UPDATE ON CORPORATE ACTIONS & STRATEGIC GUIDELINES

Aprile 2017

EXPERT SYSTEM
SEMANTIC INTELLIGENCE

IR TOP Consulting

AIM
INVESTOR DAY
6 APRILE 2017
MILANO

The European Leader in Cognitive Computing

COMPANY PROFILE

FOUNDED IN MODENA (ITALY) IN 1989 AND LISTED ON THE AIM ITALIA STOCK EXCHANGE SINCE FEBRUARY 2014

EXPERT SYSTEM IS THE BIGGEST EUROPEAN PURE VENDOR OF COGNITIVE COMPUTING & TEXT ANALYTICS SOFTWARE AND SOLUTIONS SPECIALIZED IN SEMANTIC TECHNOLOGY

EXPERT SYSTEM GROUP INCLUDES 10 INTERNATIONAL COMPANIES, LOCATED IN 6 DIFFERENT COUNTRIES
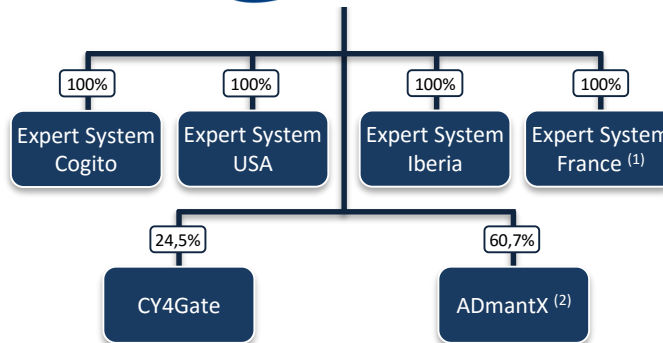
GLOBAL PUBLIC COMPANY (APPROX. 65% OF FREE FLOAT)

BUSINESS OVERVIEW

PATENTED SEMANTIC TECHNOLOGY, CALLED COGITO, WHICH IS A BUILDING BLOCK OF COGNITIVE COMPUTING, ALLOWS COMPUTERS TO "UNDERSTAND" THE MEANING OF CONCEPTS INCLUDED IN ANY TEXT

COGITO DOES NOT PROCESS CONTENT AS A SEQUENCE OF CHARACTERS, BUT IT IS A REAL SEMANTIC SOFTWARE THAT RELIES ON DEEP SEMANTIC ANALYSIS AND A RICH SEMANTIC NETWORK TO ENSURE A COMPLETE UNDERSTANDING OF A TEXT AS A PERSON WOULD
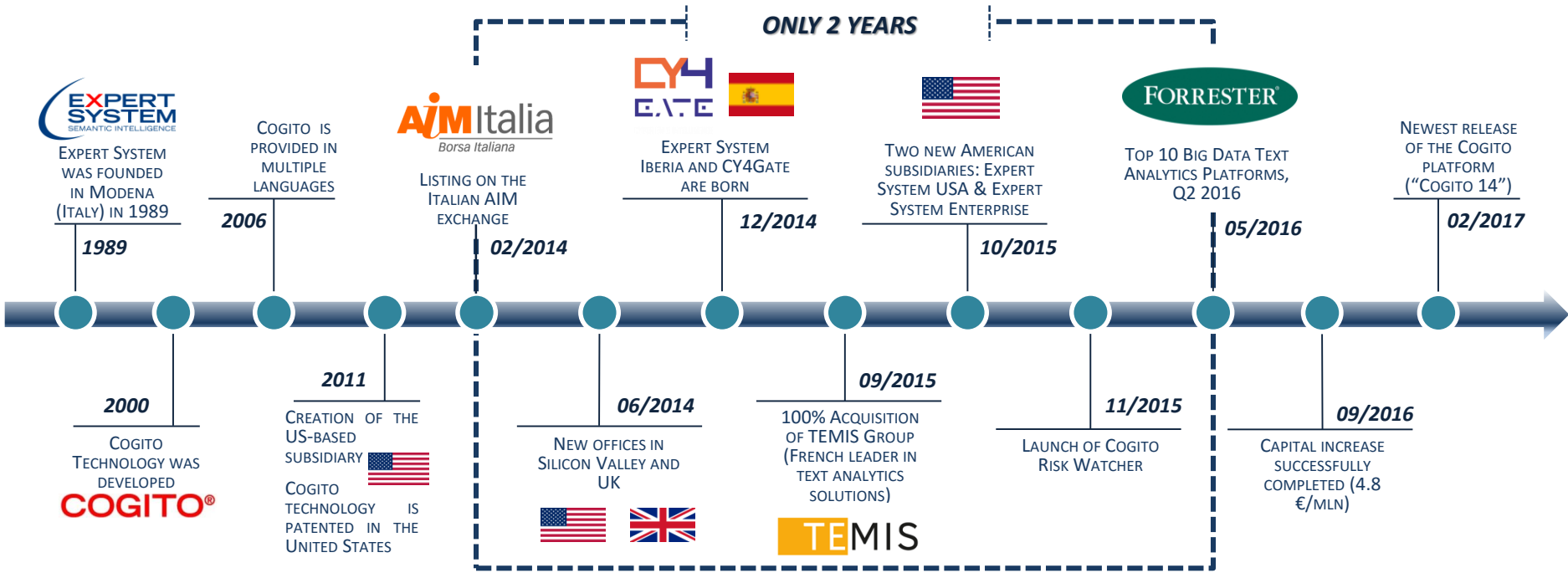
COGITO IS ABLE TO ORGANIZE A LARGE QUANTITY OF DATA COMING FROM DIFFERENT SOURCES IN A VERY SHORT PERIOD OF TIME, PROVIDING READY-TO-USE CONTENTS

■ Global Coverage
● Company Offices/Labs

EXPERT SYSTEM
SEMANTIC INTELLIGENCE

International footprint with a presence in Italy, France, Spain, Germany, UK and North America

Cogito understands the meaning of words in different contexts, categorizing data by concepts and supporting organizations in becoming more efficient and effective

100%	100%	100%	100%
Expert System Cogito	Expert System USA	Expert System Iberia	Expert System France [1]

24,5%	60,7%
CY4Gate	ADmantX [2]

[1] *It holds 100% of the following subsidiaries: Expert System Enterprise, Expert System Deutschland, Expert System Canada*
[2] *It holds 100% of ADmantX Inc. subsidiary*

EXPERT SYSTEM
SEMANTIC INTELLIGENCE

Development milestones, rich in international awards

ONLY 2 YEARS

1989 — EXPERT SYSTEM WAS FOUNDED IN MODENA (ITALY) IN 1989

2006 — COGITO IS PROVIDED IN MULTIPLE LANGUAGES

02/2014 — LISTING ON THE ITALIAN AIM EXCHANGE (AIM Italia — Borsa Italiana)

12/2014 — EXPERT SYSTEM IBERIA AND CY4GATE ARE BORN

10/2015 — TWO NEW AMERICAN SUBSIDIARIES: EXPERT SYSTEM USA & EXPERT SYSTEM ENTERPRISE

05/2016 — TOP 10 BIG DATA TEXT ANALYTICS PLATFORMS, Q2 2016 (FORRESTER)

02/2017 — NEWEST RELEASE OF THE COGITO PLATFORM ("COGITO 14")

2000 — COGITO TECHNOLOGY WAS DEVELOPED (COGITO®)

2011 — CREATION OF THE US-BASED SUBSIDIARY COGITO TECHNOLOGY IS PATENTED IN THE UNITED STATES

06/2014 — NEW OFFICES IN SILICON VALLEY AND UK

09/2015 — 100% ACQUISITION OF TEMIS GROUP (FRENCH LEADER IN TEXT ANALYTICS SOLUTIONS) (TEMIS)

11/2015 — LAUNCH OF COGITO RISK WATCHER

09/2016 — CAPITAL INCREASE SUCCESSFULLY COMPLETED (4.8 €/MLN)

INDUSTRY RECOGNITION

GARTNER'S MAGIC QUADRANT — Included in the prestigious **Gartner Magic Quadrant** among the **Top Ten Enterprise Search Solutions**

Google for Work Partner Premier — Named as a **Google for Work Search Technology Premier Partner**

100 COMPANIES / KMWorld — Nominated in the **"100 Companies that Matter in Knowledge Management"** by KMWorld

FORRESTER — Nominated in the **"Forrester Wave Big Data Text Analytics Platforms, Q2 2016: The 10 Providers that Matter Most and How They Stack Up"**

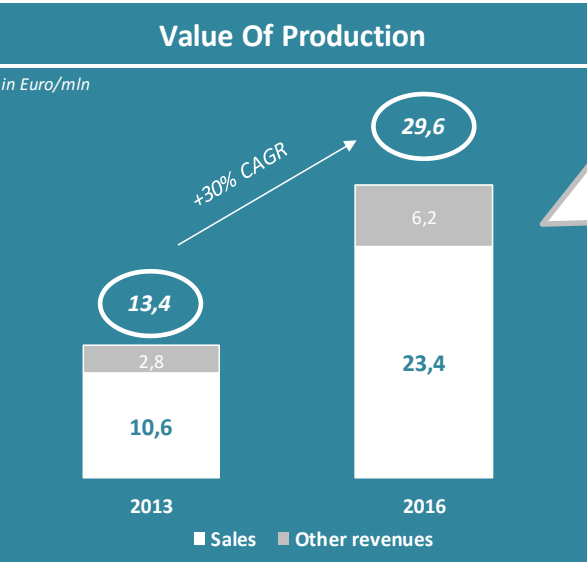**LT-INNOVATE AWARD** — **Winner of the 2016 LT-Innovate Award** (Linguistic Technologies Award) for Best Language Technology
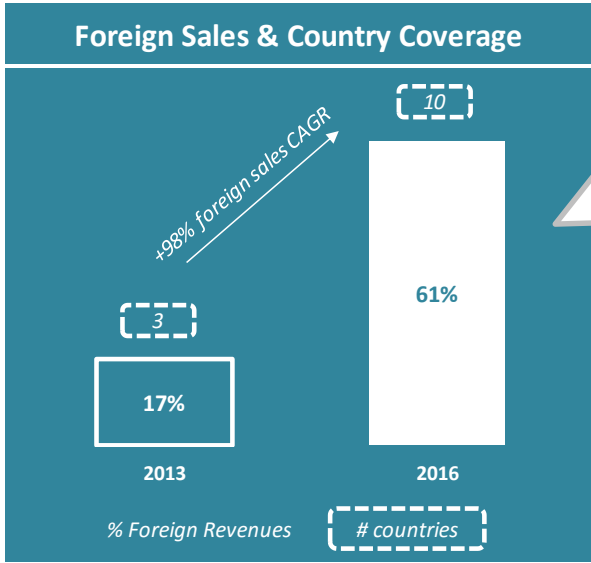
//CODiE// 2016 SIIA CODiE WINNER — **Winner of the 2016 SIIA CODiE Awards** as best Metadata Management Solution

History of growth from IPO to Today

Value Of Production

in Euro/mln

+30% CAGR

29,6

6,2

13,4

2,8

23,4

10,6

2013   **2016**

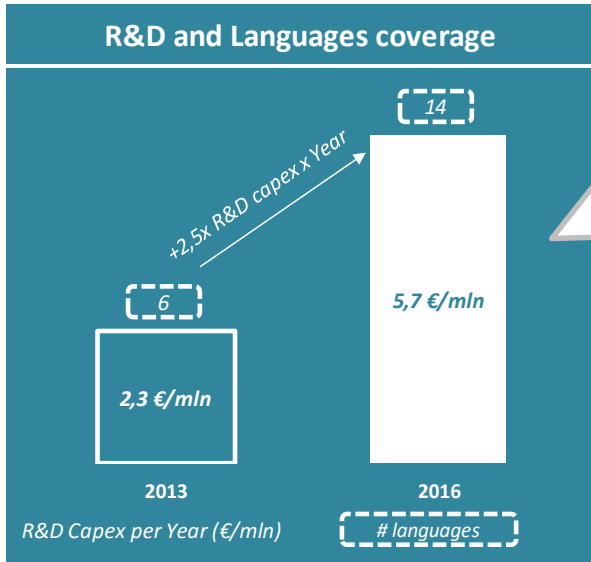■ Sales   ■ Other revenues

> **Strong growth in Value of Production from IPO**, also thanks to Temis acquisition in 2015

Foreign Sales & Country Coverage

10

+98% foreign sales CAGR

3

61%

17%

2013   **2016**

% Foreign Revenues   # countries

> Focus on **internationalization**
>
> Foreign revenues triple in the last 3 years
>
> Business areas increase from 3 to 10

Organizational Structure

employees (AWU*)

234

7

93

3

14

5

2013   **2016**

* Annual Working Unit   □ Offices   ■ Labs
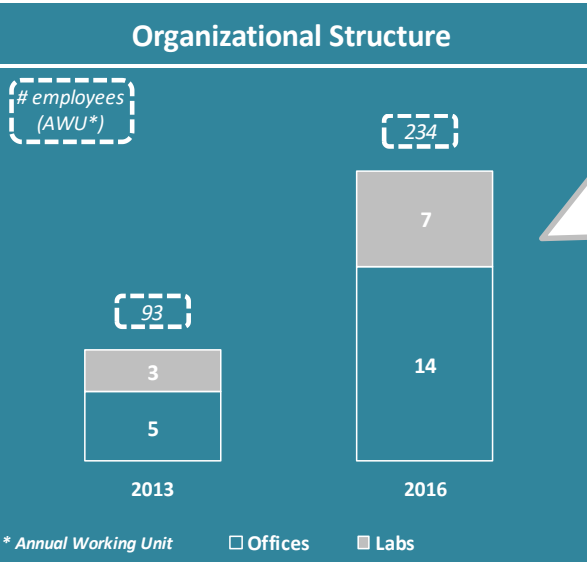
> Great geographical and organizational **expansion**
>
> **160+ tech employees** in the organigram

R&D and Languages coverage

14

+2,5x R&D capex x Year

6

5,7 €/mln

2,3 €/mln

2013   **2016**

R&D Capex per Year (€/mln)   # languages

> Significant investments in **R&D** to expand semantic software offering and implement new languages

EXPERT SYSTEM
SEMANTIC INTELLIGENCE

Expert System confirms its market leading position

INTERNATIONAL AWARDS

Forrester
ES named Strong Performer
("Big Data Text Analytics Platforms, Q2 2016: The 10 Providers That Matter Most And How They Stack Up")

KM World
Cogito Risk Watcher Trend-Setting Product of 2016
"for its capabilities to discover connections between different sources, provides multiple scenarios as data emerges and does so in multiple languages"

CODiE
Winner of CODiE Awards 2016 for "Best Metadata Management"

LT-Innovate Award
Awarded the 2016 LT- Innovate Award (Linguistic Technologies Award) for Best Language Technology during the annual LT-Innovate Summit

US MARKET STRENGTHENING

New corporate customers
Reference customers in Banking & Insurance

Dedicated company for Federal & Government Business

NEW PRODUCTS

Newest release of the Cogito platform – Cogito 14
that further simplifies robotic process automation and advanced information intelligence application
This release adds new languages and features: (i) **Cogito Studio Express** (ii) **Cogito Knowledge Graph**, (iii) **Cogito API**

Enriched offering for the Banking & Insurance sector
by extending the capabilities of the cognitive Cogito technology to new areas such as insurance claims management

PARTNERSHIP

Integration of the Esri ArcGIS platform
(advanced geospatial analysis technology) with the cognitive Cogito technology from Expert System, extending it worldwide

New international partnership

CAPITAL INCREASE

Successfully completed the offer of 2,609,552 newly issued ordinary shares, for a total capital increase of €4.7 millions
to support business expansion and R&D activities

Group growth and Market expansion

GROUP PERIMETER

- Expert System S.p.A.
- Expert System Iberia S.L.U.
- Expert System Cogito Ltd.
- Expert System USA Inc.
- Expert System Enterprise Corp. (1)
- Expert System France S.A. (1)
- Expert System Deutschland GMBH (1)

2015 | 2016

NOTE: (1) *Companies consolidated since September 2015 after Temis acquisition*

FINANCIALS HIGHLIGHTS

Figures in €/mln

	2015 (2)	2016	
Sales	16,4	23,4 +43%	***STRONG GROWTH THANKS TO M&A AND ORGANIC DEVELOPMENT***
Value of Production	23,2	29,6 +28%	
Ebitda	1,5	(2,2)	***NEGATIVE MARGINS DUE TO INCREASING SALES FORCE TO PENETRATE FOREIGN MARKETS & R&D COSTS***
Intangible Assets	18,5	18,4	***GREAT VALUE OF R&D ACTIVITIES (STABLE IN THE PERIOD DESPITE € 6,1 MLN AMORTIZATION)***
Equity	20,7	16,4	***EQUITY DECREASE DUE TO LOSSES (€ 8,1 MLN), PARTIALLY OFFSET BY CAPITAL INCREASE (€4,7 MLN)***
NFP	11,1	11,1	***STEADY NET DEBT THANKS TO CAPITAL INCREASE SUCCESSFULLY COMPLETED IN SEPTEMBER 2016***

(2) *Restated according to the new accounting method adopted in FY16 (DLgs. 18.8.2015 n. 139 - "decreto bilanci")*

Leading position in the Italian market

ITALY

> STABLE GROWTH THANKS TO WELL-ESTABLISHED MARKET POSITION

in Euro/mln

FY 2015
- 9,3
- 14,1
- 0,7

FY 2016
- 12,9
- 15,7
- 1,3

■ *Sales* ■ *VoP* ■ *Ebitda*

+12% in VoP, *thanks to sales growth (+38% YoY)*

Doubling Ebitda, *despite increased personnel costs (+1mln YoY)*

Net results *is still negative due to considerable amortization (~2,6 mln in FY16) due to R&D and goodwill*
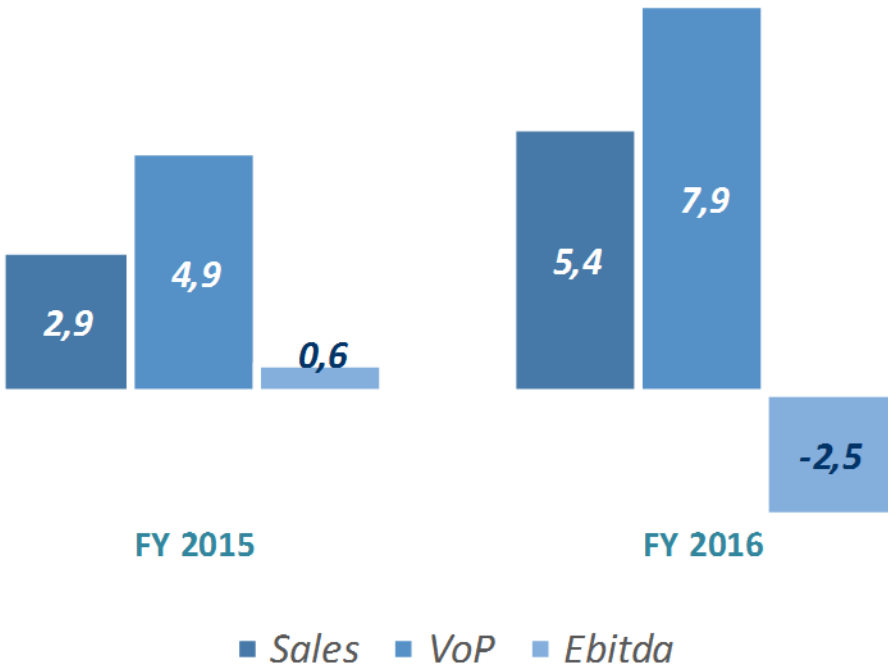
NOTES:
- *Net financials of intercompany transactions*
- *FY2015 restated according to the new accounting method adopted in FY16 (DLgs. 18.8.2015 n. 139)*

Development of UE & UK market presence

UE & UK
- France & Spain & Germany & UK -

in Euro/mln

TEMIS BUSINESS INTEGRATION COMPLETED IN FY16 & COMMERCIAL DEVELOPMENT IN HIGH POTENTIAL MARKET

Revenues trend YoY (+89% in Sale & +61% in VoP) **mainly due to M&A** (Temis acquisition completed in Sept. 2015).

Negative margins in FY16 due to business reorganization after acquisition

Chart values:

FY 2015: 2,9 | 4,9 | 0,6

FY 2016: 5,4 | 7,9 | -2,5

Legend: ■ Sales ■ VoP ■ Ebitda

NOTES:
- *Net financials of intercompany transactions*
- *FY2015 restated according to the new accounting method adopted in FY16 (DLgs. 18.8.2015 n. 139)*
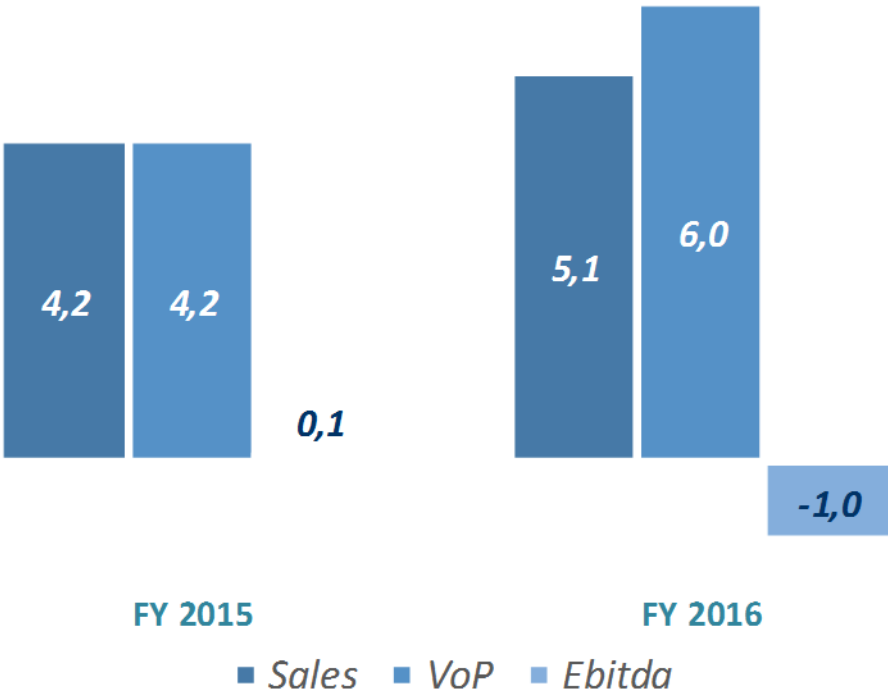
EXPERT SYSTEM
SEMANTIC INTELLIGENCE

US market presence: investing for the future

STRENGTHENING THE DIRECT SALES FORCE & SALES TO GOVERNMENT INSTITUTIONS

US

in Euro/mln

	FY 2015	FY 2016
Sales	4,2	5,1
VoP	4,2	6,0
Ebitda	0,1	-1,0

■ Sales ■ VoP ■ Ebitda

Revenues trend YoY (+20% in Sale & +43% in VoP) **mainly due to M&A** (Temis acquisition completed at Sept. 2015).

FY2016 margin affected by costs for **business integration** and commercial & organizational **efforts to develop government sales (as for new company ES USA Inc.)**

NOTES:
- Net financials of intercompany transactions
- FY2015 restated according to the new accounting method adopted in FY16 (DLgs. 18.8.2015 n. 139)

EXPERT SYSTEM SEMANTIC INTELLIGENCE

Leading tech position in vertical business

TECHNOLOGY

Expert System has a patented semantic technology able to understand and automatically analyze texts (as a person does), with a **UNIQUE COMBINATION OF PRECISION, SPEED AND FLEXIBILITY OF USAGE, RELYING ON A DEEP MORPHOLOGICAL, GRAMMATICAL, LOGICAL AND ESPECIALLY SEMANTIC ANALYSIS**

THE *LEADING POSITION OF* *EXPERT SYSTEM* *IS BASED ON:*

Proprietary IP

UNLIKE MOST COMPETITORS, THE CODE DOES NOT CONTAIN ANY OPEN SOURCE SOFTWARE; ALL OF THE CODE IS DEVELOPED INTERNALLY AND IS WHOLLY OWNED BY THE COMPANY AND PROTECTED BY TWO US PATENTS (NATIVE CODING)

High scalable & flexible product

HORIZONTAL TECHNOLOGY WITH BROAD APPLICATION, VIRTUALLY TO ANY FIELD AND AVAILABLE THROUGH API, ON PREMISE OR AS A SERVICE (SAAS), DIRECTLY OR THROUGH VENDORS OR SYSTEM INTEGRATORS

Significant barriers to entry

*COGITO ENGINE HAS REQUIRED MORE THAN **15** YEARS AND **400** YEARS/MEN OF CONTINUOUS DEVELOPMENT AND IT IS REFERENCED BY BLUE CHIP CLIENTS*

MAIN PRODUCTS

COGITO *DISCOVER*	*COGITO* *ANSWERS*	*COGITO* *INTELLIGENCE PLATFORM*	*COGITO* *STUDIO*
ANALYZE, UNDERSTAND, ENRICH AND ORGANIZE UNSTRUCTURED CONTENT *DRAMATICALLY IMPROVE YOUR ABILITY TO LEVERAGE CONTENT THROUGH POWERFUL AUTOMATIC DISAMBIGUATION, TAGGING AND CLASSIFICATION*	**NATURAL LANGUAGE PROCESSING** *BRIDGE THE GAP BETWEEN AMBIGUITY AND MEANING BY LEVERAGING A DEEP UNDERSTANDING OF CONTEXT AND SENTIMENT TO IMPROVE THE CUSTOMER EXPERIENCE AND SERVICE DELIVERY EFFECTIVENESS*	**INFORMATION INTELLIGENCE** *IDENTIFY ABSTRACT RELATIONSHIPS AND DETECT ASYMMETRICAL THREATS IN VAST QUANTITIES OF COMMUNICATIONS, DOCUMENTS, WEB AND SOCIAL CONTENT FROM VIRTUALLY ANY ACCESSIBLE SOURCE*	**BUILD CUSTOM APPLICATIONS** *BUILD AND DEPLOY CUSTOM APPLICATIONS THAT LEVERAGE UNSTRUCTURED INFORMATION TO PROVIDE THE RICH, TARGETED AND ACCURATE CONTENT DELIVERY YOUR USERS REQUIRE*

INDUSTRIES

The Company has developed commercial applications of this technology, through ***VERTICALIZATIONS DEDICATED TO DIFFERENT INDUSTRIES***

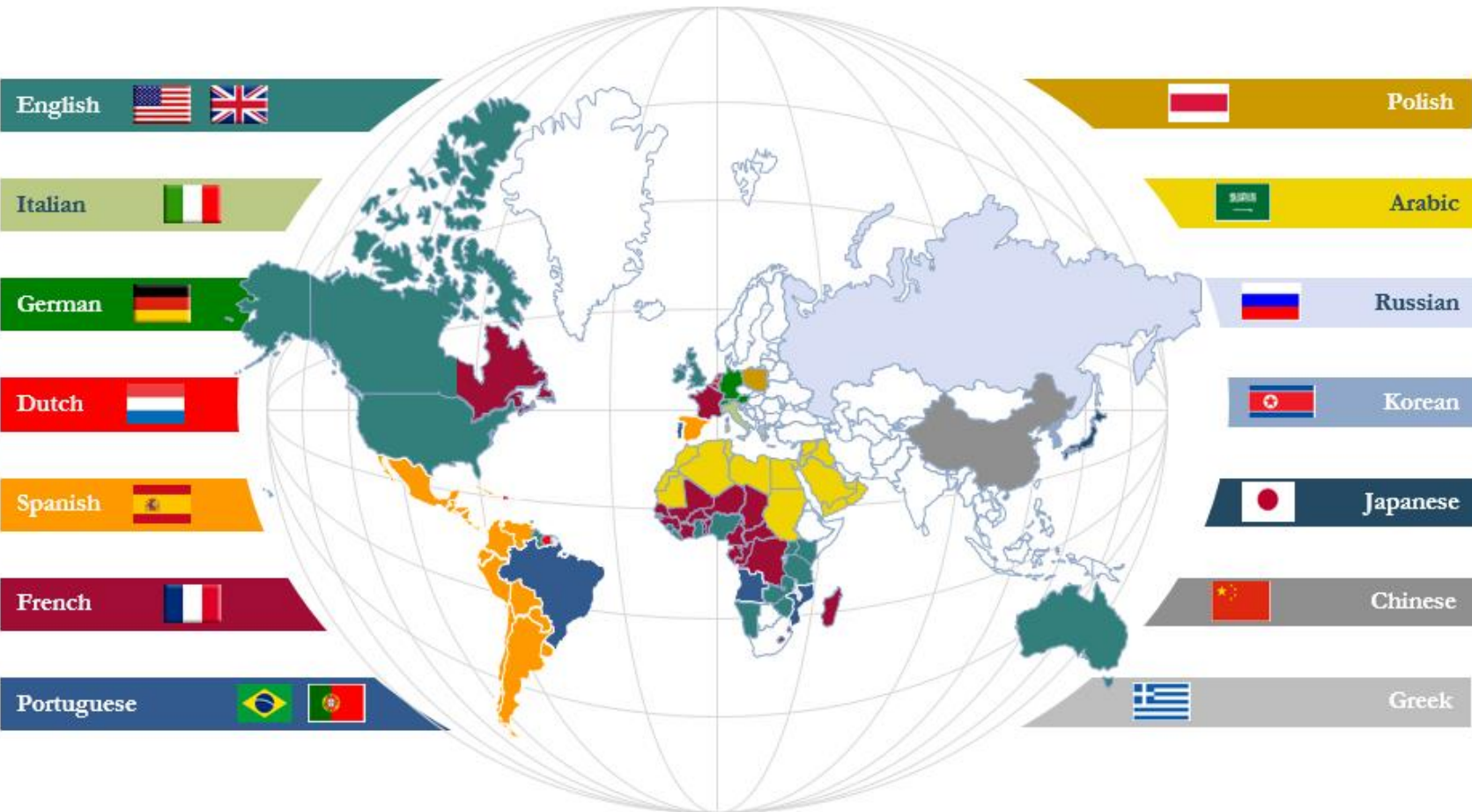**BANKING & INSURANCE** · **ENERGY, OIL & GAS** · **GOVERNMENT & DEFENSE** · **MEDIA & PUBLISHING** · **LIFE SCIENCE & PHARMA** · **PUBLIC ADMINISTR.**

Global Distribution Network

COGITO TECHNOLOGY SUPPORTS *14* LANGUAGES

English 🇺🇸 🇬🇧

Italian 🇮🇹

German 🇩🇪

Dutch 🇳🇱

Spanish 🇪🇸

French 🇫🇷

Portuguese 🇧🇷 🇵🇹

Polish

Arabic

Russian 🇷🇺

Korean 🇰🇵

Japanese 🇯🇵

Chinese 🇨🇳

Greek 🇬🇷

BLUE CHIP CLIENT BASE AMONG *100+* CUSTOMERS

UPDATE ON CORPORATE ACTION & STRATEGIC GUIDELINES

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Dramatic growth of Artificial Intelligence markets

COGNITIVE SYSTEMS & AI FORECASTS

$47 billion in 2020

Widespread adoption of cognitive systems and artificial intelligence (AI) across a broad range of industries will drive WORLDWIDE REVENUES FROM NEARLY **$8.0** BILLION IN **2016** TO MORE THAN **$47** BILLION IN **2020 (CAGR +55%)**

$1,5 billion in banking in 2016

The industries that invest the most in cognitive/AI systems in 2016 are banking and retail, followed by healthcare and discrete manufacturing (combined, these four industries will generate more than half of all worldwide cognitive/AI revenues in 2016)
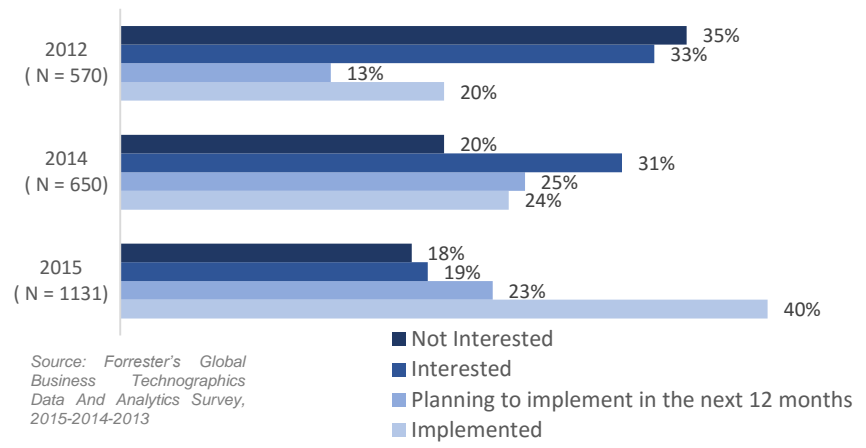
$6,2 billion in North America

NORTH AMERICA (US & CANADA) IS BY FAR THE LARGEST REGION FOR COGNITIVE/AI SPENDING WITH 2016 REVENUES APPROACHING $6.2 BILLION. Europe, the Middle East and Africa (EMEA) will remain the second largest region throughout the forecast, but cognitive/AI revenues from Asia/Pacific including Japan will nearly close the gap with EMEA by 2020.
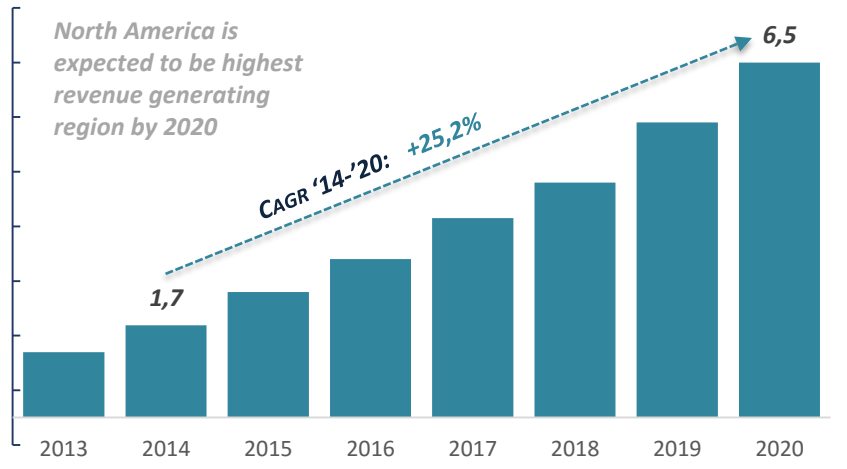
Source: Worldwide Semiannual Cognitive/Artificial Intelligence Systems Spending Guide from International Data Corporation (IDC)

TEXT ANALYTICS MARKET

FORRESTER SURVEY ABOUT FIRM'S PLANS TO IMPLEMENT TEXT ANALYTICS

2012 (N = 570)
- 35%
- 33%
- 13%
- 20%

2014 (N = 650)
- 20%
- 31%
- 25%
- 24%

2015 (N = 1131)
- 18%
- 19%
- 23%
- 40%

Legend:
- Not Interested
- Interested
- Planning to implement in the next 12 months
- Implemented

Source: Forrester's Global Business Technographics Data And Analytics Survey, 2015-2014-2013

GLOBAL TEXT ANALYTICS MARKET ($US BN)

North America is expected to be highest revenue generating region by 2020

6,5

CAGR '14-'20: +25,2%

1,7

2013 · 2014 · 2015 · 2016 · 2017 · 2018 · 2019 · 2020

Source: World Text Analytics Market - Opportunities and Forecasts, 2013 - 2020

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Market challenges for the next 3 years

ITALY & RoW

CONSOLIDATING **LEADING** MARKET POSITION

INCREASING PENETRATION IN INSURANCE AND FINANCE MARKETS
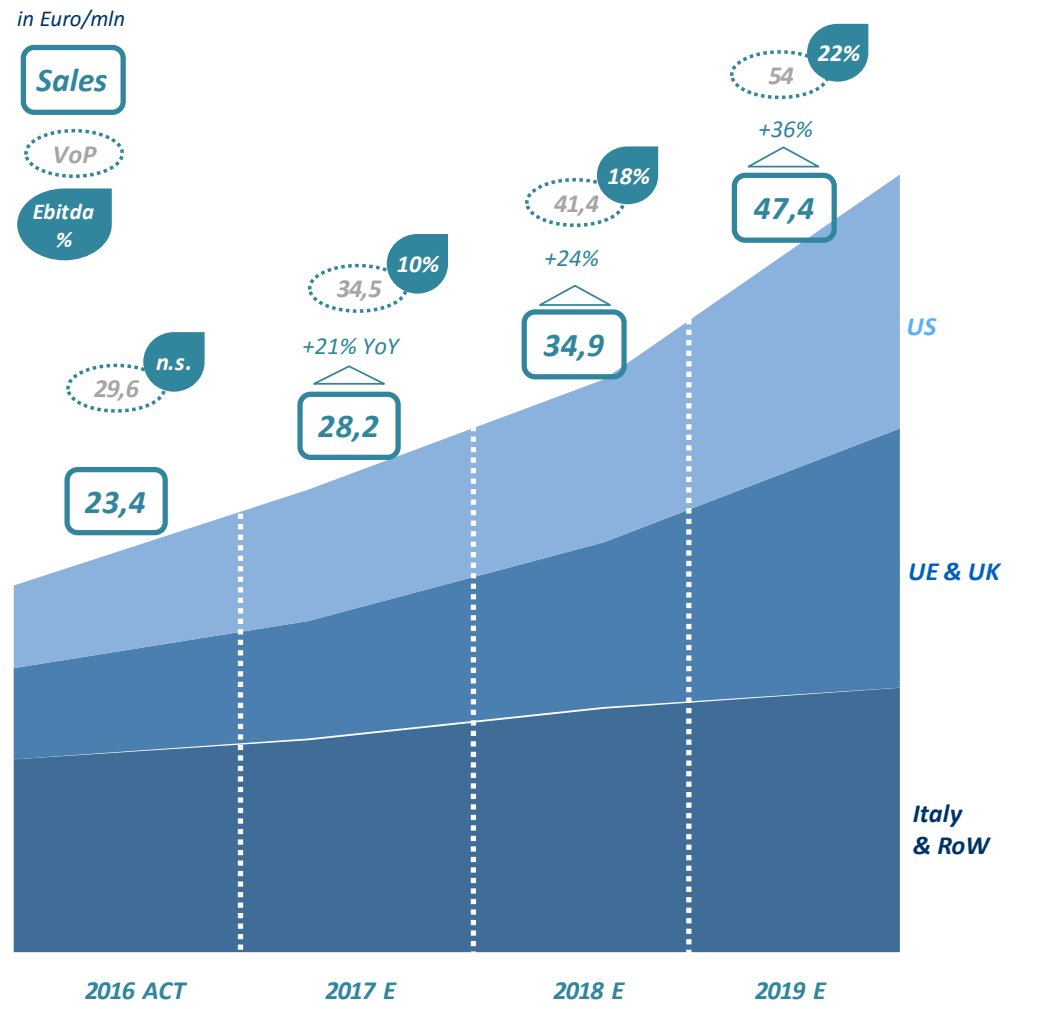
DEVELOPMENT OF **SWISS MARKET**

UE & UK

STRATEGY FOR TARGETING **LARGE CORPORATIONS**

INCREASED FOCUS ON KEY **GOVERNMENT SALES**

INCREASING WEIGHT OF **LICENSING**

FOCUS ON **INSURANCE AND FINANCE MARKETS**

SELECTED **MANUFACTURING CUSTOMERS** ON GERMAN MARKET

US

STRATEGY FOR TARGETING **LARGE CORPORATIONS**

INCREASED FOCUS ON KEY **GOVERNMENT SALES**

INCREASING WEIGHT OF **LICENSING**

NEW KEY CUSTOMERS IN **LIFE SCIENCE** MARKET

FOCUS ON **INSURANCE AND FINANCE** MARKETS

Group Sales Forecast

in Euro/mln

Sales

VoP

Ebitda %

n.s. 29,6

23,4

10% 34,5

+21% YoY

28,2

18% 41,4

+24%

34,9

22% 54

+36%

47,4

US

UE & UK

Italy & RoW

2016 ACT   **2017 E**   **2018 E**   **2019 E**

NOTE: _Country sales net of intercompany transactions_

Global development in a growing market

Figures in €/mln

	2017	2018	2019			
Sales	28,2	34,9	47,4	CAGR ~29% vs FY16	INCREASING INTERNATIONAL SALES (APPROX. 70% IN 2019)	INCREASING SALES OF LICENSING (APPROX. 53% OF 2019 TOTAL SALES)
Value of Production	34,5	41,4	54,0	STEADY INCOME FROM GRANT (APPROX. € 2 MLN PER YEAR) DUE TO ACKNOWLEDGMENT FOR STRATEGIC R&D ACTIVITIES	CAPITALIZED COST ALMOST € 5 MLN PER YEAR	
Ebitda	3,6	7,3	11,6	MARGINS TURNAROUND IN THE PLAN THAT BECOME POSITIVE ALSO THANKS TO CHANGES IN THE SALES MIX	OPERATING EFFICIENCY ALREADY FROM 2017 THANKS TO COST OPTIMIZATION STARTED IN FY16	SIGNIFICANT ECONOMIES OF SCALE WITH SALES GROWTH
Net Results	(3,4)	0,1	2,7	BREAKEVEN IN 2018 (REQUIREMENT FOR LISTING ON MTA STAR)	NET INCOME IN 2019, DESPITE CONSIDERABLE AMORTIZATION (APPROX. € 6.5 MLN)	
Capex	4,7	4,9	5,0	STEADY HIGH LEVEL OF CAPEX TO COMPETE GLOBALLY IN A HIGHLY CHALLENGING MARKET	DEVELOPMENT OF VERTICAL PRODUCT AND IMPROVEMENT OF COGITO TECHNOLOGY	
NFP	9,8	9,7	5,5	STEADY NET DEBT IN 2017-2018 THANKS TO MARGIN IMPROVEMENT AND LOW DSO OF INTERNATIONAL CUSTOMER	NET DEBT IMPROVEMENT IN 2019 THANKS TO INCREASING OPERATING CASH FLOW	

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UPDATE ON CORPORATE ACTION & STRATEGIC GUIDELINES

Unique positioning in the fast growing AI market

EXPERT SYSTEM — SEMANTIC INTELLIGENCE

Global public company
Offices in Europe and North America

Patented technology in USA, **Award-winning**

Winner in EU and US software selections for key customers thanks to the best-in-class platform

Biggest European Pure Vendor of cognitive computing & text analytics software and solutions

Fast-growing international expansion
with both internal and external growth

Strong client portfolio & partnerships, growing indirect sales channels with vendors and system integrators

COGITO®

> 90% precision
Term disambiguation

20 Gigabytes/Day
Over 8 core

400 Years
of human technology development

Linear Scalability
Virtually unlimited information processing

Easy Integration
Set of APIs to support development of semantic apps

GRAZIE

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