

Expert System: Shareholders approve the 2015 financial statements and the proposed capital increase to support strategic objectives for 2016-2019

The capital increase provides for the issue of free share warrants to existing shareholders

Modena, June 28, 2016

The Shareholders' Meeting of [Expert System](#) (EXSY.MI), the leader in cognitive technology for the effective management of unstructured information, held today in second call, in ordinary and extraordinary sessions, approved financial statements for the year ending December 31, 2015 and examined the Group's consolidated financial statements and the main figures from the consolidated financial statement (Production Value, Revenue, EBITDA, EBIT and Net Result) prepared on a pro-forma basis to reflect the effects of the TEMIS acquisition.

Stefano Spaggiari, CEO, Expert System, commented:

"The Group has reached a position of global leadership in the cognitive computing market as a result of a strategy that has required strong commitment for both R&D and growth through acquisitions. The AI market is experiencing a period of intense turmoil and attention: We will continue to invest here and, thanks to the new capital increase, we will continue to focus on strengthening our positioning and scaling up the business over the next three years. Our primary objectives include continuing to develop our presence in the USA and consolidating our existing presence in Europe with particular attention on the German market, where we are evaluating opportunities for growth through external lines. Furthermore, we will continue our path of innovation and technological differentiation, which we consider fundamental for maintaining the competitive advantage that has allowed us to win the trust of important, international clients, and has led to prestigious recognition, such as our inclusion in the recent report 'The Forrester Wave™ Big Data Text Analytics Platforms, Q2 2016: The 10 Providers That Matter Most And How They Stack Up'."

ORDINARY SHAREHOLDERS' MEETING

Pro-forma consolidated financial results for December 31, 2015

In the interest of greater transparency and comparability of information, the Expert System Group has prepared the pro-forma consolidated financial statements for 12/31/2015, which takes into

account the TEMIS consolidation effective from January 1, 2015, the acquisition of which was completed in September.

The **Production Value** was €30 million with Revenue from sales and services of €22 million (+84% over 2014). **EBITDA** was €1.8 million. **Net Result** was negative for €2.3 million.

Consolidated financial results for December 31, 2015

The **Production Value** was €22.6 million (€17.2 million at December 31, 2014), showing 32% growth compared to financial year 2014. **Revenue from sales and services** was €16.4 million, up 37% over 2014. **EBITDA** was €1.2 million (€2.3 million at December 31, 2014). **Net Result** was negative for €3.3 million (€0.1 at December 31, 2014). The **Net Financial Position** was €10.5 million (positive for €1.3 million at December 31, 2014).

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

The **Production Value** was €15.0 million (€16.1 million at December 31, 2014) with **Revenue from sales and services** of €10.5 million (€10.9 at December 31, 2014). **EBITDA** was €0.7 million (€3.2 million at December 31, 2014). **EBIT** was negative for €1.4 (€1.5 million at December 31, 2014). **Net Result** was negative for €1.0 million (€1.0 million at December 31, 2014). The **Net Financial Position** was €10.0 million (positive for €0.8 million at December 31, 2014), which includes a 9-year bond of €5.0 million, entirely subscribed in July 2015 by the Fondo Strategico Trentino Alto Adige.

The Shareholders' Meeting approves the financial statements and the allocation of the results and reads the consolidated results.

Appointment of auditors for 2016-2018

The Shareholders, following the proposal by the Board of Statutory Auditors, has appointed BDO Italia S.p.A. as auditor for 2016-2018, and approved its relative compensation.

Ratification of new member of the Board of Directors and resolutions concerning their compensation

The Shareholders' Meeting confirmed the appointment of a new board member, co-opted by the Board of Directors on December 21, 2015; Marcello Pellacani will fulfill the role until approval of the financial statements for the year ended 12/31/2016.

The Shareholders' Meeting also approved the compensation of the Board of Directors, in line with that already approved in the previous financial year and considering the alternation of one of its members.

EXTRAORDINARY SHAREHOLDERS' MEETING

Capital increase and concurrent issue of free warrants

The Shareholders' Meeting, with the goal of supporting the further development of the company, has approved the proposal by the Board of Directors in favor of a paid share capital increase, up to €4,900,000, including share premium, to be offered as an option to shareholders pursuant to Article 2441, paragraph 1 of the Italian Civil Code, through the issue of new ordinary shares, with no nominal value, having the same characteristics as those in circulation. The Shareholders also approved granting the Board of Directors authorization to increase share capital pursuant to Article 2443 of the Italian Civil Code and the consequential amendment of Article 5 of the company by-laws.

Objectives of the Capital Increase

The proceeds from the capital increase will be used to increase the company's financial flexibility and to support the growth process focused on creating value for the shareholders; specifically, the Group plans to meet the following Strategic Objectives over 2016-2019:

- Strengthening the cognitive abilities of Cogito, taking advantage of the most innovative artificial intelligence approaches (semantic technology and implementation of deep learning techniques) for the purposes of technological differentiation, competitive advantage, and global leadership as referenced in the company's inclusion in "The Forrester Wave™ Big Data Text Analytics Platforms, Q2 2016: The 10 Providers That Matter Most And How They Stack Up";
- Expansion of the offering focused on the implementation of new features, the further enrichment of languages and the development of new products for vertical sectors;
- Continue to follow the strategy to ensure the company's presence in the most innovative technology ecosystems and to promote the development of increasingly intelligent semantic applications through the identification of new partners and the expansion of indirect sales channels;
- Consolidation of the presence in North America;

- Continue the development strategy for external lines with eventual acquisitions, particularly in the German market, in order to consolidate the presence on the European cognitive computing market for text analytics, where Expert System is positioned as the leader both in terms of size and production value.

Capital Increase for the conversion of warrants

The Shareholders' Meeting also voted in favor of the proposal by the Board of Directors regarding the issue of warrants attached free of charge to newly issued ordinary shares through an increase in share capital by options, described above.

The *warrants*, which will be governed by the relevant regulation that will be prepared by the Board of Directors and published according to regulation, will be combined free of charge with newly issued ordinary shares deriving from the capital increase option and they can be exercised in different financial years, with the understanding that the first period for the exercise of *warrants* must in any case be after 12 months from the date this increase is executed.

Warrants freely attached to newly issued shares will be traded on AIM Italy - Alternative Capital Market (M.A.C.), organized and managed by Borsa Italiana, therefore the Shareholders have authorized the Board of Directors to proceed by taking the necessary measures for admission to trading on AIM Italy.

In order to allow the exercise of warrants and the subscription of conversion shares for the eventual conversion of warrants, the Shareholders have approved the paid share capital increase to be divided into one or more tranches, for a maximum of €1,800,000.00, including the share premium, through the issue of new ordinary shares, with no indicated nominal value, having the same characteristics as shares those in circulation, to be reserved exclusively for the exercise of warrants.

The Shareholders have granted proxy to the Board of Directors pursuant to Article 2443 of the Italian Civil Code and the consequential amendment of Article 5 of the Company by-laws. The Board of Directors have been delegated all powers necessary for the abovementioned share capital increase used for the conversion of warrants and in particular, for determining the maximum number of warrants to be issued, the conversion ratio, as well as the maximum number of converted shares to be issued and approval of the warrant regulations.

Approval of the “TEMIS Stock Grant Plan 2016-2020” and the relative free capital increase in partial service of the plan

The Shareholders’ Meeting resolved to revoke the stock grant plan referred to as the “Temis Stock Grant Plan 2015-2020” (approved by the Shareholders’ Meeting on June 29, 2015), and approved a stock grant plan, referred to as “Temis Stock Grant Plan 2016-2020” in favor of beneficiaries such as directors, employees (management and non-management), or collaborators of Expert System France S.A. (formerly known as Temis S.A.) and / or its subsidiaries, chosen individually, in one or more occasions, by the Board of Directors.

In partial service of the “Temis Stock Grant Plan 2015-2020”, the Shareholders have granted proxy to the Board of Directors pursuant to Article 2443 of the Italian Civil Code to freely increase, in one or more occasions, in accordance with Article 2349 of the Italian Civil Code, divisible in one or more tranches,

By June 28, 2020, the social capital through the issue of up to 730,000 ordinary shares, with no nominal value and with regular dividend rights, to be allocated to the beneficiaries of the aforementioned employee plan (management and non-management) of Expert System France S.A. and / or its subsidiaries, chosen individually, for an amount corresponding to the profits and / or profit reserves up to a maximum of €1,460,000.

Authority was also granted to the Board of Directors to implement the Stock Grant Plan 2016-2020, subject to any eventual changes and / or additions necessary for the implementation of the resolution, including for the purposes of compliance with any applicable regulatory provision.

Filing of documents

The minutes will be made available to the public on the company website under the terms and manner provided by law.

This press release is available on the company website: www.expertsystem.com

**** The Italian version of this document shall prevail over the English version**

About Expert System

Headquartered in Chicago, Expert System is a leading provider of information access solutions based on the proprietary, patented, multilingual semantic technology of Cogito. Using Expert System's products, enterprise companies and government agencies can go beyond traditional keyword approaches for the rapid sense-making of their structured and unstructured data. Expert System technology has been deployed to deliver solutions for a vast range of business requirements such as semantic searches, open source intelligence, multilingual and big text analytics, natural language processing and the development and management of taxonomies and ontologies. Expert System serves some of the world’s largest industries including Banking and



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