



## **Expert System: 2015 Pro-forma consolidated production value of €30 million confirms the Group's leadership in Europe for cognitive computing and artificial intelligence**

### ***Consolidated financial results for 12/31/2015***

- ***Production value of €23 million (pro-forma €30 million)***
- ***EBITDA of €1.2 million (pro-forma €1.8 million) with EBITDA margin of 7.3% (pro-forma 8.3%)***
- ***Net financial position of €10.5 million***

### ***Modena, May 27, 2016***

The Board of Directors of Expert System (EXSY.MI), the leader in cognitive technology for the effective management of unstructured information, approved the consolidated financial statements and the draft financial statements for the year ending December 31, 2015, which will be submitted for approval by the Shareholders, scheduled, at first call on June 27, and if necessary, at second call on June 28, 2016.

For the purposes of greater informational clarity, the main consolidated financial statements figures reported (Production Value, Revenue, EBITDA, EBIT and Net Result) were prepared pro forma to reflect the impact of the TEMIS acquisition (completed September 2015) over a time period that corresponds to the 2015 fiscal year. These pro-forma figures were not subject to audit and are of a managerial nature and therefore, reported for comparative purposes.

**Stefano Spaggiari, CEO, Expert System**, commented: *“2015 was an important year for development for our Group. Since our listing, we have continued to grow, becoming the largest European company in the field of cognitive computing and artificial intelligence, with a €30 million increase in production value. The cognitive computing and artificial intelligence markets are experiencing a period of intense vitality. We are proud to have*



*achieved a leadership position that is globally recognized. Our innovative approach was honored by Forrester Research's inclusion of Expert System in its "top 10" for big data analysis, where we were chosen out of a rigorous selection process involving 200 international organizations.*

*Over the last year, we have made significant investments in R&D, including the enhancement of Cogito with new languages such as Japanese, Chinese and Korean, and through the development of new markets to strengthen and expand our global positioning. To this end, we opened two laboratories in the US—in Silicon Valley (Palo Alto) and in the Washington, D.C. area—which will work in synergy with the other five Cogito Labs located in Italy (Modena, Rovereto and Naples), Grenoble, France and Madrid, Spain to increase the "intelligent" functionality of our applications. Another important frontier that we are working on is the combination of semantic analysis, natural language processing and deep learning, by leveraging the most innovative artificial intelligence techniques for improving the automatic comprehension of big data and language. After the launch of a new product for risk profile analysis (Cogito Risk Watcher), in April of this year we released a new version of Cogito Studio, a software dedicated to developing semantic applications for analysis, categorization and information extraction.*

*The development strategy, after acquisitions in France and Spain, has enabled us to grow in just two years from 100 employees to more than 230, and to maintain leadership over the entire Western market: The United States, Canada, Great Britain, Italy, France, Germany, Spain and Switzerland. External revenues, achieved in 15 countries, has grown from 17% to 58%. Simultaneously, we have reached important goals: We are among the few Premier Technology Partners of Google, with whom we collaborate both on search and to boost the development of intelligent semantic solutions through the Google Cloud Platform; we have strengthened our presence in the US, which is structured in two companies focusing on the public and private sector, respectively, and have expanded our business into new sectors such as Insurance, Pharmaceutical and Manufacturing. We expect even more important challenges for the future, which we will face with the passion and determination that has always characterized Expert System."*

**Pro-forma consolidated financial results for December 31, 2015**

*For the purpose of ensuring greater transparency and comparability of information, the Expert System Group has prepared the figures of the 2015 consolidated income statement (Production Value, Revenue, EBITDA, EBIT*



*and Net Result) on a pro-forma basis to represent the consolidation of TEMIS (the acquisition of which was concluded in September 2015) effective from January 1, 2015.*

The **Production Value** of €30 million included **sales and services revenue** of €22 million (+84% over 2014) derived from increased foreign market sales, with €9.5 million coming from new companies included in the scope of consolidation (ex TEMIS and Expert System Iberia). The share of revenue from foreign sales totals €12.8 million, representing 58% of total revenue. Also noteworthy is the major investment effort in France, the United States and Spain, which shows an increase in R&D of +79% over 2014. **EBITDA** of €1.8 million is related to the significant investment in technical and sales personnel (+156% over 2014) made in Italy and throughout the Group. **EBIT** was a negative €3.5 million, highlighting the effect of amortization (+68% over 2014) of the company's strategic assets. The **Net Result** showed a negative value of €2.3 million.

#### **Consolidated financial results for December 31, 2015**

The **Production Value** was €22.6 million (€17.2 million for December 31, 2014), with a 32% increase compared to financial year 2014. **Sales and services revenue** was €16.4 million, up 37% over 2014.

**EBITDA** amounted to €1.2 million (€2.3 million for December 31, 2014) as a result of significant improvements in the organizational structure, notably to support international growth.

**EBIT** was a negative €4.0 million (€0.6 million for December 31, 2014), after amortization and depreciation of €5.7 million (€1.7 million for December 31, 2014).

The Group's **Net Result** was a negative €3.3 million (€0.1 million for December 31, 2014).

The **Net Financial Position** was a negative €10.5 million (positive €1.3 million for December 31, 2014) due to major investments in R&D, business development and for acquisition financing, to support the Group's growth.

#### **Expert System S.p.A. financial results for December 31, 2015**

The **Production Value** was €15.0 million (€16.1 million for December 31, 2014).

**Sales and services revenue** was €10.5 million (€10.9 million for December 31, 2014).

**EBITDA** was €0.7 million (€3.2 million for December 31, 2014).

**EBIT** was a negative €1.4 million (€1.5 million for December 31, 2014).

The **Net Result** was a negative €1.0 million (€1.0 million for December 31, 2014).



The **Net Financial Position** was a negative €10.0 million (positive €0.8 million for December 31, 2014), which includes a bond of 9 years for €5.0 million entirely subscribed in July 2015 by Fondo Strategico Trentino-Alto Adige.

**Major corporate events for the 2015 financial year:**

**November 18, 2015:** Launch of Cogito Risk Watcher, a software solution based on the Cogito semantic intelligence that identifies the information useful to help companies effectively and rapidly build accurate risk profiles of suppliers and third parties.

**October 29, 2015:** Expert System is named a Google for Work Search Technology Premier Partner. Premier status is reserved exclusively for companies that have demonstrated the highest level of competency and technological performance and is based on implementation success.

**October 9, 2015:** Expert System will structure its U.S. operations into two separate companies for the public and private sector with the goal of consolidating its leadership in the American market for cognitive computing and text analytics. New CEOs were appointed for the respective companies: Alan E. Calegari (Expert System USA, Inc.) and Daniel Mayer (Expert System Enterprise, Inc.)

**September 27, 2015:** The 100% acquisition of TEMIS was completed, with an estimated enterprise value of €12 million.

**September 16, 2015:** Subsidiary company ADmantX, the leader in online advertising, successfully concluded a capital increase of €2.16 million.

**July 31, 2015:** Successful emission of a €5 million bond, maturing in 2024 with a fixed annual interest rate of 4%, fully subscribed by the Fondo Strategico del Trento-Alto Adige, managed by Finint Investments SGR.



**May 27, 2015:** Agreement signed for the 100% acquisition of TEMS S.A. The acquisition of TEMIS fits with Expert System’s growth and internationalization strategy and unites two companies with highly complementary businesses, that together, can lead the cognitive computing market, helping enterprises and public companies in the analysis, correlation and enhancement of the wealth of knowledge available, especially for unstructured information. The transaction positions Expert System in all major Western markets: the US, Canada, Great Britain, Italy, France, Germany, Spain and Switzerland.

**February 18, 2015:** Expert System joins the Google partner program as a Google Cloud Platform Technology Partner. As a partner company, Expert System will extend the benefits of the Cogito semantic technology in the Google Cloud Platform.

**Events after the December 31, 2015 reporting period:**

**May 12, 2016:** Forrester, an independent research company and leading authority in the world of business and technology, includes Expert System in the most recent report of the top 10 companies for big data text analytics (Forrester Wave™ Big Data Text Analytics Platforms, Q2 2016: The 10 Providers That Matter Most And How They Stack Up).

**April 7, 2015:** Cogito Studio, a new product that helps companies create Cogito-powered text analytics applications, is released. With Cogito Studio, Expert System advances its market leadership by leveraging the research and innovation of its Cogito Labs for cognitive computing. It combines artificial intelligence algorithms for simulating the human ability to read and understand language (semantics) and deep learning techniques (machine learning) to help companies optimize the creation of applications that are advanced, intelligent and intuitive.

**March 15, 2016:** Expert System intensifies its R&D activities by inaugurating two new labs in the US—in Silicon Valley (Palo Alto) and in the Washington, D.C. area—confirming innovation as a strategic asset for supporting the Group’s international growth. The new laboratories will work in synergy with other Cogito Labs (located in Modena, Rovereto and Naples, Italy; Grenoble, France and Madrid, Spain), promoting the collaboration



between different working groups to increase the potential of Cogito and continue to develop the best applications for the automatic comprehension of text information.

**March 1, 2016:** Expert System is named in the “100 Companies that Matter in Knowledge Management” by KMWorld, a leading publisher, conference organizer and information provider serving the knowledge management market. The award recognizes companies that have demonstrated creativity and functionality as well as a clear understanding of customers’ knowledge management needs.

**January 19, 2015:** Expert System’s cognitive computing technology takes part in “500 Startups,” one of the world’s most recognized seed fund and accelerator firms. Cogito semantic intelligence will be available for 500 Startups members to enrich and develop new cognitive computing applications for the analysis of data and information.

#### **Other resolutions**

With the aim of supporting further development and seizing new opportunities for growth, the Board of Directors has resolved to convene an Extraordinary Shareholders’ Meeting to approve a share capital increase for a total amount of less than €5,000,000, including any share premium through the issue of ordinary shares with no nominal value, with the same characteristics of existing shares and with regular rights, to be offered as an option to shareholders according to Art. 2441 of the Civil Code, first paragraph, and the issue of warrants freely attached with ordinary shares deriving from the capital increase.

The Board of Directors also resolved to allocate the first installment of the Stock Option Plan 2015-2019 (approved by the Shareholders’ Meeting on June 29, 2015) for a maximum of 225,000 options and to submit for approval to the Shareholders’ Meeting, in the ordinary session, the modification of the “Stock Grant Plan 2015-2020” (already approved by the same on June 29, 2015) due to the absence of an existing beneficiary and the willingness to extend this plan to a new beneficiary.

#### **Business outlook**



The Group aims to strengthen its presence in international markets and consolidate the integration of the acquired companies in order to create new strategic synergies. In Europe, it intends to continue its expansion into German-language markets, including Germany, Switzerland and Austria. It will continue to invest in the Cogito technology to seize opportunities offered by new market segments.

### **Filing of documents**

The minutes of the Shareholders' Meeting will be available to the public on the company website in accordance with the terms and conditions established by law.

### **Attachments**

- Consolidated Balance Sheet Expert System Group as of December 31, 2015
- Consolidated Profit & Loss Account Expert System Group as of December 31, 2015
- Consolidated Net Financial Position Expert System Group as of December 31, 2015
- Balance Sheet Expert System S.p.A. as of December 31, 2015
- Profit & Loss Account Expert System Spa as of 31, December 2015
- Net Financial Position Expert System Spa as of 31, December 2015



Consolidated Balance Sheet Expert System Group as of December 31, 2015

Consolidated Balance Sheet Expert System Group	31/12/2015	31/12/2014	Change
Net intangible assets	18.539.026	4.639.954	13.899.072
Net tangible assets	915.731	692.064	223.667
Equity investments and other non – current financial assets	6.246.290	7.549.288	(1.302.998)
<b>Fixed capital</b>	<b>25.701.047</b>	<b>12.881.306</b>	<b>12.819.741</b>
Short-term financial assets	4.153.074	4.153.074	-
Warehouse inventories	1.796.857	1.562.783	234.074
Trade receivables	10.227.852	7.865.706	2.362.146
Other receivables	7.368.503	2.677.019	4.691.484
Accrued income and prepaid expenses	1.038.403	189.002	849.401
<b>Short-term assets</b>	<b>24.584.689</b>	<b>16.447.585</b>	<b>8.137.104</b>
Trade Payables	(2.854.713)	(1.913.788)	(940.925)
Advance payments	(2.909.546)	(538.058)	(2.371.488)
Tax and social security payables	(2.361.233)	(1.689.954)	(671.279)
Other payables	(1.381.590)	(934.723)	(446.867)
Accrued expenses and deferred income	(3.122.303)	(2.076.444)	(1.045.859)
<b>Short-term liabilities</b>	<b>(12.629.385)</b>	<b>(7.152.966)</b>	<b>(5.476.419)</b>
<b>Net working capital</b>	<b>11.955.304</b>	<b>9.294.619</b>	<b>2.660.685</b>
Employee severance indemnity	(1.390.984)	(1.126.002)	(264.982)
Tax and social security payables	-	-	-
Accrued expenses and deferred income after 12 months	(2.452.032)	(2.361.753)	(90.279)
Other medium and long – term liabilities	(2.583.943)	(3.062.526)	478.583
<b>Medium/long – term liabilities</b>	<b>(6.426.959)</b>	<b>(6.550.281)</b>	<b>123.322</b>
<b>INVESTED CAPITAL</b>	<b>31.229.392</b>	<b>15.625.646</b>	<b>15.603.746</b>
Shareholders' equity	(20.718.225)	(16.957.818)	(3.760.407)
Net medium/long – term financial position	(18.239.873)	(4.798.603)	(13.441.270)
Net short – term financial position	7.728.706	6.130.775	1.597.931
<b>OWN EQUITY AND NET FINANCIAL DEBT</b>	<b>(31.229.392)</b>	<b>(15.625.646)</b>	<b>(15.603.746)</b>





Consolidated Profit & Loss Account Expert System Group as of December 31, 2015

Consolidated Profit & Loss Account Expert System Group	31/12/2015	31/12/2014	Variazione
Net revenue	16.388.897	11.967.532	4.421.365
Inventory change	174.750	1.086.769	(912.019)
Own work capitalised	3.619.440	3.041.447	577.993
Other income	2.463.891	1.077.148	1.386.743
<b>Production value</b>	<b>22.646.978</b>	<b>17.172.896</b>	<b>5.474.082</b>
External operating costs	(10.140.860)	(8.248.896)	(1.891.964)
<b>Economic value added (EVA)</b>	<b>12.506.118</b>	<b>8.924.000</b>	<b>3.582.118</b>
Cost of labour	(11.301.753)	(6.584.832)	(4.716.921)
<b>EBITDA</b>	<b>1.204.365</b>	<b>2.339.168</b>	<b>(1.134.803)</b>
Amortization, depreciation and other provisions	(5.237.807)	(1.729.760)	(3.508.047)
<b>Net operating profit</b>	<b>(4.033.442)</b>	<b>609.408</b>	<b>(4.642.850)</b>
Financial income and expenses	213.228	28.632	184.596
<b>Ordinary profit</b>	<b>(3.820.214)</b>	<b>638.040</b>	<b>(4.458.254)</b>
Net Extraordinary components	258.445	59.257	199.188
<b>Pre - tax results</b>	<b>(3.561.769)</b>	<b>697.297</b>	<b>(4.259.066)</b>
Income taxes	277.462	(608.768)	886.230
<b>Net profit</b>	<b>(3.284.307)</b>	<b>88.529</b>	<b>(3.372.836)</b>

Consolidated Net Financial Position Expert System Group as of December 31, 2015

Consolidated Net Financial Position Expert System Group	31/12/2015	31/12/2014	Variazione
Bank deposits	11.247.267	4.898.970	6.348.297
Cash at bank and in hand	2.060	1.370	690
Treasury shares	560.395	89.163	471.232
<b>Cash and cash equivalents and treasury shares</b>	<b>11.809.722</b>	<b>4.989.503</b>	<b>6.820.219</b>
<b>Current financial assets</b>	<b>1.354.046</b>	<b>4.081.569</b>	<b>(2.727.523)</b>
Bonds and convertible bonds (within 12 months)	-	-	-
Payables for shareholder loans (within 12 months)	-	-	-
Payables due to banks (within 12 months)	(4.847.800)	(2.647.115)	(2.200.685)
Payables due to other lenders (within 12 months)	(587.262)	(293.183)	(294.079)
Advances for overseas payments	-	-	-
Short – term portion of loans	-	-	-
Financial receivables	-	-	-
<b>Short-term financial payables</b>	<b>(5.435.062)</b>	<b>(2.940.298)</b>	<b>(2.494.764)</b>
<b>Net short-term financial position</b>	<b>7.728.706</b>	<b>6.130.775</b>	<b>1.597.931</b>
Bonds and convertible bonds (over 12 months)	(5.000.000)	-	(5.000.000)
Payables for shareholder loans (over 12 months)	-	-	-
Payables due to banks (after 12 months)	(11.485.190)	(4.381.995)	(7.103.195)
Payables due to other lenders (after 12 months)	(1.754.683)	(416.608)	(1.338.075)
Advances for overseas payments	-	-	-
Long – term portion of loans	-	-	-
Financial receivables	-	-	-
<b>Net medium/long-term financial position</b>	<b>(18.239.873)</b>	<b>(4.798.603)</b>	<b>(13.441.270)</b>
<b>Net financial position</b>	<b>(10.511.167)</b>	<b>1.332.171</b>	<b>(11.843.338)</b>

Balance Sheet Expert System Spa as of 31, December 2015

Balance Sheet Expert System Spa	31/12/2015	31/12/2014	Change
Net intangible assets	5.720.373	4.639.107	1.081.265
Net tangible assets	697.817	670.338	27.479
Equity investments and other non – current financial assets	22.440.371	8.944.791	13.495.580
<b>Fixed capital</b>	<b>28.858.561</b>	<b>14.254.236</b>	<b>14.604.325</b>
Short-term financial assets	4.153.074	4.153.074	-
Warehouse inventories	1.714.539	1.562.783	151.756
Trade receivables	6.493.691	7.113.745	(620.054)
Other receivables	7.105.028	3.841.515	3.263.513
Accrued income and prepaid expenses	796.548	187.719	608.830
<b>Short-term assets</b>	<b>20.262.881</b>	<b>16.858.836</b>	<b>3.404.044</b>
Trade Payables	(1.579.333)	(1.884.471)	305.138
Advance payments	(2.907.908)	(538.058)	(2.369.850)
Tax and social security payables	(900.746)	(1.689.954)	789.208
Other payables	(1.101.091)	(934.723)	(166.368)
Accrued expenses and deferred income	(976.286)	(979.232)	2.946
<b>Short-term liabilities</b>	<b>(7.465.364)</b>	<b>(6.026.437)</b>	<b>(1.438.927)</b>
<b>Net working capital</b>	<b>12.797.517</b>	<b>10.832.399</b>	<b>1.965.118</b>
Employee severance indemnity	(1.390.984)	(1.126.002)	(264.982)
Tax and social security payables	-	-	-
Accrued expenses and deferred income after 12 months	(2.452.032)	(2.361.933)	(90.099)
Other medium and long – term liabilities	(2.543.394)	(3.070.368)	526.974
<b>Medium/long – term liabilities</b>	<b>(6.386.409)</b>	<b>(6.558.303)</b>	<b>171.893</b>
<b>INVESTED CAPITAL</b>	<b>35.269.668</b>	<b>18.528.334</b>	<b>16.741.335</b>
Shareholders' equity	(25.348.665)	(19.347.728)	(6.000.938)
Net medium/long – term financial position	(16.795.602)	(4.798.603)	(11.996.999)
Net short – term financial position	6.874.599	5.617.997	1.256.602
<b>OWN EQUITY AND NET FINANCIAL DEBT</b>	<b>(35.269.668)</b>	<b>(18.528.334)</b>	<b>(16.741.335)</b>



Profit & Loss Account Expert System Spa as of 31, December 2015

Profit & Loss Account Expert System Spa	31/12/2015	31/12/2014	Change
Net revenue	10.506.609	10.943.137	(436.529)
Inventory change	151.756	1.086.769	(935.013)
Own work capitalised	3.033.114	3.041.447	(8.332)
Other income	1.329.814	1.077.149	252.666
<b>Production value</b>	<b>15.021.293</b>	<b>16.148.501</b>	<b>(1.127.208)</b>
External operating costs	(7.956.622)	(7.544.345)	(412.277)
<b>Economic value added (EVA)</b>	<b>7.064.671</b>	<b>8.604.156</b>	<b>(1.539.485)</b>
Cost of labour	(6.336.418)	(5.372.584)	(963.834)
<b>EBITDA</b>	<b>728.253</b>	<b>3.231.572</b>	<b>(2.503.319)</b>
Amortization, depreciation and other provisions	(2.180.941)	(1.722.335)	(458.607)
<b>Net operating profit</b>	<b>(1.452.689)</b>	<b>1.509.237</b>	<b>(2.961.926)</b>
Financial income and expenses	182.878	54.746	128.132
<b>Ordinary profit</b>	<b>(1.269.810)</b>	<b>1.563.984</b>	<b>(2.833.794)</b>
Net Extraordinary components	(10.489)	59.257	(69.746)
<b>Pre - tax results</b>	<b>(1.280.299)</b>	<b>1.623.240</b>	<b>(2.903.539)</b>
Income taxes	281.266	(621.702)	902.968
<b>Net profit</b>	<b>(999.033)</b>	<b>1.001.538</b>	<b>(2.000.571)</b>

Net Financial Position Expert System Spa as of 31, December 2015

Net Financial Position Expert System Spa	31/12/2015	31/12/2014	Change
Bank deposits	9.393.911	4.386.192	5.007.719
Cash at bank and in hand	1.772	1.370	401
Treasury shares	560.395	89.163	471.232
<b>Cash and cash equivalents and treasury shares</b>	<b>9.956.078</b>	<b>4.476.726</b>	<b>5.479.352</b>
<b>Current financial assets</b>	<b>987.748</b>	<b>4.081.569</b>	<b>(3.093.821)</b>
Bonds and convertible bonds (within 12 months)	-	-	-
Payables for shareholder loans (within 12 months)	-	-	-
Payables due to banks (within 12 months)	(3.680.182)	(2.647.115)	(1.033.067)
Payables due to other lenders (within 12 months)	(389.045)	(293.183)	(95.862)
Advances for overseas payments	-	-	-
Short – term portion of loans	-	-	-
Financial receivables	-	-	-
<b>Short-term financial payables</b>	<b>(4.069.227)</b>	<b>(2.940.298)</b>	<b>(1.128.929)</b>
<b>Net short-term financial position</b>	<b>6.874.599</b>	<b>5.617.997</b>	<b>1.256.602</b>
Bonds and convertible bonds (over 12 months)	(5.000.000)	-	(5.000.000)
Payables for shareholder loans (over 12 months)	-	-	-
Payables due to banks (after 12 months)	(11.485.190)	(4.381.995)	(7.103.194)
Payables due to other lenders (after 12 months)	(310.412)	(416.608)	106.196
Advances for overseas payments	-	-	-
Long – term portion of loans	-	-	-
Financial receivables	-	-	-
<b>Net medium/long-term financial position</b>	<b>(16.795.602)</b>	<b>(4.798.603)</b>	<b>(11.996.999)</b>
<b>Net financial position</b>	<b>(9.921.003)</b>	<b>819.394</b>	<b>(10.740.397)</b>