SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)
/x/ Annual report under section 13 or 15(d) of the securities exchange act of 1934
For the fiscal year ended December 31, 2000

/ / Transition report under section 13 or 15(d) of the securities exchange act of 1934

Commission file number 0-22196

INNODATA CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

Three University Plaza
Hackensack, New Jersey
(Address of principal executive offices)

07601
(Zip Code)

(201) 488-1200
(Registrant's telephone number)

13-3475943
(I.R.S. Employer Identification No.)

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: Common Stock, $.01 par value

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past twelve months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /x/ No / /

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. /x/

State the aggregate market value of the voting stock held by non-affiliates of the registrant based on the closing price of the Company's Common Stock on February 28, 2001 of $5.00 per share. $82,043,000

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

21,134,252 shares of common stock, $.01 par value, as of February 28, 2001.

DOCUMENTS INCORPORATED BY REFERENCE
[SEE INDEX TO EXHIBITS]

PART I

Item 1. Description of Business.

General

Innodata Corporation ("Innodata" or the "Company") is a leading provider of digital content outsourcing services. It provides a host of content conversion and management solutions to online and Internet-based publishers, content aggregators and syndicates, B2B and e-commerce firms and a growing number of Internet portals as well as non-Internet firms. Through its XML Content Factory, the Company provides large-scale XML content conversions and enhancement services. The Company's outsourcing solutions typically draw upon one or more of the following specific services: data conversion, content architecture, content management, XML services, metadata creation, editorial enhancement, software development, and consulting services. Through the provision of these services, Innodata provides all the necessary steps to enable its clients to create and distribute vast amounts of digital information via the Internet, intranet, extranet, and other digital media.

The Company is leveraging its strong heritage in data conversion and editorial services and is extending it to facilitate XML content management solutions. Since 2000, Innodata has delivered XML solutions that enable content publishers to rapidly deploy large-scale XML repositories, reducing new product time to market and time to revenue.

The Company was incorporated in Delaware in June 1988, and operates from its North American Solutions Center in Hackensack, New Jersey; its Enterprise Support Services Center in Manila, the Philippines; its XML Content Factory in Mandaue, the Philippines; and its content production and R&D/applications development facilities in: Manila, the Philippines; Cebu, the Philippines; Legaspi, the Philippines; Noida, India; Delhi, India; and Colombo, Sri Lanka.

Industry Background

XML (Extensible Markup Language) technology has reshaped the market for electronic content publishing, unleashing substantial new revenue opportunities for digital content owners of all types. Whether the objective is to drive online transactions or sell subscription-based information services, XML is creating new opportunities to drive revenue. Given that content is the cornerstone of XML, XML-izing content is the prerequisite for content owners to participate in these new revenue opportunities.

Through the functionality of XML, content publishers can participate in emerging revenue-producing business models involving content syndication; application-driven, dynamic content delivery; and the spontaneous synthesis of data into interactive "web services". In addition, the technology enables content owners to repurpose content into derivative products quickly and efficiently, which means faster reaction to market opportunities.

In order to participate in these business opportunities, content owners are forced to confront the challenge of building massive XML content. Competitive pressures are expected to accelerate this investment. Jupiter Communications has stated that, "As XML saturation reaches critical mass, noncompliant sites will find it increasingly difficult to negotiate content partnerships" and will "risk losing critical audience share and being locked out of lucrative content partnerships." Yet the complexity of large-scale XML transformations poses significant technical and logistical obstacles. Moreover, there is a shortage of XML-savvy technical talent and information architects to guide these transformations.

Other business drivers exist, as well. For example, the market expects content publishers to deliver ever-increasing quantities of online information quickly, adding rich media functionality and other kinds of enhancement to traditional full text-based online products. Typically, given the inelasticity of the subscription-based pricing models under which many content owners operate, these market expectations threaten to erode content owners' margins.

To tap the new business opportunities that XML facilitates, to obtain access to leverageable technical know-how, to maintain the flexibility and market focus to produce high-demand products, and to protect profit margins by reducing cost,content owners are increasingly receptive to outsourcing solutions.

Many of the Company's clients, in fact, have chosen to focus internal resources on strategic initiatives (e.g., product definition, content acquisition and marketing), declaring content management-related activities (e.g., contentcreation, conversion and enrichment) non-strategic - albeit mission-critical - and susceptible to outsourcing.

The Company focuses its marketing efforts primarily on content publishers and information providers in the following vertical markets: knowledge services/eLearning/distance learning; scientific/technical/medical; legal and financial (including regulatory and tax); e-book publishing; general web portals and content aggregators; and B2B/online marketplaces.

At the same time, other types of companies (ranging from manufacturing firms to professional firms) are confronting strategies for transacting business over the Internet, creating content-driven, integrated vertical portals ("vortals"). Others create and distribute product catalogs, parts catalogs, and technical documentation, or archive and share B2B and e-commerce data. Still others create and publish maintenance manuals, research materials, and other documents, or seek to mine value from legacy data, implementing electronic knowledge management initiatives as a way of mitigating the cost of isolated islands of information, and redundancies and duplication in work efforts. These companies view the Web as a viable publishing environment for enabling unprecedented information access to knowledge workers through a variety of Web-enabled devices. According to Zona Research, "XML has found a place in industries as diverse as medicine, insurance, electronic component trading hubs, petrochemicals, forestry and finance, to name a few." All of these verticals represent current or potential markets for the Company's services.

Corporate Strategy

The increased acceptance of outsourcing by electronic publishers, and the move to XML, in particular, has created a significant opportunity to create full-service solutions for creating and managing content and for XML-izing large repositories of Web-publishable information. The Company believes that there is an infinite number of textual, audio, and video data sources that will be made available on the Web by electronic publishers, and that many information publishers and content owners will desire to outsource this effort. The Company intends to enter into strategic outsourcing agreements with clients requiring large-scale XML transformations and content management solutions. The Company intends to target publishers and information providers; knowledge services and eLearning companies; Internet content portals; e-content vendors; and rich media owners; and corporations with B2B, and knowledge management initiatives.

Specifically, Innodata plans to dominate the growing market for XML content creation and content management services by:

(1) Further leveraging existing and emerging technologies to create increasingly efficient tools for creating large-scale XML content repositories;

(2) Maintaining the Company's position as the de facto supplier of large-scale XML content services, while extending our leadership in XML architecture and XML consulting;

(3) Entering into additional high-profile client partnerships for large-scale XML content services;

(4) Growing vertically-aligned sales and consulting operations in North America and Europe;

(5) Designing highly tailored service offerings to meet the unique needs of targeted vertical markets;

(6) Responding to opportunities to provide increased value-added services to our clients; and

(7) Expanding our delivery capabilities to embrace new technology initiatives that are strategic for our clients.

Additionally, the Company plans to extend its service offerings into other strategic areas consistent with its vision statement as the de facto provider of digital content outsourcing solutions.

Close Relationships With Clients

Innodata views the long-term partnerships with its clients as a critical element in its historical and future success. Innodata provides services to a wide variety of content owners. Our clients include many of the largest and most highly regarded electronic publishers, Fortune 500, and Global 1000 companies. Some of our clients are traditional online publishers who acquire or syndicate information from a variety of sources, repackage the content and resell it to targeted groups of end users (e.g., Elsevier Science to libraries, Lexis-Nexis and Westlaw to attorneys, etc.). Others of our clients are new to online publishing (e.g., Questia Media, Bell & Howell), having developed novel electronic information offerings geared to the new possibilities offered by emerging technologies such as XML.

To continue to meet the needs of existing and prospective clients in a timely fashion, Innodata works directly with its clients to identify and develop new and improved service offerings. To promote a close and continuing relationship with clients, the Company sells through its North American Solutions Center and provides 24/7 project support through its Client Service Centers.

The Company generally performs its work for its clients under project-specific contracts, requirements-based contracts or long-term contracts. Contracts aretypically subject to numerous termination provisions.

Innodata is from time to time required by clients to enter into non-disclosure agreements pursuant to which Innodata agrees, inter alia, not to disclose its clients. Reasons for requiring such arrangements vary, but typically involve a preference on the part of the client not to publicize its outsourcing strategy or to telegraph to competitors a new product development initiative.

Recurring Business

The Company's marketing, pricing, and support strategies are focused on the generation of both one-time and recurring revenues. Many of the Company's clients are involved in publishing content that requires regular updating or enhancement, which provides Innodata with recurring business.

Comprehensive Service Offering

The Company's comprehensive service offering distinguishes the Company from its competitors. Many competitors offer only a single service, such as data capture, but do not offer the full complement of specialized services large organizations require in order to build large-scale XML repositories or develop and manage on-line/Internet content. Innodata provides a broad range of content-related services (including information architecture and consulting services, applications development, metadata development, taxonomy development, topic maps development, etc.) to enable its clients to publish massive content databases quickly and economically and to obtain the full benefit of emerging technologies such as XML.

Consulting and Support

Through its Consulting Services Group, the Company offers clients vendor-neutral conversion and consulting services for XML (Extensible Markup Language), SGML (Standard Generalized Markup Language), and HTML (Hypertext Markup Language) implementations. The Consulting Services Group has considerable experience in the design and delivery of content architectures and content management systems that are extensible, scalable, and easily integrated, addressing unique business or industry requirements for content functionality.

In addition, the Consulting Services Group offers specialized programming and conversion application development, document analysis, DTD architecture analysis and design, XML topic maps development and taxonomy/controlled vocabulary development.

The Company operates two Client Support Centers, one located at its North American Solutions Center in New Jersey and one located at its Enterprise Support Services Center in the Philippines. Seamlessly linked over a proprietary fiber-optic wide area network, the Client Support Centers offer clients 24/7 hotline project support and remote dial-in services for data transmission.

Data Conversion

For clients that deploy electronic data for online information retrieval, Internet distribution, intranet, extranet, permanent archives, or printing on demand, Innodata converts large-scale data (ranging from hardcopy and paper collections to a variety of legacy-formatted data and proprietary electronic formatted data) to a variety of output formats (including XML and XML derivatives, HTML, SGML, Open eBook (OeB), Microsoft Reader (.LIT), Rocket eBook (.RB), and PDF). The Company specializes in large-scale, richly-tagged XML conversions through its XML Content Factory in Mandaue, the Philippines.

To accomplish these tasks, Innodata utilizes high-speed scanning; a variety of commercial and proprietary OCR/ICR (optical/intelligent character recognition)applications; structured workflow processes; and proprietary applications and tools designed to create highly accurate, highly consistent data. Innodata's systems enable multiple production processes to be performed simultaneously at one or more of its production sites.

Innodata's conversion engineers use proprietary technology for data enhancement and validation, and create automated procedures - utilizing industry standards such as Omnimark, DynaText, Adept, etc. - to ensure validated SGML and XML structure for legacy data files.

Innodata's editorial specialists enhance the structured files by adding hyperlinks, tagging and inserting electronic markers. The Company maintains a staff of experienced engineers and programmers who develop and employ custom conversion filters and parsers for this purpose.

Innodata's applications development efforts have focused on the particular challenge of creating large-scale, tag-intensive XML from unstructured or semi-structured sources, providing "intelligence" to content as part of the conversion process.

Two of Innodata's conversion facilities have been accorded ISO 9003 and 9002 Certifications. The ISO 9000-series certification program is an internationally recognized marque of quality assurance and process conformity. Regularly scheduled ISO audits assure a high degree of staff acuity to the documented processes and serve to build accountability within all levels of the Company's delivery organizations. Increasingly, clients rely on their vendors' conformity to documented processes and promised quality levels when making purchasing decisions. Innodata's adoption of the ISO program has resulted in such processes having become engrained in its operating culture, which in turn services as a major contributor to generating and maintaining client confidence in Innodata's ability to make deliveries as promised.

Content and Metadata Development; Data Enhancement

Innodata's teams of editorial and content specialists provide a variety of content enhancement services. These services include taxonomy and controlled vocabulary development, hyperlinking development, and indexing and abstracting. Innodata's editorial and content specialists are typically highly educated professionals with extensive training and backgrounds in fields related to the content with which they work. These fields include, most notably, biology, chemistry, medicine, pharmacology, genetic engineering, electrical engineering, chemical engineering, and law.

Sales and Marketing

Sales and marketing functions are primarily conducted by Innodata's full-time direct sales force. Sales and marketing activities have consisted primarily of exhibiting at trade shows in the United States and Europe, and seeking direct personal access to decision-makers at existing and prospective clients. The Company has also obtained visibility by way of articles published in the trade press and on the Company's web site. To date, Innodata has not conducted any significant advertising campaign in the general media.

The direct sales effort is closely supported by consulting personnel from the Company's Consulting Services Group. These individuals assist the sales force in understanding the technical needs of clients and providing responses to these needs, including demonstrations, prototypes, pricing quotations, and time estimates.

Competition

There is no significant direct competition providing the particular range and combination of services as Innodata. The Company does, however, encounter direct competition from a number of public and private companies that offer some of the specific services offered by Innodata. In terms of XML data conversion, companies compete based on the basis of quality, accuracy and consistency, as well as ability to deliver large-scale, tag-intensive requirements quickly. Innodata's ability to compete favorably is, therefore, dependent upon its ability to react appropriately to short and long-term trends, harness new technology, and deliver large-scale requirements quickly. Versaware, Inc., SPI, Inc., and Jouve, S.A. compete for XML content creation business. With respect to content management, competitors include Cylex, Texterity, and Breakaway. With respect to XML and related consulting services, Mulberry Technologies, Bertelsmann Industry Services, Textuality, Thomas Technology Solutions, Inc., DataChannel, Jouve Data Management, ArchiTag, and KPMG Consulting provide competitive services. Innodata's outsourcing services also compete with clients' and potential clients' "in-sourcing" personnel, who may attempt to duplicate the Company's services using in-house staff. We believe that the principal competitive factors in the market for digital content outsourcing services are quality, scalability, technological leverage, XML expertise, and completeness of solution.

Research and Development

Innodata increasingly relies upon the integration of advanced technologies to differentiate itself from others. Accordingly, we plan to develop new proprietary applications with which to perform our services and to continue to evaluate new technologies. During fiscal year 2000, Innodata significantly increased investment in the development and integration of proprietary applications for use in the XML Content Factory. Applications development was predominantly associated with improving accuracy, consistency, and speed of complex XML tagging for large-scale requirements. We intend to make further investments in applications development and integration in order to respond to market opportunities. In 2000, all research and development expenditures were charged as development expenses.

Employees

As of February 28, 2001, the Company employed an aggregate of approximately 25 persons in the United States, and approximately 14,000 persons in four production facilities in the Philippines, one production facility in Sri Lanka, and one production facility in India. Certain employees at the Company's Manila facility are members of a union. The Company reached agreement in 1996 on a collective bargaining agreement, which provides for approximately 12 percent wage increases per annum plus one-half of any government mandated increases for the five years ending March 31, 2001. The Company is currently negotiating a new collective bargaining agreement with leadership of this union. While the Company anticipates that an agreement will be reached, there can be no assurances that this will be the case. On a percentage basis, union membership at the Manila facility accounts for approximately 6.7% of the Company's workforce. While a strike or job action would likely disrupt operations temporarily, the Company believes that the disruption could likely be managed by shifting work temporarily or permanently to another of its production facilities. No other employees are represented by a labor union, and the Company believes that its relations with its employees are satisfactory.

At all its locations, the Company enforces vigorous policies to protect its employees against sexual harassment, discrimination based on age, race, gender or sexual orientation. The average age of Innodata employees is 25 years. Fifty-three percent of our staff is female. Most of our employees have graduated from at least a two-year college program. Many of our employees hold advanced degrees in law, business, technology, medicine, and social sciences.

We provide employees a range of amenities, including internet cafes, where employees can surf the web during breaks; on-site, Company-subsidized restaurants; and on-site stores where employees can purchase dry goods and groceries on credit, arranging purchases from their PCs over a corporate intranet.

To retain our qualified personnel, Innodata offers highly competitive base salaries that are supplemented by results-based incentives. Senior management receives bonuses and stock options. Our compensation structure is coupled with an extensive benefits package that includes comprehensive health insurance coverage, canteen and grocery subsidies, paid holiday leaves, continuing education programs, clothing and optical allowances, and a retirement program. Moreover, Innodata provides overtime premiums, holiday pay, bereavement and birthday leaves, as well as maternity and paternity benefits.

Risk Factors

The nature of Innodata's business, as well as the Company's strategy, the size and location of its facilities, and other factors entail a certain amount of risk. These risks may include, but are not limited to, the following:

Risks of Continued Growth

Innodata has grown rapidly in recent periods, and this growth may not continue. Organic growth will require us to develop new client relationships and expand existing ones, improve our operational and information systems and further expand our capacity. We plan to further expand our capacity by enlarging our facilities and by adding new facilities and/or equipment. Such expansion involves significant risks. For example: the Company may not be able to attract and retain the management personnel and skilled employees necessary to support expanded operations; the Company may not efficiently and effectively integrate new operations, expand existing ones and manage geographically dispersed operations; the Company may incur cost overruns; the Company may encounter construction delays, equipment delays or shortages, labor shortages and disputes, and production start-up problems that could adversely affect our growth and our ability to meet clients' delivery schedules; the Company may not be able to obtain funds for this expansion; and the Company may not be able to obtain loans or operating leases with attractive terms.

In addition, the Company expects to incur new fixed operating expenses associated with its expansion efforts, including increases in depreciation expense, rental expense, and overall increases in cost of sales. If the Company's revenues do not increase sufficiently to offset these expenses, our operating results may be adversely affected.

Risks of Acquisitions

Acquisitions may represent a significant portion of the Company's growth strategy, and the Company intends to pursue attractive acquisition opportunities. Acquisitions involve a number of risks and challenges. These include, but are not limited to: diversion of management's attention; the need to integrate acquired operations; potential loss of key employees and clients of the acquired companies; lack of experience operating in the geographic market of the acquired business; and an increase in expenses and working capital requirements.

To integrate acquired operations, the Company must implement management information systems and operating systems and assimilate and manage the personnel of the acquired operations. The difficulties of this integration may be further complicated by geographic distances. The integration of acquired businesses may not be successful and could result in disruption to other parts of our business.

Any of these and other factors could adversely affect our ability to achieve anticipated levels of profitability at acquired operations or realize other anticipated benefits of an acquisition. Furthermore, any future acquisitions may require the Company to incur debt or conduct equity financing, which could increase our leverage or be dilutive to our existing shareholders. No assurance can be given that we will consummate any acquisitions in the future.

Variability of Client Requirements and Operating Results

A number of our significant client contracts are requirements-based. Clients may cancel their production requirements, change their production requirements or delay their production requirements for a number of reasons. Cancellations, reductions or delays by a significant client or by a group of clients would adversely affect our results of operations. In addition, other factors may contribute to fluctuations in our results of operations. These factors include: the timing of client orders; the volume of these orders relative to our capacity; market acceptance of clients' new products; the timing of our expenditures in anticipation of future orders; the Company's effectiveness in managing manufacturing processes; changes in economic conditions; and local factors and events that may affect our production volume (such as local holidays) or unforeseen events (e.g., earthquakes, storms, civil unrest).

Innodata makes significant decisions based on our estimates of client requirements, including decisions about the levels of business that the Company will seek and accept, production schedules, equipment procurement, personnel hiring, and other resource acquisition. The nature of our clients' commitments and the possibility of changes in demand for their products may reduce the Company's ability to estimate accurately future client requirements. On occasion, clients may require rapid increases in production, which can stress our resources. Although we have increased our content conversion capacity and plan further increases, there can be no assurance the Company will have sufficient capacity at any given time to meet all of our clients' demands. In addition, because many of the Company's costs and operating expenses are relatively fixed, a reduction in client demand can adversely affect our margins.

Client Concentration; Dependence on the Online Information Industry

One client accounted for 54% of the Company's revenues in 2000. One other client accounted for 17% of the Company's revenues in 1999. During 1998, one other client that is comprised of twelve affiliated companies, accounted for 19% of the Company's revenues and one other client accounted for 12% of the Company's revenues. No other client accounted for 10% or more of the Company's revenues. Further, in 2000, 1999 and 1998, export revenues, all of which were derived from European customers, accounted for 10%, 20% and 20%, respectively, of the Company's revenues. A significant amount of the Company's revenues are derived from clients in the publishing industry. Accordingly, the Company's accounts receivable generally include significant amounts due from such clients.

Factors affecting the online publishing, B2B, and e-commerce industry in general could have a material adverse effect on our clients and, as a result, on the Company's performance. Such factors include: the inability of our clients to adapt to rapidly changing technology and evolving industry standards, the inability of our clients to develop and market their products, some of which are new and untested; and, recessionary periods in our clients' markets. If clients' products become obsolete or fail to gain widespread commercial acceptance, the Company's business may be materially and adversely affected.

Risk of Increased Taxes

We have structured our operations in a manner designed to maximize income in countries where tax incentives have been extended to encourage foreign investment or where income tax rates are low. Our taxes could increase if these tax incentives are not renewed upon expiration, or tax rates applicable to us are increased. Substantially all of the services provided by our Asian subsidiaries are performed on behalf of clients based in North America and Europe. We believe that profits from our Asian operations are not sufficiently connected to jurisdictions in North America or Europe to give rise to income taxation there. However, tax authorities in jurisdictions in North America and Europe could challenge the manner in which profits are allocated among our subsidiaries, and we may not prevail in any such challenge. If our Asian profits became subject to income taxes in such other jurisdictions, our worldwide effective tax rate could increase.

Risks of Competition

The markets for XML data conversion, other kinds of data conversion, content management, content enhancement, and consulting services are extremely competitive and include many companies, several of which have achieved significant market share, as well as the internal data conversion staff employed by current and prospective clients.

Risks of International Operations

While the major part of the Company's operations are carried on in the Philippines, India, and Sri Lanka, the Company's headquarters are in the United States and its clients are primarily located in North America and Europe. As a result, the Company is not as affected by economic conditions overseas as it would be if it depended on revenues from sources internal to those countries. However, such adverse economic factors as inflation, external debt, negative balance of trade, and underemployment may significantly impact the Company.

Certain aspects of overseas economies directly affect the Company. Overseas operations remain vulnerable to political unrest, which could interfere with the Company's operations. Political instability could also change the present satisfactory legal environment for the Company through the imposition of restrictions on foreign ownership, repatriation of funds, adverse labor laws, and the like.

The Indian operations are conducted through a wholly-owned subsidiary that has been granted an income tax holiday through December 31, 2004. Accordingly, no income taxes will be payable on earnings from operations of the subsidiary during such period, unless repatriated to the U.S.

The Company funds its overseas operations through transfers of U.S. dollars only as needed and generally does not maintain any significant amount of funds or monetary assets overseas. To the extent that the Company needs to bring currency to the United States from its overseas operations, it may be affected by currency control regulations.

The Philippines is subject to relatively frequent earthquakes, volcanic eruptions, floods, and other natural disasters, which may disrupt the Company's operations. Further, power outages lasting for periods of as long as eight hours per day have occurred. The Company's facilities are equipped with standby generators which have produced electric power during these outages; however, there can be no assurance that the Company's operations will not be adversely affected should municipal power production capacity deteriorate further.

The geographical distances between Asia, the Americas, and Europe create logistical and communications challenges which the Company must overcome.

Risks of Currency Fluctuations and Hedging Operations

The Philippines has historically experienced high rates of inflation and major fluctuations in exchange rate between the Philippine peso and the U.S. dollar. Continuing inflation without corresponding devaluation of the peso against the dollar, or any other increase in value of the peso relative to the dollar, may have a Since 1997, the Company has not purchased foreign currency futures contracts for pesos. However, the company may choose to do so in the future.

Dependence of Key Personnel

Our success depends to a large extent upon the continued services of our key executives and skilled personnel. Several of our officers and key employees are bound by employment or non-competition agreements. However, there can be no assurance that we will retain our officers and key employees. The Company could be materially and adversely affected by the loss of such personnel.

Volatility of Market Price of Common Stock

The stock market in recent years has experienced significant price and volume fluctuations that have affected the market prices for the common stock of technology and Internet-related companies. Such fluctuations have often been unrelated to or disproportionately impacted by the operating performance of such companies. The market for the Company's common stock may be subject to similar fluctuations. Factors such as fluctuations in the Company's operating results, announcements of new contracts, partnerships, acquisitions and alliances, technological innovations or events affecting other companies in the Internet or technology industry generally, as well as currency fluctuations and general market conditions, may have a significant effect on the market price of the Company's common stock.

Item 2. Description of Property.

The Company's services are primarily performed at its Hackensack, NJ corporate headquarters and six overseas production facility complexes, including its new 100,000 square foot XML Content Factory complex, located in Mandaue, the Philippines. Other locations include a three building complex occupying approximately 60,000 square feet in Manila, the Philippines, as well as facilities in Cebu City and Legaspi City, the Philippines, Metro Delhi, India and Colombo, Sri Lanka. All facilities are leased for terms expiring on various dates through 2009, and many are cancelable at the Company's option. Annual rental payments on property leases currently approximate $1,700,000.

Subsequent to December 31, 2000, the Company leased a premises in Delhi, India to house its new XML Software Factory.

The Company believes that it maintains adequate fire, theft and liability insurance for its facilities and that its facilities are adequate for its present needs.

Item 3. Legal Proceedings.

There is no material litigation pending to which the Company is a party or of which any of its property is the subject.

Item 4. Submission of Matters to a Vote of Security Holders.

The Company held its Annual Meeting of Stockholders on December 14, 2000. The following are the results of the voting (the following amounts are adjusted to reflect the two-for-one stock dividend paid on December 7, 2000 as well as the two-for-one stock dividend declared on February 28, 2001). The total shares voted were 19,923,992.

Election of Directors

Nominee	For	Against	Abstain	Not Voted
Jack Abuhoff	19,153,584	-	193,412	-
Dr. Charles F. Goldfarb	19,153,584	-	193,412	-
E. Bruce Fredrikson	19,153,584	-	193,412	-
Barry Hertz	19,153,584	-	193,412	-
Martin Kaye	19,153,584	-	193,412	-
Todd Solomon	19,153,584	-	193,412	-
Abraham Biderman	19,153,584	-	193,412	-
2000 Stock Option Plan	8,297,084	733,812	70,692	10,245,408
Appointment of Auditors:	19,296,716	28,864	21,416	-

Because the matter of the 2000 Stock Option Plan did not receive the vote required to approve this matter, the vote was adjourned until January 11, 2001, at which meeting the vote required to approve this matter was still not achieved and the Stock Option plan was not approved.

At a Special Meeting of Stockholders held on February 27, 2001, the stockholders approved the increase in authorized shares to 75 million shares of $.01 par value Common Stock. The results of the vote (adjusted to reflect the two-for-one stock dividend declared on February 28, 2001) are as follows:

	For	Against	Abstain
Increase Authorized Shares	19,697,992	300,104	5,408

PART II

Item 5. Market for Common Equity and Related Stockholder Matters.

The Company's Common Stock is quoted on the Nasdaq National Market System under the symbol "INOD." On February 28, 2001, there were 108 stockholders of record of the Company's Common Stock based on information provided by the Company's transfer agent. Virtually all of the Company's publicly held shares are held in "street name" and the Company believes the actual number of beneficial holders of its Common Stock to be approximately 4,000.

The following table sets forth the high and low sales prices on a quarterly basis for the Company's Common Stock, as reported on Nasdaq, for the two years ended December 31, 2000, after giving retroactive effect to a three-for-one stock dividend paid on September 9, 1999, a two-for-one stock dividend paid on December 7, 2000 and a two-for-one stock dividend payable on March 23, 2001.

Common Stock Sale Prices		
1999	High	Low
First Quarter	1	7/16
Second Quarter	1--3/8	11/16
Third Quarter	3--1/4	11/16
Fourth Quarter	3--5/8	1--1/2

2000	High	Low
First Quarter	4--3/16	2
Second Quarter	2--3/8	1--5/16
Third Quarter	3--1/8	1--7/8
Fourth Quarter	5--5/8	2--3/16

Dividends

The Company has never paid cash dividends on its Common Stock and does not anticipate that it will do so in the foreseeable future. The future payment of dividends, if any, on the Common Stock is within the discretion of the Board of Directors and will depend on the Company's earnings, its capital requirements and financial condition and other relevant factors. The Company paid a three-for-one stock dividend on September 9, 1999, a two-for-one stock dividend on December 7, 2000 and on February 28, 2001 declared a two-for-one stock dividend payable on March 23, 2001.

Item 6. Selected Financial Data

Year ended December 31,	2000	1999	1998	1997	1996
REVENUES	$50,731,476	$27,490,138	$19,593,353	$20,116,935	$20,536,448
OPERATING COSTS AND EXPENSES					
Direct operating costs	34,457,884	17,853,702	13,068,660	16,007,051	16,783,595
Selling and administrative	7,247,901	6,783,313	4,982,127	5,283,891	4,799,739
Restructuring costs, impairment of assets and other	-	-	133,141	1,500,000	-
(Gain) loss on settlement of currency contracts	-	-	(487,458)	1,400,000	-
Interest expense	42,883	10,542	77,594	85,595	36,383
Interest income	(154,406)	(111,143)	(98,391)	(59,384)	(123,771)
Total	41,594,262	24,536,414	17,675,673	24,217,153	21,495,946

INCOME (LOSS) BEFORE INCOME TAXES (BENEFIT)	9,137,214	2,953,724	1,917,680	(4,100,218)	(959,498)
INCOME TAXES (BENEFIT)	2,969,000	841,000	(332,000)	100,000	(357,000)
NET INCOME (LOSS)	$ 6,168,214	$ 2,112,724	$ 2,249,680	$(4,200,218)	$ (602,498)
BASIC INCOME (LOSS) PER SHARE	$.30	$.11	$.13	$(.23)	$(.03)
DILUTED INCOME (LOSS) PER SHARE	$.26	$.10	$.12	$(.23)	$(.03)
CASH DIVIDENDS PER SHARE	-	-	-	-	-
WORKING CAPITAL	$ 9,505,865	$ 5,965,818	$ 4,749,101	$ 2,091,848	$ 4,774,121
TOTAL ASSETS	$27,946,037	$15,645,877	$10,595,508	$10,029,247	$12,416,296
LONG-TERM DEBT	-	$ 5 ,188	$ 24,089	$ 79,604	$ 195,960
STOCKHOLDERS' EQUITY	$19,316,435	$11,652,094	$ 7,485,438	$ 5,254,133	$ 9,477,471

Item 7. Management's Discussion And Analysis of Financial Condition and Results of Operations

Results of Operations

Years Ended December 31, 2000 and 1999

Revenues increased 85% to $50,731,476 for the year ended December 31, 2000 compared to $27,490,138 for the similar period in 1999 principally resulting from a client which accounted for approximately 54% of the Company's revenue in 2000. One other client accounted for 17% of the Company's revenues in 1999. No other customer accounted for 10% or more of the Company's revenues. Further, in 2000 and 1999, export revenues, substantially all of which were derived from European clients, accounted for 10% and 20%, respectively.

Direct operating expenses were $34,457,884 for the year ended December 31, 2000 and $17,853,702 for the similar period in 1999, an increase of 93%. Direct operating expenses as a percentage of revenues were 68% in 2000 and 65% in 1999. The dollar increase in 2000 is principally due to costs related to the increased revenues. Direct operating expenses as a percent of revenues increased by 3 percentage points in 2000, resulting from additional costs incurred principally for the new XML Content Factory (including start-up costs) (which accounted for approximately 9 percentage points) offset by a decline in the value of the foreign currencies of countries in which the Company's production facilities are located (which resulted in a cost reduction of approximately 6 percentage points). Direct operating expenses include primarily direct payroll, telecommunications, depreciation, equipment lease costs, computer services, supplies and occupancy.

Selling and administrative expense was $7,247,901 and $6,783,313 for the years ended December 31, 2000 and 1999, respectively, representing an increase of 7% in 2000 from 1999. Selling and administrative expense as a percentage of revenues decreased to 14% in 2000 from 25% in 1999 due primarily to an increase in revenues without a corresponding increase in such expenses. Selling and administrative expense includes management and administrative salaries, sales and marketing costs and administrative overhead.

In 2000, income taxes were lower as a percentage of income before income taxes than the federal statutory rate due primarily to certain overseas income that will not be taxed unless repatriated due to tax holidays granted to the Company.

As a result of the aforementioned items, the Company realized net income of $6,168,214 in 2000 and $2,112,724 in 1999.

Years Ended December 31, 1999 and 1998

Until the end of 1999 when the document imaging services segment was phased out, the Company operated in two business segments; Internet and on-line digital content outsourcing services, and document imaging services.

Revenues increased 40% to $27,490,138 for the year ended December 31, 1999 compared to $19,593,353 for the similar period in 1998. Revenues from the Internet and on-line digital content outsourcing services segment increased 52% to $26,459,447 in 1999 from $17,401,346 in 1998. The increase was due principally to new projects from existing and new clients. During 1998, one client that is comprised of twelve affiliated companies, accounted for 21% of the Company's Internet and on-line digital content outsourcing services revenues. One other client accounted for 17% and 13% of such revenues in 1999 and 1998, respectively. No other client accounted for 10% or more of such revenues. Further, in 1999 and 1998, export revenues, all of which were derived from European clients, accounted for 21% and 22%, respectively, of such revenues. Revenues from the document imaging services segment decreased to $1,030,691 in 1999 from $2,192,007 in 1998. During 1999, three clients accounted for 30%, 16% and 12%, respectively, of such revenues. During 1998, one other client accounted for 53% of the Company's document imaging service revenues. No other client accounted for 10% or more of such revenues.

Direct operating expenses were $17,853,702 for the year ended December 31, 1999 and $13,068,660 for the similar period in 1998, an increase of 37%. Direct operating expenses for the Internet and on-line digital content outsourcing services increased to $16,712,563 in 1999 from $10,701,569 in 1998, or 56%. Direct operating expenses as a percentage of revenues were 63% in 1999 and 61% in 1998. The increase in 1999 is due to costs incurred for the increased revenues, as well as training costs for new production employees required to meet the anticipated growth in revenues. Direct operating expenses in the document imaging services segment decreased to $1,141,139 in 1999 from $2,367,091 in 1998. The decrease in 1999 was due principally to management's efforts to address decreasing revenues.

Selling and administrative expense was $6,783,313 and $4,982,127 for the years ended December 31, 1999 and 1998, respectively, representing an increase of 36% in 1999 from 1998. Selling and administrative expense as a percentage of revenues was 25% in 1999 and 1998. The increase primarily reflects the addition of sales and technical support staff, as well as increased commissions commensurate with increased revenues.

In the fourth quarter of 1998, management determined that its plans to significantly increase the revenues of the document imaging services segment were not realized. It was determined that the remaining goodwill associated with the business could not be recovered. Accordingly, the remaining unamortized amount of $382,000 was written off at December 31, 1998. Further, certain estimated liabilities for restructuring and other items totaling $249,000 were deemed in excess of actual amounts payable and were recognized as a gain in the fourth quarter of 1998.

In the second quarter of 1998, the Company reached an agreement regarding certain disputed currency contracts. This resulted in a reduction of an estimated liability previously provided by $487,000 that was recognized as a gain.

In 1999, the Internet and on-line digital content outsourcing services segment realized income before income taxes of $3,523,682, while the document imaging services segment incurred a loss of $569,958. In 1998, the Internet and on-line digital content outsourcing services segment realized income before income taxes of $3,151,928, while the document imaging services segment incurred a loss of $1,234,248, including a write-off of goodwill in the amount of $382,000.

In 1999, income taxes were lower as a percentage of income before income taxes than the federal statutory rate due to certain overseas income that will not be taxed due to tax holidays granted to the Company. The Company recognized a benefit from income taxes in 1998 from a reduction in the tax valuation allowance and a utilization of net operating loss carryforwards that were not recognized as tax benefits in 1997 for losses incurred in that year.

As a result of the aforementioned items, the Company realized net income of $2,112,724 in 1999 and $2,249,680 in 1998.

Liquidity and Capital Resources

Selected measures of liquidity and capital resources are as follows:

	December 31, 2000	December 31, 1999
Cash and Cash Equivalents	$9,040,000	$3,380,000
Working Capital	$9,506,000	$5,966,000
Stockholders' Equity Per Common Share*	$.91	$.58

*Represents total stockholders' equity divided by the actual number of common shares outstanding (which excludes treasury stock).

Net Cash Provided By Operating Activities

During the year ended December 31, 2000, net cash provided by operating activities was $12,387,000 as compared to $2,878,000 in the 1999 comparative period. The increase was primarily due to:

- an increase of approximately $1,617,000 in non-cash charges to net income, resulting principally from a $1,162,000 increase in depreciation and amortization, an increase of $773,000 in deferred taxes, net of a decrease of $277,000 in tax benefits from the exercise of options.

- an increase in net collections of accounts receivable, primarily due to timing of collections;

- an increase in accounts payable and accrued expenses, primarily due to the timing of payments and the increased growth of operations;

- an increase in accrued salaries and wages, primarily due to increased production headcount and payroll; and

- an increase in income and other taxes, primarily due to increased provisions for income taxes.

Partially offset by:

- an increase in prepaid expenses and other assets primarily attributable to the growth of operations and the new facility.

Net Cash Used in Investing Activities

In the year ended December 31, 2000, the Company spent approximately $7,403,000 for capital expenditures, compared to approximately $3,891,000 in 1999. In 2000, the Company spent approximately $4.0 million for capital expenditures in connection with the creation of its new XML Content Factory. Such capital costs consist primarily of network and cabling costs, computer servers and storage, workstations, software licenses, leasehold improvement costs, and peripheral equipment.

Management presently expects to make capital expenditures of approximately $8 million during the next year. Such capital expenditures include anticipated costs to renovate, re-engineer and expand two of the Company's facilities; costs of exercising the option to purchase presently leased computer workstations; capital investment in additional production technologies, including capital costs to create a new XML Software Factory; and normal ongoing capital investments.

Capital expenditures in the comparable period in 1999 were primarily utilized for expansion of production capacity required to meet the growth in revenues, and for the replacement of computer equipment not Year 2000 compliant.

Net Cash Provided By Financing Activities

In the year ended December 31, 2000, net cash provided by financing activities totaled approximately $676,000 compared to $857,000 in the comparable period in 1999. The change was primarily due to a decrease in proceeds from the exercise of stock options.

Availability of Funds

The Company has a line of credit with a bank in the amount of $3 million, none of which was borrowed at December 31, 2000. The line is collateralized by accounts receivable. Interest is charged at 1/2% above the bank's prime rate and is due on demand.

Management believes that existing cash, internally generated funds and short term bank borrowings will be sufficient for reasonably anticipated working capital and capital expenditure requirements during the next 12 months. The Company funds its foreign expenditures from its U.S. corporate headquarters on an as-needed basis.

Inflation, Seasonality and Prevailing Economic Conditions

To date, inflation has not had a significant impact on the Company's operations. The Company generally performs its work for its clients under project-specific contracts, requirements-based contracts or long-term contracts. Contracts are typically subject to numerous termination provisions. The Company's revenues are not significantly affected by seasonality.

Disclosures in this Form 10-K contain certain forward-looking statements, including without limitation, statements concerning the Company's operations, economic performance and financial condition. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words "believe," "expect," "anticipate" and other similar expressions generally identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. These forward-looking statements are based largely on the Company's current expectations and are subject to a number of risks and uncertainties, including without limitation, changes in external market factors, the ability of the Company's customers to continue to execute their business plans which give rise to increased requirements for data conversion, changes in the Company's business or growth strategy or an inability to execute its strategy due to changes in its industry or the economy generally, the emergence of new or growing competitors, various other competitive factors and other risks and uncertainties indicated from time to time in the Company's filings with the Securities and Exchange Commission. Actual results could differ materially from the results referred to in the forward-looking statements. In light of these risks and uncertainties, there can be no assurance that the results referred to in the forward-looking statements contained in this Form 10-K will in fact occur.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to interest rate change market risk with respect to its credit facility with a financial institution which is priced based on the prime rate of interest. At December 31, 2000, there were no outstanding borrowings under the credit facility. Changes in the prime interest rate during fiscal 2001 will have a positive or negative effect on the Company's interest expense. Such exposure will increase accordingly should the Company maintain higher levels of borrowing during 2001.

The Company has operations in foreign countries. While it is exposed to foreign currency fluctuations, the Company presently has no financial instruments in foreign currency and does not maintain funds in foreign currency beyond those necessary for operations.

Item 8. Financial Statements.

INNODATA CORPORATION AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Innodata Corporation
Hackensack, New Jersey

We have audited the accompanying consolidated balance sheets of Innodata Corporation and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Innodata Corporation and subsidiaries as of December 31, 2000 and 1999, and the consolidated results of their operations and their consolidated cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

/S/
Grant Thornton LLP
New York, New York
February 23, 2001
(Except for Note 5 as to which the date is February 28, 2001)

INNODATA CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2000 AND 1999

	2000	1999
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	$ 9,040,207	$ 3,380,242
Accounts receivable-net of allowance for doubtful accounts of $884,000 in 2000 and $580,000 in 1999	5,799,102	5,247,428
Prepaid expenses and other current assets	1,194,158	396,743
Deferred income taxes	839,000	540,000
Total current assets	16,872,467	9,564,413
PROPERTY AND EQUIPMENT - NET	9,464,056	4,891,992
OTHER ASSETS	1,609,514	1,189,472
TOTAL	$27,946,037	$15,645,877
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ -	$ 19,629
Accounts payable	3,196,112	1,553,585
Accrued salaries and wages	3,060,282	1,529,753
Income and other taxes	1,110,208	495,628
Total current liabilities	7,366,602	3,598,595
LONG-TERM DEBT, less current portion	-	5,188
DEFERRED INCOME TAXES	1,263,000	390,000
COMMITMENTS AND CONTINGENT LIABILITIES		
STOCKHOLDERS' EQUITY:		
Common stock, $.01 par value-authorized 75,000,000 shares; issued - 21,688,214 shares in 2000 and 20,535,772 shares in 1999	216,882	205,356
Additional paid-in capital	12,239,122	10,754,521
Retained earnings	7,081,400	913,186
	19,537,404	11,873,063
Less: treasury stock - at cost; 576,996 shares	(220,969)	(220,969)
Total stockholders' equity	19,316,435	11,652,094
TOTAL	$27,946,037	$15,645,877

INNODATA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2000, 1999 and 1998

	2000	1999	1998
REVENUES	$50,731,476	$27,490,138	$19,593,353
OPERATING COSTS AND EXPENSES			
Direct operating costs	34,457,884	17,853,702	13,068,660
Selling and administrative expenses	7,247,901	6,783,313	4,982,127
Impairment of assets and other	-	-	133,141
Gain on foreign currency contracts	-	-	(487,458)
Interest expense	42,883	10,542	77,594
Interest income	(154,406)	(111,143)	(98,391)
Total	41,594,262	24,536,414	17,675,673
INCOME BEFORE PROVISION FOR (BENEFIT FROM) INCOME TAXES	9,137,214	2,953,724	1,917,680
PROVISION FOR (BENEFIT FROM) INCOME TAXES	2,969,000	841,000	(332,000)
NET INCOME	$ 6,168,214	$ 2,112,724	$ 2,249,680
BASIC INCOME PER SHARE	$.30	$.11	$.13
DILUTED INCOME PER SHARE	$.26	$.10	$.12

INNODATA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2000, 1999 and 1998

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Deficit)	Treasury Stock	Total
January 1, 1998	18,260,832	$182,608	$ 8,703,340	$(3,449,218)	$(182,597)	$ 5,254,133
Net income	-	-	-	2,249,680	-	2,249,680
Issuance of common stock upon exercise of stock options	79,992	800	19,197	-	-	19,997
Purchase of treasury stock	-	-	-	-	(38,372)	(38,372)
December 31, 1998	18,340,824	183,408	8,722,537	(1,199,538)	(220,969)	7,485,438
Net income	-	-	-	2,112,724	-	2,112,724
Issuance of common stock upon exercise of stock options	2,054,956	20,548	892,913	-	-	913,461
Issuance of common stock for software development	139,992	1,400	67,196	-	-	68,596
Income tax benefit from exercise of stock options	-	-	1,071,875	-	-	1,071,875
December 31, 1999	20,535,772	205,356	10,754,521	913,186	(220,969)	11,652,094

Net income	-	-	-	6,168,214	-	6,168,214
Issuance of common stock upon exercise of stock options and warrants	1,152,442	11,526	689,601	-	-	701,127
Income tax benefit from exercise of stock options	-	-	795,000	-	-	795,000
December 31, 2000	21,688,214	$216,882	$12,239,122	$7,081,400	$(220,969)	$19,316,435

INNODATA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2000, 1999 and 1998

	2000	1999	1998
OPERATING ACTIVITIES:			
Net income	$ 6,168,214	$ 2,112,724	$ 2,249,680
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,959,060	1,797,031	1,322,721
Tax benefit from exercise of options	795,000	1,071,875	-
Restructuring costs, impairment of assets and other	-	-	133,141
Loss (gain) on disposal of fixed assets	30,447	71,630	(74,399)
(Gain) on foreign currency contracts	-	-	(487,458)
Deferred income taxes	574,000	(199,000)	(482,000)
Changes in operating assets and liabilities:			
Accounts receivable	(551,674)	(2,304,006)	419,834
Prepaid expenses and other current assets	(977,415)	(326,131)	120,459
Other assets	(409,034)	(73,565)	23,660
Accounts payable and accrued expenses	1,653,394	258,238	(76,805)
Liability for foreign currency contracts	-	-	(912,542)
Accrued salaries and wages	1,530,529	680,145	208,422
Income and other taxes payable	614,580	(210,855)	102,300
Net cash provided by operating activities	12,387,101	2,878,086	2,547,013
INVESTING ACTIVITIES:			
Capital expenditures	(7,403,446)	(3,890,848)	(1,024,622)
Proceeds from disposal of property and equipment	-	-	182,912
Net cash used in investing activities	(7,403,446)	(3,890,848)	(841,710)
FINANCING ACTIVITIES:			
Payments of borrowings	(24,817)	(55,990)	(121,247)
Proceeds from exercise of stock options	701,127	913,461	19,997
Purchase of treasury stock	-	-	(38,372)
Net cash provided by (used in) financing activities	676,310	857,471	(139,622)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	5,659,965	(155,291)	1,565,681
CASH AND EQUIVALENTS, BEGINNING OF YEAR	3,380,242	3,535,533	1,969,852
CASH AND EQUIVALENTS, END OF YEAR	$ 9,040,207	$ 3,380,242	$ 3,535,533
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest	$ 42,883	$ 10,542	$ 32,524
Income taxes	$ 1,018,000	$ 310,698	$ -

INNODATA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2000, 1999 and 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Basis of Presentation - Innodata Corporation and subsidiaries (the "Company") is a leading provider of digital content outsourcing services, specializing in XML transformations and content enhancement, offering a "single solution" for companies needing to create high-value, large scale web and on-line content. The Company's services are performed in production facilities located in the Philippines, Sri Lanka, India and the United States. The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates - In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition - Revenue is recognized in the period in which services are performed and delivered.

Deferred Production Costs - Deferred production costs consist of actual labor and certain other costs incurred for uncompleted and unbilled services. Included in prepaid expenses and other current assets at December 31, 2000 and 1999 are deferred production costs totaling $876,000 and $46,000, respectively.

Foreign Currency - The functional currency for the Company's production operations located in the Philippines, India and Sri Lanka is U.S. dollars. As such, transactions denominated in Philippine pesos, Indian and Sri Lanka rupees were translated to U.S. dollars at rates which approximate those in effect on transaction dates. Monetary assets and liabilities denominated in foreign currencies at December 31, 2000 and 1999 were translated at the exchange rate in effect as of those dates. Exchange losses resulting from such transactions in 2000 totaled approximately $180,000. Exchange gains and losses in 1999 and 1998 resulting from such transactions were immaterial.

Statement of Cash Flows - For financial statement purposes (including cash flows), the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Depreciation - Depreciation is provided on the straight-line method over the estimated useful lives of the related assets which are as follows:

Category	Estimated Useful Lives
Equipment	3-5 years
Furniture and fixtures	5-10 years

Leasehold improvements are amortized on the straight-line basis over the shorter of their estimated useful lives or the lives of the leases.

Income Taxes - Deferred taxes are determined based on the difference between the financial statement and tax bases of assets and liabilities, using enacted tax rates, as well as any net operating loss or tax credit carryforwards expected to reduce taxes payable in future years.

Accounting for Stock-Based Compensation - The Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," which became effective in 1996. As permitted by SFAS No. 123, the Company has elected to continue to account for employee stock options under APB No. 25, "Accounting for Stock Issued to Employees."

Fair Value of Financial Instruments - The Company has estimated the fair value of financial instruments using available market information and other valuation methodologies in accordance with SFAS No. 107, "Disclosures About Fair Value of Financial Instruments." Management of the Company believes that the fair value of financial instruments for which estimated fair value has not been specifically presented, primarily cash and accounts receivable, is not materially different than the related carrying value. Determinations of fair value are based on subjective data and significant judgment relating to timing of payments and collections and the amounts to be realized. Different assumptions and/or estimation methodologies might have a material effect on the fair value estimates. Accordingly, the estimates of fair value are not necessarily indicative of the amounts the Company would realize in a current market exchange.

Income Per Share - Basic earnings per share is based on the weighted average number of common shares outstanding without consideration of potential common stock. Diluted earnings per share is based on the weighted average number of common and potential common shares outstanding. The calculation takes into account the shares that may be issued upon exercise of stock options, reduced by the shares that may be repurchased with the funds and tax benefits received from the exercise, based on average prices during the year.

2. PROPERTY AND EQUIPMENT

Property and equipment, stated at cost less accumulated depreciation and amortization, consist of the following:

December 31,	2000	1999
Equipment	$12,447,297	$ 9,522,707
Furniture and fixtures	724,893	501,768
Leashold improvements	2,047,891	1,045,865
Total	15,220,081	11,070,340
Less accumulated depreciation and amortization	5,756,025	6,178,348
	$ 9,464,056	$ 4,891,992

As of December 31, 2000 and 1999, the net book value of property and equipment located at the Company's production facilities in the Philippines, India and Sri Lanka was approximately $9,046,000 and $4,217,000, respectively.

3. INCOME TAXES

The significant components of the provision for (benefit from) income taxes are as follows:

	2000	1999	1998
Current income tax expense:			
Foreign	$ 61,000	$ -	$ 50,000
Federal	2,040,000	884,000	55,000
State and local	294,000	156,000	45,000
	2,395,000	1,040,000	150,000
Deferred income tax expense (benefit)	574,000	(199,000)	(482,000)
Provision for (benefit from) income taxes	$2,969,000	$ 841,000	$(332,000)

During 1998, the Company utilized approximately $1,100,000 of net operating loss carryforwards, resulting in a tax benefit of $375,000.

Reconciliation of the U.S. statutory rate with the Company's effective tax rate is summarized as follows:

	2000	1999	1998
Federal statutory rate	34.0%	34.0%	34.0%
Effect of:			
Valuation allowance	-	-	(35.0)
Utilization of net operating loss carryforwards not previously recognized	-	-	(19.5)
State income taxes (net of federal tax benefit)	1.6	0.1	1.6
Effect of foreign tax holiday, net of foreign income not deemed permanently reinvested	(3.4)	(8.1)	-
Foreign taxes	0.7	-	2.6
Other	(0.4)	2.5	(1.0)
Effective rate	32.5%	28.5%	(17.3)%

As of December 31, 2000 and 1999, the composition of the Company's net deferred income taxes is as follows:

	2000	1999
Deferred income tax assets:		
Allowances not currently deductible	$ 726,000	$ 355,000
Expenses not deductible until paid	113,000	60,000
Net operating loss carryforwards	-	225,000
	839,000	640,000
Less: valuation allowance	-	(100,000)
	839,000	540,000
Deferred income tax liabilities:		
Foreign source income, not taxable until repatriated	(1,500,000)	(415,000)

Depreciation and amortization	237,000	25,000
	(1,263,000)	(390,000)
Net deferred income tax (liability)/asset	$ (424,000)	$ 150,000

4. COMMITMENTS AND CONTINGENT LIABILITIES

Line of Credit - The Company has a line of credit with a bank in the amount of $3 million. The line is collateralized by accounts receivable. Interest is charged at 1/2% above the bank's prime rate and is due on demand. The line was unused at December 31, 2000.

Leases - The Company is obligated under various operating lease agreements for office and production space. The agreements contain escalation clauses and requirements that the Company pay taxes, insurance and maintenance costs. The lease agreements for production space in the Philippines, which expire through 2007, contain provisions pursuant to which the Company may cancel the leases at any time. The annual rental for the leased space in the Philippines is approximately $950,000. For the years ended December 31, 2000, 1999 and 1998, rent expense for office and production space totaled approximately $1,600,000, $850,000 and $700,000, respectively.

In addition, the Company leases certain equipment under short-term operating lease agreements. Pursuant to the lease agreements, the Company has the option to purchase some or all of the equipment at fixed amounts. For the year ended December 31, 2000, rent expense for equipment totaled approximately $900,000.

At December 31, 2000, future minimum annual rental commitments on non-cancellable leases (excluding equipment leases with terms less than one year) are as follows:

2001	$ 570,000
2002	500,000
2003	295,000
2004	295,000
Thereafter	1,600,000
	$3,260,000

Litigation - In response to an arbitration proceeding brought by the Company against a former customer to collect past due amounts for services performed, the former customer has filed an amended answer with counterclaims alleging in substance breach of contract and warranty. These counterclaims seek compensatory damages of not less than $1,000,000 and punitive damages of $500,000. The amended answer was filed by the former customer after the New York State Supreme Court granted the Company's petition to compel arbitration. Management believes that the counterclaims are without merit, and intends to vigorously pursue its claims against the former customer.

In addition, the Company is subject to various other legal proceedings and claims which arise in the ordinary course of business.

While the outcome of these matters is currently not determinable, management believes their outcome will not have a material adverse effect on the Company's financial statements.

Foreign Currency - The Company's production facilities are located in the Philippines, India and Sri Lanka. To the extent that the currencies of these countries fluctuate, the Company is subject to risks of changing costs of production after pricing is established for certain customer projects. However, most significant contracts contain provisions for price renegotiation.

Other Commitments - The Company has a collective bargaining agreement with certain employees at its Manila facility which provides for approximately 12% wage increases per annum plus one-half of any government mandated increases through March 31, 2001.

Philippine Pension Requirement - The Philippine government enacted legislation requiring businesses to provide a lump-sum pension payment to employees working at least five years and who are employed by the Company at age 60. Those eligible employees are to receive approximately 59% of one month's pay for each year of employment with the Company. The terms of the collective bargaining agreement provide benefits similar to the government. Based on actuarial assumptions and calculations in accordance with SFAS No. 87, "Employers' Accounting for Pensions," the liability for the future payment is insignificant at December 31, 2000. Under the legislation, the Company is not required to fund future costs, if any.

5. CAPITAL STOCK

Common Stock - Effective March 25, 1998, the Company's stockholders approved a one-for-three reverse stock split. On September 9, 1999 and December 7, 2000, the Company paid a three-for-one and a two-for-one stock dividend, respectively. On February 28, 2001, the Company declared a two-for-one stock dividend payable on March 23, 2001, and the stockholders increased the number of common shares the Company is authorized to issue to 75,000,000. The financial statements and notes thereto, including all share and per share amounts, have been restated to reflect all such splits.

Preferred Stock - The Board of Directors is authorized to fix the terms, rights, preferences and limitations of the preferred stock and to issue the preferred stock in series which differ as to their relative terms, rights, preferences and limitations.

Common Stock Reserved - At December 31, 2000, the Company reserved for issuance 8,942,884 shares of common stock pursuant to the Company's Stock Option Plans (including 1,099,164 options issued to the Company's Chairman and its President which were not granted under the plans).

6. STOCK OPTIONS

The Company adopted, with stockholder approval, 1993, 1994, 1995, 1996 and 1998 Stock Option Plans (the "1993 Plan," "1994 Plan," "1994 DD Plan," "1995 Plan," "1996 Plan" and the "1998 Plan") which provide for the granting of options to purchase not more than an aggregate of 1,050,000, 1,260,000, 210,000, 2,400,000, 1,999,992 and 3,600,000 shares of common stock, respectively, subject to adjustment under certain circumstances. Such options may be incentive stock options ("ISOs") within the meaning of the Internal Revenue Code of 1986, as amended, or options that do not qualify as ISOs ("Non-Qualified Options").

The option exercise price per share may not be less than the fair market value per share of common stock on the date of grant (110% of such fair market value for an ISO, if the grantee owns stock possessing more than 10% of the combined voting power of all classes of the Company's stock). Options may be granted under the Stock Option Plan to all officers, directors and employees of the Company and, in addition, Non-Qualified Options may be granted to other parties who perform services for the Company. No options may be granted under the 1993 Plan after April 30, 2003, under the 1994 Plan and 1994 DD Plan, after May 19, 2004, under the 1995 Plan, after May 16, 2005, under the 1996 Plan, after July 8, 2006 and under the 1998 Plan, after July 8, 2008.

The Plans may be amended from time to time by the Board of Directors of the Company. However, the Board of Directors may not, without stockholder approval, amend the Plans to increase the number of shares of common stock which may be issued under the Plans (except upon changes in capitalization as specified in the Plans), decrease the minimum exercise price provided in the Plans or change the class of persons eligible to participate in the Plans.

The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock Based Compensation." Accordingly, no compensation expense has been recognized for stock options granted to employees. Had compensation cost for the Company's stock option grants been determined based on the fair value at the grant date for awards in 2000, 1999 and 1998 consistent with the provisions of SFAS No. 123, the Company's net income would have been $5.7 million or $.28 per share, basic, and $.25 per share, diluted in 2000, $1.8

million, or $.10 per share, basic, and $.08 per share, diluted, in 1999, and $1.5 million, or $.08 per share, basic and diluted, in 1998. The fair value of options at date of grant was estimated using the Black-Scholes pricing model with the following weighted average assumptions: expected life of four years; risk free interest rate of 6% in 2000, 5% in 1999 and 1998, expected volatility of 115% in 2000 and 107% in 1999 and 1998; and a zero dividend yield. The effects of applying SFAS No. 123 in this disclosure are not indicative of future disclosures.

	Per Share Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	Weighted Average Fair Value, Date of Grant
Balance 1/1/98	$0.25 - 0.81	2,954,304	4	$0.53	1,391,628	$0.68	
	$0.85 - 1.75	2,174,292	3	$1.17	1,127,952	$1.08	
		5,128,596			2,519,580		
Canceled	$0.31 - 0.88	(1,936,392)					
Canceled	$0.95 - 1.75	(1,950,516)					
Granted	$0.25 - 0.53	2,115,588	5	$0.46			$0.33
Granted and Repriced	$0.42 - 0.72	3,207,120	2	$0.53			$0.22
Granted and Repriced	$1.38	399,996	3	$1.29			$0.17
Exercised	$0.25	(79,992)					
Balance 12/31/98	$0.25 - 0.75	6,446,604	3	$0.47	1,169,952	$0.34	
	$1.19 - 1.49	437,796	2	$1.31	37,800	$1.47	
		6,884,400			1,207,752		
Cancelled	$0.25 - 0.57	(425,388)	3	$0.38			
Granted	$0.67 - 2.00	1,249,200	5	$1.05			$0.82
Exercised	$0.25 - 0.75	(1,946,956)		$0.48			
Balance 12/31/99	$0.25 - 0.47	1,321,320	2	$0.34	1,321,320	$0.34	
	$0.50 - 0.75	3,645,740	3	$0.58	2,056,940	$0.57	
	$1.19 - 2.00	794,196	2	$1.62	437,796	$1.31	
		5,761,256			3,816,056		
Cancelled	$0.35 - $2.00	(267,840)	5	$0.85			
Granted	$1.57 - $2.69	2,729,600		$1.97			$1.58
Exercised	$0.25 - $2.00	(902,440)		$0.61			
Balance 12/31/00	$0.25 - $0.47	1,019,640	2	$0.34	1,019,640	$0.34	
	$0.50 - $0.75	2,858,632	3	$0.58	2,429,632	$0.56	
	$1.29	399,996	2	$1.29	399,996	$1.29	
	$1.56 - $2.25	2,699,108	4	$1.90	295,984	$1.73	
	$2.50 - $2.69	343,200	5	$2.52	-	-	
		7,320,576			4,145,252		

Subsequent to December 31, 2000, the Company granted options to purchase 1,142,000 shares at $5.44 per share.

8. SEGMENT REPORTING

Until December 31, 1999 when the Company phased out its document imaging services, the Company's operations were classified in two business segments; Internet and on-line digital content outsourcing services, and document imaging services.

Internet and on-line digital content outsourcing services provide all the necessary steps for product development and data conversion to enable its clients to create and disseminate vast amounts of information both on-line and via the Internet. Its clients represent an array of Internet content providers and major electronic publishers of legal, scientific, educational, and medical information, as well as document-intensive companies repurposing their proprietary information into electronic resources that can be referenced via web-centric applications.

In 1999 and 1998, one client accounted for 17% and 13%, respectively, of the Company's digital content outsourcing services' revenues. In addition, during 1998, one client that is comprised of twelve affiliated companies, accounted for 21% of such revenues. Further, in 1999 and 1998, export revenues, all of which were derived from European clients, accounted for 21% and 22%, respectively, of such revenues.

The document imaging services segment provided high volume backfile and day-forward conversion of business documents, technical manuals, engineering drawings, aperture cards, roll film, and microfiche, providing high quality computer accessible images and indexing.

	1999	1998
Revenues		
Digital content outsourcing services	$26,459,447	$17,401,346
Document imaging services	1,030,691	2,192,007
Total consolidated	$27,490,138	$19,593,353
Income (loss) before income taxes		
Digital content outsourcing services	$ 3,523,682	$ 3,151,928(a)
Document imaging services	(569,958)	(1,234,248)(b)
Total consolidated	$ 2,953,724	$ 1,917,680

(a) Includes gain on foreign currency contracts and reversal of previously estimated liabilities of $736,000.
(b) Includes write off of goodwill of $382,000.

	1999	1998
Total assets		
Digital content outsourcing services	$15,437,090	$ 9,520,116
Document imaging services	208,787	1,075,392
Total consolidated	$15,645,877	$10,595,508
Capital expenditures		
Digital content outsourcing services	$ 3,881,870	$ 980,218
Document imaging services	8,978	44,404
Total consolidated	$ 3,890,848	$ 1,024,622

Depreciation and amortization		
Digital content outsourcing services	$ 1,660,801	$ 1,116,445
Document imaging services	136,230	206,276
Total consolidated	$ 1,797,031	$ 1,322,721

In 2000, one client accounted for 54% of the Company's total revenues, and export revenues, most of which were derived from European clients, accounted for 10% of revenues. A significant amount of the Company's revenues are derived from clients in the publishing industry. Accordingly, the Company's accounts receivable generally include significant amounts due from such clients.

9. INCOME PER SHARE

	2000	1999	1998
Net income	$ 6,168,214	$ 2,112,724	$ 2,249,680
Weighted average common shares outstanding	20,261,644	18,701,488	17,740,896
Dilutive effect of outstanding warrants and options	3,016,339	2,592,264	376,692
Adjusted for dilutive computation	23,277,983	21,293,752	18,117,588
Basic income per share	$.30	$.11	$.13
Diluted income per share	$.26	$.10	$.12

10. IMPAIRMENT OF ASSETS AND OTHER

In the fourth quarter of 1998, management determined that the goodwill associated with the document imaging services business could not be recovered. Accordingly, the unamortized amount of $382,000 was written off at December 31, 1998. Further, certain estimated liabilities for restructuring and other items accrued in 1997 totaling $249,000 were deemed in excess of actual amounts payable and were recognized as income in the fourth quarter of 1998.

11. FOREIGN CURRENCY CONTRACTS

In the second quarter of 1998, the Company reached an agreement in connection with foreign currency contracts that were in dispute. This resulted in a reduction of the estimated liability previously provided by $487,000 that was recognized as a gain.

12. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except per share)			
2000				
Revenues	$8,839	$9,712	$13,039	$19,141
Net income	258	429	1,468	4,013

Net income per share	$.01	$.02	$.07	$.19
Diluted net income per share	$.01	$.02	$.06	$.16
1999				
Revenues	$5,611	$7,026	$7,073	$7,780
Net income	291	968	585	269
Net income per share	$.02	$.05	$.03	$.01
Diluted net income per share	$.02	$.05	$.03	$.01

PART III

Item 10. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.

Officers and Directors

The officers and directors of the Company are as follows:

Name	Age	Position
Barry Hertz	51	Chairman of the Board of Directors
Jack Abuhoff	39	President, Chief Executive Officer and Director
Todd Solomon	39	Vice Chairman of the Board of Directors and Consultant
Martin Kaye	53	Executive Vice President, Chief Financial Officer, Secretary and Director
Stephen Agress	39	Vice President - Finance
Jurgen Tanpho	36	Vice President - Operations
Jan Palmen	46	Vice President - Sales
Klaas Brouwer	34	Vice President - Technology
Abraham Biderman	52	Director
Dr. E. Bruce Fredrikson	63	Director
Dr. Charles F. Goldfarb	61	Director

Barry Hertz has been Chairman since 1988 and Chief Executive Officer of the Company until August 1995. He founded Track Data Corporation ("Track") in 1981. He was Track's sole stockholder and Chief Executive Officer until its merger (the "Merger") on March 31, 1996 with Global Market Information, Inc. ("Global"), a public company co-founded by Mr. Hertz, who was its Chairman and Chief Executive Officer. Upon consummation of the Merger, Global changed its name to Track Data Corporation ("TDC"). Mr. Hertz holds a B.S. degree in mathematics from Brooklyn College (1971) and an M.S. degree in computer science from New York University (1973).

Jack Abuhoff has served as President and CEO since September 15, 1997. He has been a Director of the Company since its founding. From 1995 to 1997 he was Chief Operating Officer of Charles River Corporation, an international systems integration and outsourcing firm. From 1992 to 1994, he was employed by Chadbourne & Parke, and engaged in Sino-American technology joint ventures with Goldman Sachs. He practiced international corporate law with White & Case from 1986 to 1992. He holds an A.B. degree from Columbia College (1983) and a J.D. degree from Harvard Law School (1986).

Todd Solomon has been Vice Chairman and consultant to the Company since his resignation as President and CEO on September 15, 1997. He served as President and a Director of the Company since its founding by him in 1988. He had been

Chief Executive Officer since August 1995. Mr. Solomon was President of Ruck Associates, an executive recruiting firm from 1986 until 1987. Mr. Solomon holds an A.B. in history and physics from Columbia University (1986).

Martin Kaye has been Chief Financial Officer of the Company since October 1993, and was elected Executive Vice President in March 1998. He has been a Director since March 1995. He is a certified public accountant and serves as Vice President of Finance and a Director of TDC. Mr. Kaye had been an audit partner with Deloitte & Touche for more than five years until his resignation in 1993. Mr. Kaye holds a B.B.A. in accounting from Baruch College (1970).

Stephen Agress was elected Vice President - Finance in March 1998. He served as Corporate Controller since joining the Company in August 1995. Mr. Agress is a certified public accountant and had been a senior audit manager with Deloitte & Touche for more than five years prior to his resignation in 1995. Mr. Agress holds a B.S. in accounting from Yeshiva University (1982).

Jurgen Tanpho was elected Vice President - Operations in March 1998. He served in various management capacities since joining the Company in 1991, most recently in the position of Assistant to the President of Manila Operations. He holds a B.S. degree in industrial engineering from the University of the Philippines (1986).

Jan Palmen was elected Vice President - Sales in February 1999. Mr. Palmen was chief operating officer at SPI Technologies, Inc., a leading competitor of the Company, from 1995 through 1998. Prior to SPI, he was general manager, production for Reed/Elsevier from 1991 through 1995. He was also a member of the steering committee for global SGML implementation. Before that, he spent three years with United Dutch Publishers as head of sales and production and two years with a global management consultancy company as a strategic consultant. He holds a M.B.A. degree (1979) in marketing, economics and logistics management and a B.B.A. degree (1976) in economics and marketing, both from Erasmus University in Amsterdam.

Klaas Brouwer was elected Vice President - Technology in July 2000. He was Assistant Vice President for Technology from September 1998 until June 2000. Mr. Brouwer was Chief Technical Officer and Special Projects Division Manager at SPI Technologies, Inc., a leading competitor of the Company, from 1996 through 1998. From 1993 up to 1996, he served as IT Manager and member of the Management Team of Elsevier Science, responsible for the implementation of Software Development, LAN, WAN and Data Centers. Mr. Brouwer holds a Bachelors Degree in Information Technology from the Noordelijke Hogeschool Leeuwarden, a leading university in the Netherlands (1993).

Abraham Biderman has been a Director of the Company since October 2000. He is Executive Vice President of Lipper & Company, Inc., a diversified financial services and money management firm, which he joined in 1990. He is also Managing Director of the Lipper Funds, Inc., a mutual fund family comprised of three publicly traded mutual funds, and of the Lipper Prime Asset Management/Lipper Leumi Asset Management, a provider of asset management services to foreign investors. Prior thereto, he served as special advisor to the Deputy Mayor and then the Mayor during New York City's Koch Administration. From January 1988 through December 1989, Mr. Biderman was Commissioner of New York City's Department of Housing, Preservation and Development. Prior thereto, he served as Commissioner of New York City's Department of Finance and as Chairman of New York City's Employee Retirement System. Mr. Biderman is a Director of the Municipal Assistance Corporation of the City of New York, a member of the Housing Committee of the Real Estate Board of New York, a Director of the New York City Public/Private Initiatives, Inc., a Director of M-Phase Technologies, Inc., a company that manufactures and markets high-bandwidth telecommunications products incorporating DSL technology, and is also on the boards of numerous not-for-profit and philanthropic organizations. Mr. Biderman is a certified public accountant and graduated with a B.A. in Investment Banking from Brooklyn College (1970).

Dr. E. Bruce Fredrikson has been a Director of the Company since August 1993. He is currently a Professor of Finance at Syracuse University School of Management where he has taught since 1966 and has previously served as Chairman of the Finance Department. Dr. Fredrikson has a B.A. in economics from Princeton University and a M.B.A. and a Ph.D. in finance from Columbia University. He is also an independent general partner of Fiduciary Capital Partners, L.P. and Fiduciary Capital Pension Partners, L.P. He is also a Director of TDC.

Dr. Charles F. Goldfarb has been a Director of the Company since October

2000. Dr. Goldfarb invented SGML (Standard Generalized Markup Language) in 1974 and later led the team that developed it into the International Standard (ISO 8879) on which the World Wide Web's HTML (HyperText Markup Language) and XML (Extensible Markup Language) are based. HTML is an SGML application, while XML is a Web-optimized subset of SGML. Dr. Goldfarb has served as Editor of the SGML International Standard for 20 years, and is a consultant to developers of SGML and XML applications and products. He is co-author of "The XML Handbook Third Edition" (Prentice-Hall, 2001), the first edition of which was rated the top XML book of 1998 by Amazon.com. He also authored "The SGML Handbook" (Oxford University Press, 1990), cited by "Seybold Report" as the definitive reference on SGML, and "The SGML Buyer's Guide: A Unique Guide to Determining Your Requirements and Choosing the Right SGML" and "XML Products and Services" (Prentice-Hall, 1998). He is Series Editor of Prentice-Hall's "Charles F. Goldfarb Series on Open Information Management" and "The Definitive XML Series from Charles F. Goldfarb." He has been profiled in "Forbes," "Web Techniques," "Red Herring," and other publications. He holds the Graphic Communications Association's first International SGML Award and the Printing Industries of America's Gutenberg Award, and is an Honorary Fellow of the Society for Technical Communication. Dr. Goldfarb earned an A.B. degree from Columbia College (1960) and a J.D. at Harvard Law School (1964).

There are no family relationships between or among any directors or officers of the Company. Directors are elected to serve until the next annual meeting of stockholders and until their successors are elected and qualified. Officers serve at the discretion of the Board.

Compliance with Section 16(a) of the Exchange Act.

The Company believes that during the period from January 1, 2000 through December 31, 2000 all officers, directors and greater than ten-percent beneficial owners complied with Section 16(a) filing requirements.

Item 11. Executive Compensation.

Executive Compensation

The following table sets forth information with respect to compensation paid by the Company for services to the Company during the three fiscal years ended December 31, 2000 to those executive officers whose aggregate cash and cash equivalent compensation exceeded $100,000.

SUMMARY COMPENSATION TABLE

		Annual Compensation		
Name and Principal Position	Calendar Year	Salary	Bonus	Number of Stock Options Awarded
Jack Abuhoff	2000	$297,892	$ 75,000	1,020,000
President and CEO	1999	250,000	50,000	180,000
	1998	200,000	20,000	249,996
				(A) 1,134,168
Barry Hertz	2000	$ 75,000	$ -	250,000
Chairman	1999	75,000	-	180,000
	1998	75,000	-	168,000
				(A) 444,000
Todd Solomon	2000	$ 75,000	$ -	176,000
Vice Chairman of the Board	1999	75,000	-	126,000
and Consultant	1998	93,750	-	126,000
				(A) 860,388
Stephen Agress	2000	$164,800	$ 24,720	100,000
Vice President - Finance	1999	160,000	-	72,000
Jan Palmen	2000	$138,000	$115,719	140,000
Vice President - Sales	1999	110,000	38,000	72,000

Jurgen Tanpho Vice President - Operations	2000	$102,724	$ 15,409	100,000
Klaas Brouwer Vice President - Technology	2000	$ 92,950	$ 25,097	100,000

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(A) Options granted in prior years and repriced in 1998

The above compensation does not include certain insurance and other personal benefits, the total value of which does not exceed as to any named officer, the lesser of $50,000 or 10% of such person's cash compensation. The Company has not granted any stock appreciation rights nor does it have any "long-term incentive plans," other than its stock option plans.

OPTION GRANTS IN LAST FISCAL YEAR
Individual Grants

Name	Number of Options Granted	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price Per Share	Expiration Date	Potential Realized Value at Assumed Annual Rates of Stock Appreciation for Option Term 5%	10%
Jack Abuhoff	1,020,000	37%	$1.57 - $2.25	6/05 - 10/05	$2,712,098	$3,422,334
Barry Hertz	250,000	9%	1.57	6/05	500,941	632,125
Todd Solomon	176,000	6%	1.57	6/05	352,662	445,016
Stephen Agress	100,000	4%	1.57	6/05	200,376	252,850
Jan Palmen	140,000	5%	1.57 - 2.25	6/05 - 10/05	315,242	397,796
Jurgen Tanpho	100,000	4%	1.57	6/05	200,376	252,850
Klaas Brouwer	100,000	4%	1.57	6/05	200,376	252,850

The options become exercisable on a linear basis over 48 months.

AGGREGATE OPTION EXERCISES IN LAST FISCAL YEAR;
FISCAL YEAR END OPTION VALUES

Name	Shares Acquired on Exercise	Value Realized	Number of Unexercised Options at Fiscal Year End Exercisable/Unexercisable	Value of Unexercised In-the-Money Options at Fiscal Year End Exercisable/Unexercisable
Jack Abuhoff	126,996	$470,560	1,444,106/1,073,542	$6,855,307/$3,778,472
Barry Hertz	240,000	$847,900	418,454/303,542	$2,030,272/$1,275,972
Todd Solomon	123,996	$242,930	897,658/213,334	$4,528,466/$896,545
Stephen Agress	39,996	$58,944	206,584/121,416	$1,011,485/$510,386
Jan Palmen	36,000	$172,620	50,584/161,416	$231,485/$640,386
Jurgen Tanpho	15,998	$61,952	225,928/121,416	$1,108,198/$510,386
Klaas Brouwer	-	-	62,584/121,416	$291,110/$510,386

Directors Compensation

Dr. E. Bruce Fredrikson was compensated at the rate of $1,250 per month, plus out-of-pocket expenses for each meeting attended. In addition, commencing November 2000, Dr. Charles F. Goldfarb was compensated at a rate of $2,000 per month, plus out-of-pocket expenses for each meeting attended. In addition, Mr. Goldfarb received approximately $15,000 for certain special assignments. No other director is compensated for his services as director. Further, in 2000, Messrs. Fredrikson, Biderman and Goldfarb received options to purchase 60,000, 80,000 and 120,000 shares, respectively, (after giving retroactive effect to a two-for-one stock split declared on February 28, 2001).

The Company has an arrangement with Todd Solomon, its former President and CEO, that provides for a salary of $75,000 per annum. He serves as Vice Chairman of the Board and in executive capacities as designated by the CEO or the Board of Directors.

Compensation Committee Interlocks and Insider Participation

For the Company's fiscal year ended December 31, 2000, Messrs. Hertz, Abuhoff and Kaye were officers of the Company and were members of the Board of Directors (there is no compensation committee). Mr. Hertz is Chairman and CEO of Track Data and Mr. Kaye is chief financial officer and a director of Track Data. Dr. Fredrikson is also a director of Track Data.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The following table sets forth, as of February 28, 2001, information regarding the beneficial ownership of the Company's Common Stock based upon the most recent information available to the Company for (i) each person known by the Company to own beneficially more than five (5%) percent of the Company's outstanding Common Stock, (ii) each of the Company's officers and directors, and (iii) all officers and directors of the Company as a group. Unless otherwise indicated, each stockholder's address is c/o Company, 3 University Plaza, Hackensack, NJ 07601.

	Shares Owned Beneficially (1)	
Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Track Data Corporation (2)	2,176,972	10.3%
Barry Hertz (3)	2,669,858	12.4%
Todd Solomon (4)	3,016,488	13.7%
Jack Abuhoff (5)	1,692,224	7.5%
Martin Kaye (6)	551,328	2.6%
Stephen Agress (7)	423,672	2.0%
Jurgen Tanpho (8)	250,258	1.2%
Jan Palmen (9)	63,916	*
Klaas Brouwer (10)	91,916	*
Dr. E. Bruce Fredrikson (11) Syracuse University School of Management Syracuse, NY 13244	158,988	*

Abraham Biderman	-	*
Dr. Charles F. Goldfarb	800	*
All Officers and Directors as a Group (11 persons) (3)(4)(5)(6)(7)(8)(9)(10)(11)	8,919,448	35.3%

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* Less than 1%.
1. Except as noted otherwise, all shares are owned beneficially and of record. Includes shares pursuant to options presently exercisable or which are exercisable within 60 days. Based on 21,134,252 shares outstanding.
2. Consists of 2,176,972 shares owned by Track Data Corporation ("TDC").
3. Includes 2,176,972 shares owned by TDC, which is principally owned by Mr. Hertz, 33,600 shares held in a pension plan for the benefit of Mr. Hertz and currently exercisable options to purchase 439,286 shares of Common Stock.
4. Includes currently exercisable options to purchase 912,324 shares of Common Stock.
5. Includes currently exercisable options to purchase 1,577,228 shares of Common Stock.
6. Includes currently exercisable options to purchase 511,332 shares of Common Stock.
7. Includes 182,040 shares owned of record and currently exercisable options to purchase 214,916 shares of Common Stock. Also includes exercisable options to purchase 26,716 shares of Common Stock by his wife. Mr. Agress disclaims beneficial ownership in shares attributable to his wife.
8. Includes currently exercisable options to purchase 234,260 shares of Common Stock.
9. Consists of shares issuable upon exercise of currently exercisable options granted under the Company's Stock Option Plans.
10. Includes currently exercisable options to purchase 70,916 shares of Common Stock.
11. Includes currently exercisable options to purchase 142,992 shares of Common Stock.

Item 13. Certain Relationships and Related Transactions.

There were no material related party transactions.

PART IV

Item 14. Exhibits and Reports on Form 8-K

(a) Exhibits which are indicated as being included in previous filings are incorporated herein by reference.

Exhibit	Description	Filed as Exhibit
3.1	Restated Certificate of Incorporation	Exhibit 3.1 to Form SB-2 Registration Statement No. 33-62012
3.2	By-Laws	Exhibit 3.2 to Form SB-2 Registration Statement No. 33-62012
4.2	Specimen of Common Stock certificate	Exhibit 4.2 to Form SB-2 Registration Statement No. 33-62012
10.1	1994 Stock Option Plan	Exhibit A to Definitive Proxy dated August 9, 1994
10.2	1993 Stock Option Plan	Exhibit 10.4 to Form SB-2 Registration Statement No. 33-62012
10.3	Form of Indemnity Agreement with Directors	Exhibit 10.5 to Form SB-2 Registration Statement No. 33-62012

10.4	1994 Disinterested Directors Stock Option Plan	Exhibit B to Definitive Proxy dated August 9, 1994
10.5	1995 Stock Option Plan	Exhibit A to Definitive Proxy dated August 10, 1995
10.6	1996 Stock Option Plan	Exhibit A to Definitive Proxy dated November 7, 1996
10.7	1998 Stock Option Plan	Exhibit A to Definitive Proxy dated November 5, 1998
21	Subsidiaries of the registrant	Filed herewith
23	Consent of Grant Thornton LLP	Filed herewith

<FN>

(b) There were no reports on Form 8-K filed during the quarter ended December 31, 2000.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INNODATA CORPORATION

By /s/

Barry Hertz
Chairman of the Board

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Barry Hertz	Chairman of the Board	March 29, 2001
/s/ Jack Abuhoff	President, Chief Executive Officer and Director	March 29, 2001
/s/ Todd Solomon	Vice Chairman of the Board	March 29, 2001
/s/ Martin Kaye	Executive Vice President (Principal Financial Officer), Director	March 29, 2001
/s/ Stephen Agress	Vice President - Finance (Principal Accounting Officer)	March 29, 2001
/s/ Abraham Biderman	Director	March 29, 2001
/s/ Dr. E. Bruce Fredrikson	Director	March 29, 2001

Director March 29, 2001

Dr. Charles Goldfarb

Exhibit 21

Subsidiaries

Name of Subsidiary	State or other jurisdiction of incorporation	Name under which subsidiary conducts business
Innodata Philippines, Inc.*	Philippines	Same
Innodata India (Private) Limited*	India	Same
Innodata Mandaue, Inc.*	Philippines	Same
Innodata Lanka (Private) Limited*	Sri Lanka	Same

<FN>

* Wholly-owned by Innodata Asia Holdings, Limited which is 100% owned by Innodata Corporation.

Exhibit 23

CONSENT OF INDEPENDENT AUDITORS

We have issued our report dated February 23, 2001 (except for Note 5 as to which the date is February 28, 2001) accompanying the consolidated financial statements included in the Annual Report of Innodata Corporation on Form 10-K for the year ended December 31, 2000. We hereby consent to the incorporation by reference of said reports in the Registration Statements of Innodata Corporation on Form S-8 (Registration No. 33-85530, dated October 21, 1994, Registration No. 333-3464, dated April 18, 1996, Registration No. 33-63085, dated September 9, 1998 and Registration No. 333-82185, dated July 2, 1999) and on Form S-3 (Registration No. 33-62012, dated April 11, 1996, Registration No. 333-91649, dated January 6, 2000 and Registration No. 333-51400, dated January 2, 2001).

/s/
Grant Thornton LLP
New York, New York
February 23, 2001