | 982 | 425 | | | 1,407 |
| **INTANGIBLE ASSETS – AMORTIZATION** | **25,555** | **5,228** | **-155** | **21** | **30,649** |
| **INTANGIBLE ASSETS – NET VALUE** | **22,014** | **-1,961** | **-1** | **3,093** | **23,145** |

Changes recorded concern development expenditures capitalized in the period and concerning mainly expenditures incurred in connection with our SaaS solutions.

■ CHANGES IN THE FISCAL YEAR ENDED DECEMBER 31, 2018

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

## NOTE 4: Property, plant and equipment

| In thousands of euros | 12/31/19 | | | 12/31/18 |
|---|---|---|---|---|
| | Gross | Amortization | Net | Net |
| Land | 1,077 | | 1,077 | 983 |
| Buildings | 1,179 | 112 | 1,067 | 815 |
| Office and computer equipment | 6,649 | 3,922 | 2,727 | 1,660 |
| Fixtures and improvements | 4,211 | 1,001 | 3,210 | 2,007 |
| Equipment and tooling | 7,828 | 6,150 | 1,678 | 1,006 |
| Transport equipment | 62 | 28 | 34 | 48 |
| Furniture | 1,056 | 415 | 641 | 531 |
| **TOTAL PROPERTY, PLANT AND EQUIPMENT** | **22,062** | **11,628** | **10,434** | **7,050** |

■ CHANGES IN THE FISCAL YEAR ENDED DECEMBER 31, 2019

| As of 12/31/19<br>In thousands of euros | Opening balance | Increases | Decreases | Other changes | Closing balance |
|---|---|---|---|---|---|
| Land | 983 | 94 | | | 1,077 |
| Buildings | 873 | 306 | | | 1,179 |
| Office and computer equipment | 5,017 | 2,081 | -477 | 28 | 6,649 |
| Fixtures and improvements | 2,722 | 1,630 | -151 | 10 | 4,211 |
| Equipment and tooling | 6,695 | 1,435 | -320 | 18 | 7,828 |
| Transport equipment | 64 | | -2 | | 62 |
| Furniture | 816 | 252 | -21 | 9 | 1,056 |
| **PROPERTY, PLANT AND EQUIPMENT – GROSS VALUE** | **17,170** | **5,798** | **-971** | **65** | **22,062** |
| Buildings | 58 | 54 | | | 112 |
| Office and computer equipment | 3,357 | 1,004 | -457 | 18 | 3,922 |
| Fixtures and improvements | 715 | 425 | -143 | 4 | 1,001 |
| Equipment and tooling | 5,689 | 765 | -321 | 17 | 6,150 |
| Transport equipment | 16 | 13 | -1 | | 28 |
| Furniture | 285 | 147 | -20 | 3 | 415 |
| **PROPERTY, PLANT AND EQUIPMENT – DEPRECIATION** | **10,120** | **2,408** | **-942** | **42** | **11,628** |
| **NET VALUE OF PROPERTY, PLANT AND EQUIPMENT BEFORE IMPAIRMENT** | **7,050** | **3,390** | **-29** | **23** | **10,434** |

■ CHANGES IN THE FISCAL YEAR ENDED DECEMBER 31, 2018

| As of 12/31/18<br>In thousands of euros | Opening balance | Increases | Decreases | Changes in Group structure | Other changes | Closing balance |
|---|---|---|---|---|---|---|
| Land | 983 | | | | 983 | 983 |
| Buildings | 873 | | | | 873 | 873 |
| Office and computer equipment | 4,412 | 982 | -430 | 53 | 5,017 | 4,412 |
| Fixtures and improvements | 2,602 | 705 | -604 | 19 | 2,722 | 2,602 |
| Equipment and tooling | 6,843 | 3 | -165 | 14 | 6,695 | 6,843 |
| Transport equipment | 57 | 52 | -45 | | 64 | 57 |
| Furniture | 582 | 258 | -42 | 18 | 816 | 582 |
| **PROPERTY, PLANT AND EQUIPMENT – GROSS VALUE** | **16,352** | **2,000** | **-1,286** | **104** | **17,170** | **16,352** |
| Buildings | 14 | 44 | | | 58 | 14 |
| Office and computer equipment | 2,987 | 710 | -372 | 32 | 3,357 | 2,987 |
| Fixtures and improvements | 1,043 | 264 | -595 | 3 | 715 | 1,043 |
| Equipment and tooling | 4,962 | 878 | -164 | 13 | 5,689 | 4,962 |
| Transport equipment | 30 | 14 | -28 | | 16 | 30 |
| Furniture | 201 | 109 | -30 | 5 | 285 | 201 |
| **PROPERTY, PLANT AND EQUIPMENT – DEPRECIATION** | **9,237** | **2,019** | **-1,189** | **53** | **10,120** | **9,237** |
| **PROPERTY, PLANT AND EQUIPMENT – NET VALUE** | **7,115** | **-19** | **-97** | **51** | **7,050** | **7,115** |

## NOTE 5: Finance leases

| In thousands of euros | Gross | Accumulated amortization | Net |
|---|---|---|---|
| **As of December 31, 2017** | **6,096** | **-4,273** | **1,823** |
| Increase | 0 | -849 | -849 |
| Decrease | -149 | 149 | 0 |
| Translation difference | 0 | 0 | 0 |
| **As of December 31, 2018** | **5,947** | **-4,973** | **974** |
| Increase | 1,135 | -708 | 427 |
| Decrease | | | 0 |
| Translation difference | | | 0 |
| **As of December 31, 2019** | 7,082 | -5,681 | 1,401 |

Finance lease commitments for the periods ended December 31, 2019 and 2018 break down as follows:

| In thousands of euros | 12/31/19 | | | | 12/31/18 | | | |
|---|---|---|---|---|---|---|---|---|
| | Less than 1 year | 2-5 years | More than 5 year | TOTAL | Less than 1 year | 2-5 years | More than 5 year | TOTAL |
| Total value of future minimum lease payments | 443 | 795 | 0 | 1,238 | 621 | 215 | 0 | 836 |
| Discounted value of future minimum lease payments | 437 | 784 | 0 | 1,221 | 601 | 201 | 0 | 802 |

## NOTE 6: Other receivables and accruals

| In thousands of euros | Net 12/31/19 | Net 12/31/18 |
|---|---|---|
| Tax receivables | 1,693 | 1,766 |
| Other tax receivables | 255 | 466 |
| Other receivables | 198 | 277 |
| Prepaid expenses | 2,985 | 2,526 |
| **TOTAL OTHER RECEIVABLES AND ACCRUALS** | **5,131** | **5,035** |

## NOTE 7: Cash and marketable securities

At December 31, 2019, cash included the following items:

| In thousands of euros | Net 12/31/19 | Net 12/31/18 |
|---|---|---|
| Marketable securities | 383 | 493 |
| Cash and cash equivalents | 20,975 | 22,301 |
| **TOTAL CASH AND MARKETABLE SECURITIES** | **21,358** | **22,794** |

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

## NOTE 8: Shareholders' equity

| | **Amount** (in thousands of euros) | Number of shares |
|---|---|---|
| **Capital stock at 12/31/17** | **10,961** | **5,480,366** |
| Capital increase | 125 | 62,600 |
| Exercise of stock options and warrants | 132 | 65,999 |
| **Capital stock at 12/31/18** | **11,218** | **5,608,965** |
| Capital increase | 98 | 48,900 |
| Exercise of stock options and warrants | 189 | 94,353 |
| **CAPITAL STOCK AT 12/31/19** | **11,505** | **5,752,218** |

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 €0.41 per share was paid for the period.

### NOTE 9: Treasury shares

Changes in treasury shares held by the Group in fiscal 2019:

| | FY 2019 | FY 2018 |
|---|---|---|
| **Opening balance** | **153,372** | **151,553** |
| Purchase of own shares (liquidity agreement) | 37,278 | 39,472 |
| Sale of own shares (liquidity agreement) | -40,408 | -37,653 |
| Purchase of own shares (for external growth transactions) | | |
| Sales of own shares (for external growth transactions) | | |
| **Closing balance** | **150,242** | **153,372** |

### NOTE 10: Stock option and restricted stock unit plans

Highlights of plans for stock options, stock purchase options and warrants outstanding at December 31, 2019 are presented below :

| Type | Dates | | Exercise price in euros | Number of options | | | Balance |
|---|---|---|---|---|---|---|---|
| | Grant*** | Expiry | | Granted | Exercised | Matured or forfeited | |
| Stock option plan | 06/01/10 | 05/31/20 | 6.37 | 48,000 | 38,156 | 2,344 | 7,500 |
| Stock option plan | 09/12/11 | 09/11/21 | 5.44 | 67,400 | 54,086 | 4,688 | 8,626 |
| Stock option plan | 04/10/12 | 04/09/22 | 8.26 | 19,750 | 14,608 | 2,782 | 2,360 |
| Stock option plan | 10/01/12 | 09/30/22 | 9.44 | 56,000 | 40,000 | 8,000 | 8,000 |
| Stock option plan | 04/19/13 | 09/18/23 | 13.04 | 27,500 | 20,687 | 1,000 | 5,813 |
| Stock option plan | 04/01/14 | 03/31/24 | 16.32 | 12,000 | 8,561 | 1,626 | 1,813 |
| Stock option plan | 04/01/15 | 03/31/25 | 19.62 | 24,500 | 8,687 | 563 | 15,250 |
| Stock option plan | 07/01/16 | 06/30/26 | 32.92 | 23,800 | 6,761 | 1,813 | 15,226 |
| Stock option plan | 05/04/17 | 05/03/27 | 46.55 | 20,750 | 2,436 | 875 | 17,439 |
| Stock option plan | 06/01/18 | 05/31/28 | 57.49 | 23,000 | 1,500 | 1,000 | 20,500 |
| Stock option plan | 06/24/19 | 06/23/29 | 79.75 | 28,750 | 0 | 0 | 28,750 |
| **TOTAL STOCK OPTION PLANS** | | | | **351,450** | **195,482** | **24,691** | **131,277** |
| Restricted stock units | 06/24/19 | 06/23/20 | | 46,200 | | | 46,200 |
| Restricted stock units | 06/24/19 | 06/23/21 | | 52,100 | | | 52,100 |
| **TOTAL BONUS SHARES** | | | | **98,300** | **0** | **0** | **98,300** |

Changes in the number of stock options, restricted stock units (RSU) and warrants granted to Group employees in the 2019 first half break down as follows:

| | Stock options | | Restricted stock awarded, not issued | |
|---|---|---|---|---|
| | Quantity | Weighted average exercise price in € | Quantity | Weighted average exercise price in € |
| **Balance exercisable at 12/31/18** | **198,380** | **20.07** | **48,900** | **46.55** |
| Granted | 28,750 | 79.75 | 98,300 | 79.75 |
| Exercised | -94,353 | 9.88 | -48,900 | 46.55 |
| Matured or forfeited for reason of departure | -1,500 | 2.74 | 0 | 0.00 |
| **BALANCE EXERCISABLE AT 12/31/19** | **131,277** | **40.97** | **98,300** | **79.75** |

## NOTE 11: Provisions

| In thousands of euros | 12/31/18 | Increases, allowances of the period | Payments in the period | Reversals of provisions unused in the period | Other changes | 12/31/19 |
|---|---|---|---|---|---|---|
| Provisions for contingencies and expenses | 130 | | -130 | | | 0 |
| Pension liabilities | 1,362 | 409 | -11 | | | 1,760 |
| **TOTAL PROVISIONS** | **1,492** | **409** | **-141** | **0** | **0** | **1,760** |

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

### RETIREMENT SCHEME IN FRANCE

Retirement severance benefits in France for employees of the company are measured using the same method as in the previous year with the application of a turnover table based on the employee's seniority, with employee turnover having decreased with the increase in the employee's seniority.

On that basis, assumptions used to estimate pension obligations at December 31, 2019 were as follows:

| Assumptions for the measurement of pension obligations in France | |
|---|---|
| Discount rate | 1.20% |
| Salary escalation rate | 1.50% |
| Retirement age | 65 years |
| Turnover rate | 8.00% |

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

### RETIREMENT SCHEME IN ITALY

Amounts payable to employees of the subsidiary Esker Italia totaled €283,000 at 12/31/2018 and break down as follows:

| In thousands of euros | 12/31/18 | Increases in the period | Payments in the period | Other changes | 12/31/19 |
|---|---|---|---|---|---|
| Severance benefits – Esker Italia | 283 | 43 | -11 | | 315 |

## NOTE 12: Borrowings

| In thousands of euros | 12/31/19 | 12/31/18 |
|---|---|---|
| Finance leases | 1,382 | 998 |
| Bank debt | 5,143 | 8,320 |
| **TOTAL BORROWINGS** | **6,525** | **9,318** |

### FINANCE LEASES

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

### BANK BORROWINGS

No additional amounts were borrowed by the Group in 2019.

### NOTE 13: Other payables and accruals

| In thousands of euros | 12/31/19 | 12/31/18 |
|---|---|---|
| Deferred revenue | 6,420 | 6,250 |
| Customer deposits and guarantees | 3,051 | 2,765 |
| Other payables | 138 | 55 |
| **TOTAL OTHER PAYABLES AND ACCRUALS** | **9,609** | **9,070** |

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

### NOTE 14: Revenue

| In thousands of euros | 12/31/19 | 12/31/18 |
|---|---|---|
| Software sales | 2,446 | 1,901 |
| Fax card sales | 414 | 470 |
| Contracts for product updates and maintenance | 6,920 | 7,370 |
| Services | 18,888 | 16,614 |
| Traffic | 75,520 | 60,516 |
| **NET SALES** | **104,188** | **86,871** |

### NOTE 15: Research and development expenses

| In thousands of euros | 12/31/19 | 12/31/18 |
|---|---|---|
| R&D expenses for the period | -10,478 | -9,331 |
| Capitalized development expenditures | 6,281 | 5,742 |
| Amortization of capitalized development expenditures | -4,738 | -4,137 |
| **RESEARCH AND DEVELOPMENT EXPENSES NOT CAPITALIZED** | **-8,935** | **-7,726** |

An analysis of development expenditures recorded under intangible assets in the fiscal period ended December 31, 2019 is presented in *Note 3*.

### NOTE 16: Staff costs

| In thousands of euros | 12/31/19 | 12/31/18 |
|---|---|---|
| Employee compensation | 45,352 | 37,806 |
| Social security expenses | 14,609 | 12,208 |
| **STAFF COSTS** | **59,961** | **50,014** |

Breakdown of personnel by country:

| | France | Germany | United Kingdom | Southern Europe | Australia, Asia | United States, Canada | TOTAL |
|---|---|---|---|---|---|---|---|
| **Headcount at 12/31/19** | **363** | **46** | **20** | **34** | **50** | **170** | **681** |
| Headcount at 12/31/18 | 305 | 41 | 18 | 26 | 41 | 139 | 569 |
| Headcount at 12/31/17 | 267 | 35 | 17 | 19 | 36 | 129 | 503 |

### NOTE 17: Net financial income / (expense)

| In thousands of euros | 12/31/19 | 12/31/18 |
|---|---|---|
| Financial income | 140 | 187 |
| Net currency gains/(losses) | -4 | 19 |
| Financial expenses | -56 | -67 |
| Net provision | 188 | -196 |
| **NET FINANCIAL INCOME / (EXPENSE)** | **268** | **-57** |

## NOTE 18: Net exceptional items

| In thousands of euros | 12/31/19 | 12/31/18 |
|---|---|---|
| Exceptional income from non-capital transactions | 56 | -94 |
| Exceptional income from capital transactions | -119 | -4 |
| Exceptional allowances and reversals | 1 | 10 |
| **NET EXCEPTIONAL ITEMS** | **-62** | **-88** |

## NOTE 19: Income taxes

### ANALYSIS OF TAX EXPENSES

| In thousands of euros | 12/31/19 | 12/31/18 |
|---|---|---|
| Current tax income / (expense) | -3,153 | -2,499 |
| Deferred tax income / (expense) | -249 | -441 |
| **TOTAL TAX EXPENSES/INCOME** | **-3,402** | **-2,940** |

### 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, 2017** | **762** | **(210)** |
| Deferred taxes in the period recognized under profit or loss | -236 | -205 |
| Effect of exchange rate fluctuations | -2 | -15 |
| **BALANCE AT DECEMBER 31, 2018** | **524** | **(430)** |
| Deferred taxes in the period recognized under profit or loss | -60 | -189 |
| Effect of exchange rate fluctuations | 1 | -7 |
| **BALANCE AT DECEMBER 31, 2019** | **465** | **(626)** |

As of December 31, 2019, Group tax loss carryforwards not resulting in the recognition of deferred tax assets amounted to €7,800,000.

### RECONCILIATION OF TAX

| In thousands of euros | 12/31/19 | 12/31/18 |
|---|---|---|
| Net income | 9,745 | 8,842 |
| - Share of income in equity-accounted associates | 523 | 317 |
| - Tax expense/income recognized (-/+) | -3,402 | -2,940 |
| **Net income before tax** | **12,624** | **11,465** |
| Ordinary tax rate of the parent company | 0 | 33.33% |
| **Theoretical tax expense/income (-/+)** | **-4,208** | **-3,823** |
| Permanent tax differences | 71 | 589 |
| Tax savings on loss carryforwards | 87 | -269 |
| Non-recognition of deferred tax assets from loss carryforwards | -261 | -114 |
| Temporary tax differences | -260 | -162 |
| Tax base differences | 1,127 | 830 |
| Other | 42 | 8 |
| **TAX EXPENSE/INCOME RECOGNIZED (-/+)** | **-3,402** | **-2,940** |

## NOTE 20: Basic earnings per share

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

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

| | 12/31/19 | | 12/31/18 | |
|---|---|---|---|---|
| | 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** | **9,745,000** | **5,424,051** | **8,843,000** | **5,397,351** |
| Dilutive stock options | | 125,465 | | 128,781 |
| Dilutive bonus shares | | 102,123 | | 40,546 |
| **Basis of calculation for diluted earnings per share** | **9,745,000** | **5,651,639** | **8,843,000** | **5,566,678** |
| **BASIC EARNINGS PER SHARE** | **1.80** | | **1.64** | |
| **DILUTED EARNINGS PER SHARE** | **1.72** | | **1.59** | |

## 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.

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 12/31/19 (In thousands of euros) | Compensation paid (gross basis) | Nature of compensation paid | | | |
|---|---|---|---|---|---|
| | | Fixed salary, fees | Variable compensation | Benefits in kinds | Attendance fees |
| Executive Board members | 673 | 386 | 272 | 14 | |
| Supervisory Board members | 99 | 75 | | | 24 |
| **TOTAL** | **772** | **461** | **272** | **14** | **24** |

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

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

| Contractual obligations (€ thousands) | TOTAL | Payables by maturity | | | |
|---|---|---|---|---|---|
| | | Less than 1 year | 1-5 years | More than 5 years | Expense of the period |
| Long-term debt | - | | | | |
| Lease finance obligations | Information disclosed in Note 4 | | | | |
| Operating leases | 11,823 | 3,117 | 7,428 | 1,278 | 3,372 |
| Irrevocable purchase obligations | - | | | | |
| Other long-term obligations | - | | | | |
| **TOTAL** | **11,823** | **3,117** | **7,428** | **1,278** | **3,372** |

Most lease agreements concern premises occupied by Group companies. Lease terms (from three to 10 years), price index clauses and renewal conditions are specific for each country.

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

| Other commitments given and received (€ thousands) | TOTAL | Commitments by period | | |
|---|---|---|---|---|
| | | Less than 1 year | 1-5 years | More than 5 years |
| Credit lines(*) | 0 | | | |
| Letters of credit | - | | | |
| Guarantees | - | | | |
| Put options written over non-controlling interests | - | | | |
| Pledges, mortgages and collateral | - | | | |
| Other commitments given | - | | | |
| **TOTAL COMMITMENTS GIVEN** | | | | |
| Other commitments received | | | | |
| **TOTAL COMMITMENTS 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 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2019 | | 2018 | | 2019 | | 2018 | |
| | € ex-VAT | % | € ex-VAT | % | € ex-VAT | % | € ex-VAT | % | € ex-VAT | % | € ex-VAT | % |
| **AUDIT** | | | | | | | | | | | | |
| External audit, certification, review of separate and consolidated accounts | | | | | | | | | | | | |
| - for the Issuer | 47,000 | 53% | 43,550 | 54% | 41,000 | 47% | 36,450 | 46% | 0 | 0% | 0 | 0% |
| - for fully consolidated subsidiaries | 0 | 0% | 0 | 0% | 8,500 | 10% | 8,400 | 11% | 75,728 | 90% | 66,823 | 89% |
| Ancillary assignments | | | | | | | | | | | | |
| - for the Issuer | | | | | | | | | | | | |
| - for the fully consolidated subsidiaries | | | | | | | | | | | | |
| **Subtotal / Audit** | **47,000** | **27%** | **43,550** | **28%** | **49,500** | **29%** | **44,850** | **29%** | **75,728** | **44%** | **66,823** | **43%** |
| **OTHER SERVICES** | | | | | | | | | | | | |
| Legal, tax, employee-related assignments | | | | | | | | | | | | |
| - Issuer | | | | | | | | | | | | |
| - Fully consolidated subsidiaries | | | | | | | | | 18,147 | 100% | 13,784 | 100% |
| Other | | | | | | | | | | | | |
| - Issuer | | | | | | | | | | | | |
| - Fully consolidated subsidiaries | | | | | | | | | | | | |
| **Subtotal / Other Services** | **0** | | **0** | | **0** | | **0** | | **18,147** | **100%** | **13,784** | **100%** |
| **TOTAL** | **47,000** | **25%** | **43,550** | **26%** | **49,500** | **26%** | **44,850** | **27%** | **93,875** | **49%** | **80,607** | **48%** |

## NOTE 24: Post-closing event

The emergence and spread of the coronavirus epidemic in early 2020 has impacted economic and commercial activities of the global economic environment. This situation, without calling into question the going concern assumption of operations, may impact our situation in 2020.

# 5.2. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

*To Esker's general meeting:*

## OPINION

In accordance with the terms of our engagement as auditors entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of Esker events for the year ended December 31, 2019. These financial statements were adopted by the Executive Board on March 19, 2020 based on information available on that date within the evolving context of the health crisis linked to Covid-19.

In our opinion, the consolidated financial statements give a true and fair view of the results of the operations of the Group for the year then ended and of its financial position and its assets and liabilities as at December 31, 2019 in accordance with French accounting principles.

## BASIS FOR OPINION

### Audit framework

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

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

### Independence

We conducted our audit in compliance with independence rules applicable to us, for the period from January 1, 2018 to the issue date of our report and in particular we did not provide any non-audit services prohibited by the French Code of ethics for statutory auditors.

## JUSTIFICATION OF OUR ASSESSMENTS

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

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

- The paragraph "Goodwill" of Note 1 hereto describes the accounting rules and methods for the measurement, recognition and amortization of goodwill. We analyzed the appropriateness of these rules and methods and assessed the data and assumptions on which these estimates were based.
- The paragraph "Intangible assets" of Note 1 hereto describes the accounting rules and methods for recognition, amortization and measurement of development expenditures. With respect to our assessment of the accounting policies adopted by your company, we analyzed the appropriateness of these rules and methods and their implementation and the disclosures provided in the notes.
- The paragraph "income tax and deferred tax" of Note 1 describes the accounting rules and methods for recognizing deferred tax assets arising from tax loss carry-forwards. We analyzed the appropriateness of these rules and methods and assessed the data and assumptions on which these estimates were based.

## SPECIFIC PROCEDURES

As required by French law and regulations, we also performed the specific verifications, in accordance with professional standards applicable in France, of the information provided on the group presented in the Executive Board's management report adopted on March 19, 2020. With respect to events and information known after the closing date of the financial statements relating to the crisis linked to Covid-19, management indicated that the information on this subject will be provided to the General Meeting called to approve the financial statements.

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

We attest that the consolidated non-financial statement required by article L.225-102-1 of the French commercial code is included in the information presented in the Group management report, it being specified that, in accordance with the provisions of article L.823-10 of the code, we have not verified the fair presentation and the consistency with the consolidated financial statements of the information contained therein which should be reported on by an independent assurance services provider.

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

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

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

The consolidated financial statements have been adopted by the executive board.

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

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

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

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

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

*Villeurbanne and Lyon, April 30, 2020*

*The Statutory Auditors*

*[French original signed by:]*

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

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

# 6

# SEPARATE FINANCIAL STATEMENTS

# 6.1. SEPARATE PARENT COMPANY FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019

## BALANCE SHEET

| ASSETS (€ thousands) | Gross amounts | Depreciation, amortization and provisions | Net amounts at 12/31/19 | Net amounts at 12/31/2018 |
|---|---|---|---|---|
| Intangible assets | 41,549,141 | 27,488,552 | 14,060,589 | 12,874,133 |
| Property, plant and equipment | 9,614,783 | 3,435,968 | 6,178,816 | 4,661,135 |
| Equity investments and investment-related receivables | 51,169,222 | 4,232,452 | 46,936,770 | 46,711,308 |
| Other financial assets | 7,961,171 | 8,148 | 7,953,023 | 5,714,098 |
| **Total non-current assets** | **110,294,318** | **35,165,119** | **75,129,198** | **69,960,675** |
| Inventories of raw materials, supplies | 108,749 | | 108,749 | 105,175 |
| Trade receivables and related accounts | 16,679,365 | 577,872 | 16,101,492 | 13,116,771 |
| Prepayments to suppliers | | | 0 | -165,466 |
| Other receivables | 3,638,357 | 198,690 | 3,439,667 | 3,023,245 |
| Marketable securities | 382,537 | | 382,537 | 492,892 |
| Cash and cash equivalents | 5,251,387 | | 5,251,387 | 4,425,447 |
| **Total current assets** | **26,060,395** | **776,563** | **25,283,832** | **20,998,064** |
| Prepaid expenses | 1,808,191 | | 1,808,191 | 1,195,576 |
| Translation differences (assets) | 443,188 | | 443,188 | 572,999 |
| **Total adjustment accounts** | **2,251,379** | **0** | **2,251,379** | **1,768,575** |
| **TOTAL ASSETS** | **138,606,092** | **35,941,682** | **102,664,410** | **92,727,314** |

| SHAREHOLDERS' EQUITY AND LIABILITIES (€ thousands) | 12/31/19 | 12/31/18 |
|---|---|---|
| Share capital | 11,504,436 | 11,217,930 |
| Additional paid-in capital | 20,466,337 | 19,723,196 |
| Legal reserve | 1,121,793 | 1,096,073 |
| Other reserves | 218,578 | 316,378 |
| Retained earnings | 27,253,252 | 24,640,077 |
| Net income | 10,684,575 | 4,975,716 |
| Regulated provisions | 215,109 | 148,916 |
| **Total Equity** | **71,464,080** | **62,118,286** |
| **Other equity** | | |
| **Provisions for contingencies and expenses** | **1,887,178** | **1,651,449** |
| Borrowings and financial liabilities | 7,790,389 | 10,669,395 |
| Trade payables and related accounts | 7,519,649 | 5,294,742 |
| Tax and employee-related payables | 12,279,843 | 11,310,836 |
| Other payables | 145,537 | 49,493 |
| **Total payables** | **27,735,418** | **27,324,466** |
| Deferred revenue | 1,358,175 | 1,465,440 |
| Unrealized gains on foreign exchange | 219,559 | 167,673 |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **102,664,410** | **92,727,314** |

## INCOME STATEMENT

| (in euros) | 12/31/19 | 12/31/18 |
|---|---|---|
| Sales of goods | 92,189 | 31,511 |
| Sale of services | 46,156,924 | 38,233,347 |
| **Sales** | **46,249,113** | **38,264,858** |
| Own production of goods and services capitalized | 5,615,901 | 5,306,028 |
| Operating grants | 14,000 | 8,167 |
| Reversals of provisions, expense reclassifications | 308,835 | 286,220 |
| Other income | 7,530,370 | 6,335,949 |
| **Operating income** | **59,718,219** | **50,201,223** |
| Purchase of trade goods, raw materials and other supplies | 1,212,646 | 996,588 |
| Change in inventory | -3,575 | 24,120 |
| Other purchases and external expenses | 16,235,412 | 13,007,246 |
| Taxes, duties and similar payments (other than on income) | 1,144,838 | 1,108,282 |
| Wages and salaries | 21,120,012 | 18,652,633 |
| Social security expenses | 9,922,592 | 8,559,231 |
| Allowances for depreciation and reserves | 6,415,091 | 4,981,431 |
| Other expenses | 108,392 | 82,778 |
| **Operating expenses** | **56,155,408** | **47,412,309** |
| **OPERATING PROFIT** | **3,562,811** | **2,788,913** |
| Financial income | 9,849,136 | 4,138,334 |
| Financial expenses | 1,329,659 | 1,357,647 |
| **Net financial income / (expense)** | **8,519,477** | **2,780,687** |
| **CURRENT INCOME BEFORE TAX** | **12,082,287** | **5,569,600** |
| Non-recurring income | 208,780 | 315,636 |
| Exceptional expenses | 1,161,269 | 1,089,455 |
| **Net exceptional items** | **-952,489** | **-773,818** |
| Income taxes | -445,223 | 179,934 |
| **NET PROFIT** | **10,684,575** | **4,975,716** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The separate annual financial statements of Esker SA at December 31, 2019 were adopted by the Executive Board and submitted for approval to the Supervisory Board on March 19, 2020.

### 1. Annual highlights

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

A waiver of debt was granted to Esker Document Automation Asia Pte Ltd in the amount of €366,631 corresponding to Group trade receivables.

**Waiver of debt in favor of Esker Italia Srl:**

A waiver of debt was granted to Esker Italia in the amount of €468,806.01 corresponding to Group trade receivables.

## 2. Significant accounting policies and statement of compliance

The annual financial statements for the period ending December 31, 2019 were prepared in accordance with French law and French GAAP, and notably articles L.123-12 to L.123-28 of the French commercial code, regulation No. 2016-07 of the French accounting standards authority (*Autorité des Normes Comptables* or ANC) of November 4, 2016 and on the French General Chart of Accounts (*Plan Comptable Général*) of France's Accounting Regulations Committee (*Comité de Reglementation Comptable* or CRC)

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

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

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

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

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

The accounting methods applied remain unchanged in relation to those used to prepare the annual financial statements established on December 31, 2018.

### Use of estimates

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

The main Group estimations concern assumptions relating to:

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

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

### Intangible assets

#### RESEARCH AND DEVELOPMENT EXPENSES

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

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

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

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

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

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

#### OTHER INTANGIBLE ASSETS

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

### Property, plant and equipment

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

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

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

### Equity interests and other financial assets

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

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

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

### Treasury shares

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

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

### Inventories

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

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

### Receivables

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

### Marketable securities

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

### Regulated provisions

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

### Foreign currency transactions

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

### Disputes and provisions for contingencies and charges

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

### Retirement severance benefits

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

- Estimated age of retirement,
- Seniority of personnel on retirement date,
- Probability of continued presence at the retirement age,
- Salary escalation rate,
- Discount rate.

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

### Revenue

Revenue of the company is derived primarily from the sale of licenses, maintenance services and related services (training and installation assistance), on-demand services available online (outsourcing of fax and mail services) and equipment (fax boards).

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

## 3. Notes to the balance sheet and income statement

### NOTE 1 Intangible assets

| As of 12/31/19 (In thousands of euros) | Opening balance | Increases | Decreases | Closing balance |
|---|---|---|---|---|
| Development expenditures | 32,782,347 | 5,395,720 | | 38,178,067 |
| Software | 524,137 | 5,341 | | 529,478 |
| Other intangible assets | 58,996 | | | 58,996 |
| Intangible assets in progress | 2,562,419 | 5,615,901 | -5,395,720 | 2,782,600 |
| **Intangible assets – gross value** | **35,927,899** | **11,016,962** | **-5,395,720** | **41,549,141** |
| Development expenditures | 22,480,522 | 4,424,882 | | 26,905,404 |
| Software | 514,289 | 9,862 | | 524,151 |
| Other intangible assets | 58,955 | 42 | | 58,996 |
| **Intangible assets – amortization** | **23,053,766** | **4,434,786** | **0** | **27,488,552** |
| **INTANGIBLE ASSETS – NET VALUE** | **12,874,133** | **6,582,176** | **-5,395,720** | **14,060,589** |

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

## NOTE 2 Property, plant and equipment

| As of 12/31/19 (In thousands of euros) | Opening balance | Increases | Decreases | Closing balance |
|---|---|---|---|---|
| Plant, machinery and equipment | 2,594,711 | 1,595,515 | -76,529 | 4,113,698 |
| Transport equipment | 15,343 | | -2,054 | 13,289 |
| Office and computer equipment | 2,725,939 | 994,878 | -89,038 | 3,631,779 |
| Building and land | 1,856,018 | | | 1,856,018 |
| Property, plant and equipment in progress | 0 | | | 0 |
| **Property, plant and equipment – gross value** | **7,192,011** | **2,590,393** | **-167,621** | **9,614,783** |
| Plant, machinery and equipment | 666,218 | 466,855 | -68,988 | 1,064,085 |
| Transport equipment | 13,762 | 844 | -1,317 | 13,290 |
| Office and computer equipment | 1,793,106 | 551,067 | -87,040 | 2,257,133 |
| Building and land | 57,789 | 43,671 | | 101,460 |
| Property, plant and equipment in progress | 0 | | | 0 |
| **Property, plant and equipment – depreciation** | **2,530,918** | **1,062,436** | **-157,344** | **3,435,968** |
| **INTANGIBLE ASSETS – NET VALUE** | **4,661,093** | **1,527,957** | **-10,276** | **6,178,816** |

The main acquisitions and decreases in the period were linked to the work carried out at the headquarters in Villeurbanne and notably renovations and installations of more than €8 million.

Investments for office and computer equipment concerned mainly servers (€0.2 million) laptops (€150,000) and storage units (€100,000) linked to the growth in business and the number of employees.

## NOTE 3 Financial assets

| As of 12/31/19 (In thousands of euros) | Opening balance | Increases | Decreases | Closing balance |
|---|---|---|---|---|
| Equity investments | 44,779,227 | 1,126 | | 44,780,354 |
| Investment-related receivables | 6,150,857 | 2,335,240 | -2,309,781 | 6,176,316 |
| Esker shares | 2,378,792 | | | 2,378,792 |
| Bonds | 2,994,425 | 417,205 | -335,375 | 3,076,255 |
| Other* | 433,654 | 2,353,965 | -2,332,153 | 455,467 |
| **FINANCIAL ASSETS – GROSS VALUE** | **56,736,957** | **5,107,536** | **-4,977,309** | **56,867,184** |
| Equity investments | 589,218 | | | 589,218 |
| Investment-related receivables | 4,082,758 | | -426,615 | 3,656,143 |
| Esker shares | 0 | | | 0 |
| Bonds | 0 | 196,416 | | 196,416 |
| Other* | 0 | | | 0 |
| **FINANCIAL ASSETS – DEPRECIATION** | **4,671,976** | **196,416** | **-426,615** | **4,441,777** |
| **FINANCIAL ASSETS – NET VALUE** | **52,064,981** | **4,911,120** | **-4,550,694** | **52,425,407** |

* including the liquidity account, deposits and guarantees

### ■ EQUITY INVESTMENTS

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

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

As in previous periods, the Esker Inc, CalvaEDI and TermSync shares were tested for impairment on December 31, 2019. On that basis, no loss of value was identified requiring the recognition of the provision for the shares on this date.

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

The assumptions adopted for this purpose, i.e. a terminal value with respect to growth (3%) and a discount rate (9.2%) are in line with the data available on the market and conservative assumptions.

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

■ INVESTMENT-RELATED RECEIVABLES

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

- A €126,000 increase in the Esker Australia receivable linked to the €84,000 increase in long-term receivables and the foreign exchange rate impact from the Australian dollar (€34,000),
- A €22,000 increase in the Esker Asia receivable linked solely to the conversion of this receivable in foreign currency and the change in the foreign exchange rate of the Singapore dollar at 12/31/19,
- A €63,000 increase in the Esker UK receivable linked solely to the conversion of this receivable in foreign currency following the change in the foreign exchange rate of the pound sterling at 12/31/2019.

### Esker shares

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

### Bonds

The company strengthened its positions by investing €2,000,000 in a second bond portfolio in the period.

At year-end the total bond portfolio amounted to €4,899,000, and on that basis a capital loss of €8,000 was recorded at December 31, 2019 and provisioned.

## NOTE 4 Treasury stock

The number and value of treasury shares held by the company changed as follows in 2019:

| Number of treasury shares | Fixed securities | Transferable securities | FY 2018 |
|---|---|---|---|
| **Number of treasury shares held at 01/01/19** | **144,196** | **9,176** | **153,372** |
| Transfers | | | |
| Purchase of own shares (liquidity agreement) | | 37,278 | 37,278 |
| Sale of own shares (liquidity agreement) | | (40,408) | -40,408 |
| Exercise of options | | | 0 |
| **Number of treasury shares held at 12/31/19** | **144,196** | **6,046** | **150,242** |
| **Treasury shares (in euros)** | **Fixed securities** | **Transferable securities** | **FY 2019** |
| Gross balance at 01/01/19 | 2,378,730 | 449,953 | 2,828,683 |
| Provision | 0 | 0 | 0 |
| **Net balance at 01/01/19** | **2,378,730** | **449,953** | **2,828,683** |
| Transfers | | | 0 |
| Purchase of own shares (liquidity agreement) | | 2,973,850 | 2,973,850 |
| Sale of own shares (liquidity agreement) | 0 | (3,061,803) | -3,061,803 |
| Exercise of options | | | 0 |
| **Gross balance at 12/31/19** | **2,378,730** | **362,000** | **2,740,730** |
| Provision | 0 | 0 | 0 |
| **Net balance at 12/31/19** | **2,378,730** | **362,000** | **2,740,730** |

The change in treasury shares recorded under securities corresponds to shares purchased and sold in connection with the liquidity contract. Treasury shares held in connection with the liquidity contract, previously recognized under financial assets, were reclassified under investment securities in light of the purpose of the liquidity contract which provides solely for share price stabilization measures.

## NOTE 5 Trade receivables

| In euros | 12/31/19 | | | 12/31/18 | | |
|---|---|---|---|---|---|---|
| | Gross | Provision | Net | Gross | Provision | Net |
| Trade receivables - non-Group | 11,708,646 | -327,450 | 11,381,196 | 9,612,915 | -18,127 | 9,594,788 |
| Trade receivables - Group | 4,970,719 | -250,423 | 4,720,296 | 3,590,046 | -68,064 | 3,521,983 |
| **TOTAL CURRENT RECEIVABLES** | **16,679,365** | **-577,872** | **16,101,492** | **13,202,961** | **-86,190** | **13,116,771** |

## NOTE 6 Maturity of receivables and payables

■ STATEMENT OF RECEIVABLES

| In euros | Gross amount | Up to 1 year | More than 1 year |
|---|---|---|---|
| Investment-related receivables | 6,388,868 | | 6,388,868 |
| Other financial assets | 7,961,171 | | 7,961,171 |
| Doubtful and disputed trade receivables | 355,527 | | 355,527 |
| Other trade receivables | 16,323,837 | 16,323,837 | |
| Social security and related receivables | 3,305 | 3,305 | |
| Other taxes and similar items | 1,929,877 | 1,929,877 | |
| Group current accounts | 1,671,369 | 1,671,369 | |
| Sundry debtors | 33,807 | 33,807 | |
| Prepaid expenses | 1,808,191 | 1,808,191 | |
| **TOTAL** | **36,475,953** | **21,770,386** | **14,705,567** |

■ STATEMENT OF PAYABLES

| In euros | Gross amount | Up to 1 year | Between 1 and 5 years | More than 5 year |
|---|---|---|---|---|
| Conditional advance | 0 | 0 | 0 | |
| Miscellaneous borrowings | 7,790,389 | 5,067,229 | 2,723,161 | |
| Trade payables and related accounts | 7,519,649 | 7,519,649 | | |
| Employee payables and related accounts | 5,691,625 | 5,691,625 | | |
| Social security and related receivables | 3,992,121 | 3,992,121 | | |
| Value-added tax | 1,145,785 | 1,145,785 | | |
| Other taxes and similar items | 1,450,312 | 1,450,312 | | |
| Amounts payable to Group companies and share-holders | 0 | | 0 | |
| Other payables | 145,537 | 145,537 | | |
| Deferred revenue | 1,358,175 | 1,358,175 | | |
| **TOTAL** | **29,093,593** | **26,370,432** | **2,723,161** | |

## NOTE 7 Translation of payables and receivables in foreign currency

| In euros | Translation differences (assets) | Unrealized gains on foreign exchange |
|---|---|---|
| Investment-related receivables | 0 | 219,559 |
| Operating receivables | 443,188 | 0 |
| Operating payables | 0 | 0 |
| **TOTAL** | **443,188** | **219,559** |

A provision for the balance of translation differences was allocated at December 31, 2019.

## NOTE 8 Accrued income and expenses

| In euros | 2019 |
|---|---|
| Trade receivables and related accounts | 668,475 |
| Other receivables | |
| - Accrued credit notes - suppliers | 12,097 |
| - Employees - accrued income | |
| - Social security and equivalent - accrued income | 3,305 |
| - Misc. - accrued income | 33,501 |
| **TOTAL ACCRUED INCOME** | **717,378** |
| Trade payables and related accounts | 5,332,523 |
| Tax and employee-related payables | |
| - State, other accrued liabilities | 249,688 |
| - Personnel - provision for paid leave, bonuses and profit-sharing | 0 |
| - Social security agencies | 0 |
| - Taxes on wages | 0 |
| Other payables: | |
| - Accrued credit notes | 0 |
| - Misc. - accrued liabilities | |
| **TOTAL ACCRUED EXPENSES** | **5,582,212** |

## NOTE 9 Prepaid expenses and deferred income

Prepaid expenses include mainly current operating expenses.

Deferred income concerns:

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

## NOTE 10 Share capital and changes in shareholders' equity

| | **Value** (in euros) | **Number of shares** |
|---|---|---|
| Capital stock at December 31, 2018 | 11,217,930 | 5,608,965 |
| Capital increase | 97,800 | 48,900 |
| Exercise of stock options | 188,706 | 94,353 |
| **Capital stock at December 31, 2019** | **11,504,436** | **5,752,218** |

| In euros | Capital stock and additional paid-in capital | Net income | Reserves | Retained earnings | Regulated provisions | Closing balance |
|---|---|---|---|---|---|---|
| **Balance as of December 31, 2018** | **30,941,126** | **4,975,716** | **1,412,451** | **24,640,077** | **148,916** | **62,118,286** |
| Capital increase | 286,506 | | -97,800 | | | 188,706 |
| Stock options | 743,141 | | | | | 743,141 |
| Other changes | | | | | 66,193 | 66,193 |
| Appropriation of net income for the year | | -4,975,716 | 25,720 | 2,613,175 | | -2,336,821 |
| Annual profit/(loss) | | 10,684,575 | | | | 10,684,575 |
| **Balance as of December 31, 2019** | **31,970,773** | **10,684,575** | **1,340,371** | **27,253,252** | **215,109** | **71,464,080** |

94,353 stock options were exercised in 2019, resulting in a capital increase of €189,000 and share premium of €743,000.

Treasury shares at 12/31/19 represented 2.61% of the company's share capital or 150,242 shares (compared to 2.73% at 12/31/18). Excluding these shares which do not carry voting rights, there were 5,601,976 voting rights attached to the share capital at 12/31/19.

On May 04, 2019, the Executive Board recorded the vesting of 48,900 shares awarded on May 3, 2017 under the restricted stock unit plan and decided to increase the share capital by €97,800 by creating 48,900 new shares of €2 per share, without share premium, deducted from "other reserves".

A dividend was distributed to shareholders in the period in the amount of €2,337,000.

### NOTE 11 Stock option and warrants plans

Changes in the number of stock options, warrants and restricted stock units granted to Group employees in the fiscal year ended December 31, 2019 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 12/31/18** | **198,381** | **20.27** | **48,900** | **46.55** |
| Granted | 28,750 | 79.75 | 98,300 | 79.75 |
| Exercised | -94,353 | 9.88 | -48,900 | 46.55 |
| Matured or forfeited for reason of departure | -1,501 | 2.74 | 0 | 0.00 |
| **Balance exercisable at 12/31/19** | **131,277** | **40.97** | **98,300** | **79.75** |

Restricted stock units awarded in the period are created at the end of a two-year vesting period by increasing capital through the capitalization of reserves. In consequence, no expense has been recorded for this purpose in the company's accounts for this purpose.

### NOTE 12 Provisions for contingencies and expenses

| In euros | Provisions at the begin-ning of the period | Increases in the period | Amounts used in the period | Reversals of provisions unused in the period | Provisions at the end of the period |
|---|---|---|---|---|---|
| Provisions for unrealized foreign exchange losses | 572,998 | 443,188 | | -572,998 | 443,188 |
| Provisions for financial risk | 1 | | | | 1 |
| Other provisions for contingencies | 0 | | 0 | | 0 |
| Provision for retirement severance payments | 1,078,450 | 365,539 | | | 1,443,989 |
| **TOTAL** | **1,651,449** | **808,727** | **0** | **-572,998** | **1,887,178** |

Provisions for retirement severance benefits are analyzed above in *Note 13*.

### NOTE 13 Retirement severance benefits

Retirement severance benefits in France for employees of the company are measured using the same method as in the previous year with the application of a turnover table based on the employee's seniority, with employee turnover decreasing with the increase in the employee's seniority.

On that basis, assumptions used to estimate pension obligations at December 31, 2019 were as follows:

| Assumptions for the measurement of pension obligations in France | |
|---|---|
| Discount rate | 1.20% |
| Salary escalation rate | 1.50% |
| Rate of social security charges | 45% |
| Retirement age | 65 years |
| Turnover rate | 8% |

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

## NOTE 14 Breakdown of revenue

■ BY BUSINESS SECTOR

| In euros | 12/31/19 | 12/31/18 |
|---|---|---|
| Hardware sales | 27,624 | 49,229 |
| License sales, maintenance contracts | 823,277 | 959,653 |
| Services | 11,805,984 | 10,201,765 |
| Activity on Demand | 33,592,228 | 27,054,211 |
| **NET SALES** | **46,249,113** | **38,264,858** |

■ GEOGRAPHIC SEGMENTS

| In euros | 12/31/19 | 12/31/18 |
|---|---|---|
| France | 27,078,736 | 24,250,456 |
| International | 19,170,378 | 14,014,403 |
| **NET SALES** | **46,249,113** | **38,264,858** |

## NOTE 15 Expense transfers

| In euros | 12/31/19 | 12/31/18 |
|---|---|---|
| Daily allowances for payments for social security and other entities | 131,145 | 84,782 |
| Benefits in kind for employees | 142,374 | 128,171 |
| Insurance reimbursements | 300 | 832 |
| Reimbursements of training expenses for continuous vocational training | 5,487 | 26,498 |
| SME recruitment aid - French Ministry of Labor | 2106 | 7,350 |
| Misc. | | |
| **TOTAL** | **281,411** | **247,634** |

## 16 Net financial income (expense)

| In euros | 12/31/19 | 12/31/18 |
|---|---|---|
| Allowances for the impairment of financial assets | 167,082 | 0 |
| Allowances for foreign exchange losses | 1,029,644 | 1,262,975 |
| Allowances for contingencies and expenses | 0 | 0 |
| Other financial expenses | 34,244 | 55,070 |
| Foreign exchange losses | 98,689 | 39,602 |
| **FINANCE EXPENSES** | **1,329,659** | **1,357,647** |
| Reversal of provisions for foreign exchange losses | 1,159,454 | 790,138 |
| Reversal of provisions for financial assets | 368,259 | 509,531 |
| Reversals of provisions for contingencies and expenses | 0 | 0 |
| Net proceeds from the disposal of marketable securities and other investments | 53,241 | 109,397 |
| Income from equity investments | 8,232,674 | 2,709,548 |
| Other income | 14,145 | 10,478 |
| Foreign exchange gains from group purchases and sales | 21,362 | 9,242 |
| **FINANCIAL INCOME** | **9,849,136** | **4,138,334** |
| **NET FINANCIAL INCOME / (EXPENSE)** | **8,519,477** | **2,780,687** |

An unrealized foreign exchange loss was recorded in the period of €130,000 compared to €472,000 in 2018. This amount resulted primarily from provisions for foreign exchange losses.

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

The company received a dividends in the amount of €950,000 from CalvaEDI, €475,000 from Esker Software GmbH, GBP 2 million from Esker Ltd and USD 5 million from Esker Inc.

### Net financial income (expense)

| In euros | 12/31/19 | 12/31/18 |
|---|---|---|
| Debt waivers | 835,437 | 734,119 |
| Allowances for special depreciation allowances | 66,193 | 66,193 |
| Net carrying values of assets sold | 256,430 | 43,000 |
| Capital losses from the sale of treasury shares | 0 | 0 |
| Allowances for exceptional contingencies and expenses | 0 | 147,706 |
| Donations and gifts | 0 | 0 |
| Exceptional expenses for prior periods | 1 | 4,787 |
| Other miscellaneous exceptional expenses | 3,207 | 93,650 |
| **EXCEPTIONAL EXPENSES** | **1,161,269** | **1,089,455** |
| Reversal of special depreciation allowances | 0 | 0 |
| Reversal of the provision for impairment of treasury shares | 0 | 0 |
| Gains from the sale of treasury shares | 112,823 | 46,731 |
| Proceeds from disposals of fixed assets | 27,165 | 12,019 |
| Exceptional income from prior periods | 0 | 0 |
| Reversals of provisions for contingencies and expenses | 13,435 | 256,886 |
| Other misc. exceptional income | 55,357 | 0 |
| **EXCEPTIONAL INCOME** | **208,780** | **315,636** |
| **NET EXCEPTIONAL ITEMS** | **-952,489** | **-773,818** |

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

### NOTE 18 Analysis of income taxes

Tax recognized for the period ended 12/31/19 is analyzed as follows:

| In euros | Tax recognized |
|---|---|
| Research tax credit | 639,935 |
| Additional tax contribution | 0 |
| Corporate income tax | -1,085,158 |
| **TOTAL TAX (EXPENSES) / INCOME** | **-445,223** |

The breakdown of tax is analyzed below:

| In euros | Pre-tax income | (Tax due) / savings | Net income |
|---|---|---|---|
| Current operating income | 12,082,287 | -489,984 | 12,572,271 |
| Research tax credit | | 639,935 | -639,935 |
| Net exceptional items | -952,489 | 295,272 | -1,247,761 |
| **ACCOUNTING PROFIT** | **11,129,798** | **445,223** | **10,684,575** |

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

| In euros | 12/31/18 | | Change in results | 12/31/19 | |
|---|---|---|---|---|---|
| | Assets | Liabilities | | Assets | Liabilities |
| **CERTAIN OR POTENTIAL TIMING DIFFERENCES** | | | | | |
| **1. Temporary disallowed deductions** | | | | | |
| Paid leave | 2,225,839 | | 322,099 | 2,547,939 | |
| French social solidarity contribution | 16,240 | | 4,965 | 21,205 | |
| Provisions for retirement severance benefits | 1,078,450 | | 365,539 | 1,443,989 | |
| **2. Deductible expenses or taxable income not yet recognized** | | | | | |
| Unrealized gains on foreign exchange | 167,673 | | 51,886 | 219,559 | |
| **TAXES TO BE ALLOCATED** | | | | | |
| Loss carryforwards | 0 | | 0 | 0 | |
| Long-term capital loss | | | 0 | | |
| Long-term capital loss - change in tax regime | | | 0 | | |
| **TOTAL** | **3,488,202** | **0** | **744,490** | **4,232,692** | **0** |
| Tax rate | 31% | 31% | 31% | 31% | 31% |
| **DECREASE / NCREASE AND FUTURE TAX LIABILITIES** | **1,081,343** | **0** | **230,792** | **1,312,134** | **0** |

### NOTE 20 Financial commitments

■ LEASES

| In euros | Value at inception | Total financing cost | Residual value of the purchase option | Charges from prior periods | Charges of the period | Commitments remaining due | Maturity of commitments remaining due | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | < 1 year | Between 1 and 5 years | > 5 years |
| Equipment and tooling | 3,196,988 | 3,209,768 | 31,970 | 1,195,855 | 512,162 | 1,501,751 | 534,211 | 967,540 | 0 |
| **TOTAL** | **3,196,988** | **3,209,768** | **31,970** | **1,195,855** | **512,162** | **1,501,751** | **534,211** | **967,540** | **0** |

■ OTHER COMMITMENTS

None.

## IV. Other information

### Subsequent events

The emergence and spread of the coronavirus epidemic in early 2020 has impacted economic and commercial activities of the global economic environment. This situation, without calling into question the business continuity agreement, may impact our situation in 2020.

### Executive compensation

| As of 12/31/19 | Compensation paid (gross) | Nature of compensation paid | | | |
|---|---|---|---|---|---|
| In euros | | Fixed salary, fees | Variable compensation | Benefits in kinds | Attendance fees |
| Executive Board members | 673,119 | 386,273 | 272,422 | 14,424 | |
| Supervisory Board members | 87,000 | 60,000 | | | 27,000 |
| **TOTAL** | **760,119** | **446,273** | **272,422** | **14,424** | **27,000** |

### Average headcount

| | 12/31/19 | 12/31/18 |
|---|---|---|
| Managers | 295 | 262 |
| Office staff and workers | 53 | 38 |
| **TOTAL AVERAGE HEADCOUNT** | **348** | **300** |

### Identity of the company preparing the consolidated financial statements

113 Boulevard de la Bataille de Stalingrad
69100 Villeurbanne

Lyon Companies Register (RCS) No: B 331 518 498
www.esker.fr

### Subsidiaries and associates

| In euros | Capital stock | Share capital including earnings | Percentage of capital held (%) | Gross book value of shares held | Net book value of shares held | Loans and advances granted by the company | Guarantees and pledges given by the company | Revenue excluding taxes for the year ended | Earnings of the year ended | Dividends received | Comments |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Subsidiaries (more than 10%-held)** | | | | | | | | | | | |
| Esker Inc. | 890 | 18,458,668 | 100% | 33,390,187 | 33,390,187 | 511,989 | | 38,969,034 | 4,794,396 | | |
| Esker Software Gmbh | 26,000 | 459,608 | 100% | 26,334 | 26,334 | | | 3,007,490 | 49,872 | | |
| Esker Ltd | 118 | 1,671,491 | 100% | 135 | 135 | 1,298,184 | | 5,166,057 | 1,001,167 | | |
| Esker Italia SRL | 10,400 | 10,400 | 100% | 15,985 | 0 | 360,000 | | 1,796,740 | -468,806 | | |
| Esker Ibérica SL | 3,004 | 624,820 | 100% | 3,087 | 3,087 | 0 | | 4,030,926 | 389,653 | | |
| Esker Australia Pty Ltd | 218,818 | -3,091,528 | 100% | 249,125 | 0 | 4,355,812 | | 3,200,767 | 82,840 | | (1) |
| Esker Asia Pte Ltd | -1 | -1 | 100% | 62,656 | 0 | | | | | | (2) |
| ESKER Document Automation Asia Pte Ltd | 198,531 | -450,492 | 100% | 186,012 | 1 | 933,870 | | 1,523,758 | 0 | | (1) |
| Esker Document Automation Malaysia Pte ltd | 65,288 | -420,816 | 100% | 75,440 | 0 | 170,378 | | 1,149,449 | -180,337 | | |
| Esker Solution Canada | 1 | 729,102 | 100% | 1 | 1 | 15,954 | | 621,107 | 199,393 | | |
| CalvaEDI | 42,000 | 835,490 | 100% | 6,042,045 | 6,042,045 | | | 2,559,555 | 760,783 | | |
| Esker EDI Service GmbH | 100,000 | 544,240 | 100% | 4,588,918 | 4,588,918 | 250,000 | | 2,871,361 | -339,092 | | |
| Esker Document Automation Hong Kong Ltd | 1,143 | -28,311 | 100% | 1,126 | 1,126 | 164,051 | | 206,012 | -31,574 | | |
| Neotouch Cloud Solution | 30,000 | 4,212,315 | 30% | 9,000 | 9,000 | | | 11,286,529 | 1,619,320 | | (3) |
| PROmitea | 25,000 | NC | 20% | 100,000 | 0 | | | NC | NC | | |
| Axeleo | | | | 30,303 | 30,303 | | | | | | |
| **Total** | | | | **44,780,354** | **44,091,138** | **8,060,237** | **0** | **76,388,785** | **7,877,614** | **0** | |

# 6.2. STATUTORY AUDITORS' REPORT ON THE SEPARATE PARENT COMPANY FINANCIAL STATEMENTS

*To Esker's general meeting:*

## OPINION

In accordance with the terms of our engagement as auditors entrusted to us by your annual general meeting, we have audited the accompanying annual financial statements of Esker events for the year ended December 31, 2019. These financial statements were adopted by the Executive Board on March 19, 2020 based on information available on that date within the evolving context of the health crisis linked to Covid-19.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2019 and of the results of its operations for the year then ended in accordance with French accounting principles.

## BASIS FOR OPINION

### Audit framework

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

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

### Independence

We conducted our audit in compliance with independence rules applicable to us, for the period from January 1, 2019 to the issue date of our report and in particular we did not provide any non-audit services prohibited by the French Code of ethics for statutory auditors.

## JUSTIFICATION OF ASSESSMENTS

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

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

- "Equity securities and other financial assets" in Paragraph 2 “Significant accounting policies” of the notes describe the rules and methods for the impairment of financial assets, and notably equity securities. As part of our assessment of the accounting principles and rules followed by your company, our work has consisted in following the appropriateness of these rules and methods, examining the information and assumptions underlying the estimates used and verifying the calculations as well as the disclosures provided in the notes.
- The Paragraph "Research and development expenditures" of this Section 2 “Significant accounting policies” describes the rules and methods for the recognition, amortization and measurement of development expenditures. With respect to our assessment of the accounting policies adopted by your company, we analyzed the appropriateness of these rules and methods and their implementation and the disclosures provided in the notes.

## SPECIFIC PROCEDURES AND DISCLOSURES

We have also performed the other specific procedures required by French law and regulations, in accordance with professional practice standards applicable in France.

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

We have no matters to report regarding the fair presentation and consistency with the financial statements of the information given in the management report of the Executive Board adopted on March 19, 2020 and the other documents addressed to the shareholders in respect of the financial position and the annual financial statements.

With respect to events and information known after the closing date of the financial statements relating to the crisis linked to Covid-19, management indicated that the information on this subject will be provided to the general meeting called to approve the financial statements.

We attest to the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in article D.441-4 of the French commercial code.

We attest that the non-financial statement required by article L.225- 102-1 of the French commercial code is included in the information presented in the Group management report, it being specified that, in accordance with the provisions of article L.823-10 of the code, we have not verified the fair presentation and the consistency with the annual financial statements of the information contained therein which should be reported on by an independent third-party.

### Report on corporate governance

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

### Other information

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

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

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

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

The annual financial statements have been adopted by the executive board.

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

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

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

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

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the annual financial statements;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If we conclude that a material uncertainty exists, we draw attention in our audit report to the related disclosures in the annual financial statements or, if such disclosures are not provided or inadequate, we issue a qualified opinion or no opinion at all;
- Evaluate the overall presentation of the annual financial statements and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

*Lyon and Villeurbanne, April 30, 2020*

*The Statutory Auditors*
*[French original signed by]*

**DELOITTE & ASSOCIÉS**
Nathalie Lorenzo Casquet

**ORFIS**
Valérie Malnoy

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

# 7

# ADDITIONAL INFORMATION

# 7.1. PERSON RESPONSIBLE FOR THE FRENCH VERSION OF THE UNIVERSAL REGISTRATION DOCUMENT

Jean-Michel Berard – Chair of the Executive Board

### Responsibility statement for the French version of the universal registration document

“I declare, after having taken all reasonable measures in this regard that to the best of my knowledge the information in this universal 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, included in the universal registration document according to the table of concordance presented in *Chapter 7* faithfully presents the 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 document and read the whole document. This letter does not contain any emphasis of matter paragraphs."

Jean-Michel Bérard
Chair of the Executive Board

# 7.2. STATUTORY AUDITORS

### Principal Statutory Auditors

S.A. Deloitte & Associés - represented by Nathalie Lorenzo Casquet
106 Cours Charlemagne
69286 Lyon Cedex 2

- **Date of appointment:** June 19, 2000, reappointed on June 28, 2006 and June 14, 2012
- **Expiration of appointment:** General Meeting called for the purpose of approving the annual financial statements for the financial year ending December 31, 2023

S.A Orfis – represented by Valérie MALNOY
149 boulevard Stalingrad
69100 Villeurbanne

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

### Alternate Statutory Auditors

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

- **Date of appointment:** June 19, 2000, reappointed on June 28, 2006 and June 14, 2012
- **Expiration of appointment:** General Meeting called for the purpose of approving the annual financial statements for the financial year ending December 31, 2023

Jean-Louis Fleche
149 boulevard Stalingrad
69100 Villeurbanne

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

## 7.3. 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 universal registration document.

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

- the company's website: www.esker.com/investors
- Euronext website: www.euronext.com

## 7.4. INFORMATION ON HOLDINGS

Information about companies in which Esker holds an equity interest is presented in *Section 1.2.2.* of this document as well as the Note "Consolidated companies" to the consolidated financial statements and *Paragraph 5.1.* of this universal registration document.

## 7.5. TABLE OF CONCORDANCE WITH THE COMMISSION DELEGATED REGULATION (EU) 2019/980 OF MARCH 14, 2019

The following table of concordance makes facilitates the identification in this universal registration document those disclosures required in Appendix I and II of the Commission Delegated Regulation (EU) 2019/980 of March 14, 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council.

| According to the Section provided for by the Commission Delegated Regulation (EU) 2019/980 of March 14, 2019: | Section of the Universal Registration Document |
|---|---|
| **1. RESPONSIBILITY STATEMENT** | |
| 1.1. Persons responsible for information given in the universal registration document | 7.1 |
| 1.2. Responsibility statement | 7.1 |
| **2. AUDITORS** | |
| 2.1. Name and addresses of the auditors | 7.2 |
| 2.2. Changes in statutory auditors | N/A |
| **3. RISK FACTORS** | **Chapter 4** |
| **4. INFORMATION ABOUT THE ISSUER** | |
| 4.1. Legal and commercial name | 1.2.1 |
| 4.2. Place of registration and registration number | 2.6 |
| 4.3. Date of incorporation and term | 1.2.1 |
| 4.4. Domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, the address, telephone number of its registered office | 1.2.1 |
| **5. BUSINESS OVERVIEW** | |
| 5.1. Principal activities | |
| 5.1.1. Nature of operations | 1.4.1 |
| 5.1.2. Important new products and services | N/A |
| 5.2. Principal markets | 11.4 |
| 5.3. Important events | N/A |
| 5.4. Strategy and objectives | 1.3 |
| 5.5. Dependency of the issuer on patents, licenses, contracts or processes | N/A |
| 5.6. Statement on the issuers' competitive position | 1.3 |

| According to the Section provided for by the Commission Delegated Regulation (EU) 2019/980 of March 14, 2019: | Section of the Universal Registration Document |
| --- | --- |

| According to the Section provided for by the Commission Delegated Regulation (EU) 2019/980 of March 14, 2019: | Section of the Universal Registration Document |
|---|---|

## 7.6. TABLE OF CONCORDANCE OF THE MANAGEMENT REPORT

This universal registration document contains all information of the management report of the Esker Group provided for by articles L.225-100 and L.225-100-2 the French commercial code.

The sections of the universal registration document corresponding to the different sections of the Group's management report are presented below.

| Information | Sections and the document |
|---|---|
| Business and financial position | 1.41, 1.43 |
| Recent events, trends and outlook | 1.4.4 |
| Activities in the field of research and development | 1.3.2 |
| Description of the main risks and uncertainties | Chapter 4 |
| Internal control and risk management procedures | Chapter 4 |
| Use of financial instruments | N/A |
| Corporate social and environmental responsibility | Chapter 3 |
| Subsidiaries and associates | Chapter 6 page 100 |
| Dividends paid for the last three fiscal years | 1.4.7 |
| Capital resources | 1.4.5 |
| Information on previous dividend distributions | 1.4.7 |
| Proposal to appropriate net income | 1.4.6 |

## 7.7. TABLE OF CONCORDANCE WITH THE REPORT ON CORPORATE GOVERNANCE

This universal registration document includes all items of the report on corporate governance.

The sections of the universal registration document corresponding to the different sections of the report on corporate governance are presented below.

| Information | Sections and the document |
|---|---|
| Corporate officers | 2.1 |
| Compensation of corporate officers | 2.2 |
| Regulated agreements | 2.3 |

# 7.8. TABLE AND CONCORDANCE WITH THE INFORMATION REQUIRED IN THE NON-FINANCIAL STATEMENT (NFS)

| | Subject | Table up in accordance with the 2019 Universal Registration Document | Pages |
|---|---|---|---|
| | Governance of corporate social responsibility | The three pillars of our CSR approach<br>Involvement in the ecosystem | 41 |
| | Presentation of Esker | Our business<br>Our values<br>Business model<br>Stakeholders and ecosystem | 42-45 |
| | Main risks and issues | Identification of risks<br>Key performance indicators | 45-46 |
| HUMAN RESOURCES INFORMATION | Employment | Total workforce and breakdown of employees | 50 |
| | | Recruitment and dismissals | 51 |
| | | Compensation and compensation trends | 52 |
| | Work organization | Working time organization | 53 |
| | | Absenteeism | 53 |
| | Health and safety | Occupational health and safety conditions | 53 |
| | | Occupational accidents and illnesses | 53 |
| | Labor relations | Organization of employee-management dialogue | 47-48 |
| | | Report of collective bargaining agreements | 47-48 |
| | Training | Policy adopted in the area of training, notably with respect to environmental protection | 54 |
| | | Total training hours | 54 |
| | Equal opportunity | Measures adopted to promote gender equality | 52 |

| | Subject | Table up in accordance with the 2019 Universal Registration Document | Pages |
|---|---|---|---|
| ENVIRONMENTAL INFORMATION | General environmental policy | Measures adopted to promote employment and integration of disabled persons | 51-52 |
| | | Combating discrimination | 51-52 |
| | | The company's organizational structure to take into account environmental issues | 58-60 |
| | | Environmental risk and pollution protection measures | 58-59 |
| | Pollution | The amount of provisions and guarantees for environmental risks, subject to the condition that its disclosure would not constitute a serious prejudice to the company with respect to litigation in progress | N/A |
| | | Measures to prevent, reduce or repair serious adverse effects on the environment from the release of waste into the atmosphere, water and soil | 58-60 |
| | | Measures taken into account to reduce noise pollution and other forms of pollution specific to an activity, notably with respect to noise and light sources | 58-60 |
| | Sustainable use of resources | Pollution and waste management | 59-60 |
| | | Sustainable use of resources | 59-60 |
| | | Land use | N/A |
| | Climate change | Significant sources of greenhouse gas emissions resulting from the company's business, and notably resulting from the use of the goods and services it produces | 59-63 |
| | | Measures taken to adapt to the consequences of climate change | 60 |
| | | Voluntary targets set for the medium and long-term to reduce greenhouse gas emissions and measures implemented for the purpose | 63 |
| | Protection of biodiversity | Measures taken to preserve or develop biodiversity | 59 |
| EMPLOYMENT-RELATED INFORMATION | Regional, economic and social impact of the company's activity | Impact of the company’s activity on local employment and development | 55-57 |
| | | Impact of the company’s activity on neighboring or local populations | 55-57 |
| | | Partnerships or corporate sponsorship initiatives | 55-57 |
| | Subcontracting and suppliers | Taking into account social and environmental issues in the purchasing policy | 60 |
| | | The manner in which relations with suppliers and subcontractors are taken into account in the company’s social and environmental responsibility | 47-48, 60 |
| | Fair practices | Measures for preventing corruption | 47-48 |
| | | Consumer health and safety measures | 49 |
| | Other actions undertaken in favor of human rights | | 47-48 |

## APPENDIX 1. CALENDAR OF PUBLICATIONS AND OTHER FINANCIAL EVENTS OF THE ESKER GROUP IN 2020

Upcoming press releases:

- Q2 2020 quarterly information ........ July 16, 2020 after the close of trading
- H1 2020 results ........ September 10, 2020 after the close of trading
- Q3 2020 quarterly information ........ October 13, 2020 after the close of trading

## APPENDIX 2. GLOSSARY

**Mail on Demand**
Mail sent online in the form of an electronic file to the Esker Mail on Demand service, then printed, inserted in an envelope, automatically metered and received by its recipient as a traditional letter (including the option of being sent as registered letter).

**Terminal emulation**
A software application reproducing the behavior of a keyboard type terminal and screen. A terminal emulation software thus makes it possible to connect to and use of the applications of one computer from another.

**Host Access**
A category of software enabling a group of PCs to communicate with a host system (IBM Mainframe or AS/400, Unix server, etc.), to share peripherals or access the associated databases.

**Linux**
A free open source operating system developed in the 1980s by a student, Linus Tordwal. Similar to the Unix operating system, Linux has become very popular both because it is free but also robust.

**Software**
All programs, processes, rules necessary for processing data by a hardware device to meet the needs of a user.

**Mainframe**
A large computer (frequently under the IBM brand) with significant calculation and storage capabilities capable of servicing a number of users.

**PDF**
Portable Document Format is a file format developed by Adobe to present documents.

**SaaS**
Software as a Service (SaaS) is a software application provided as a service through a subscription rather than purchasing a license.

**UNIX**
A portable operating system designed in the 1970s capable of being installed on many types of hardware platforms. As the first open operating system, it has been adopted by nearly all computer manufacturers and in the field of departmental servers has become an industry reference.

**Fax server**
A software application or equipment designed to receive or transfer documents in facsimile form (or photocopies).

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