



EXPERT SYSTEM GROUP HALF-YEARLY REPORT AS AT 30/06/2016



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CORPORATE BODIES

Board of Directors

<i>Chairman of the Board of Directors</i>	MARCO VARONE
<i>Chief Executive Officer</i>	STEFANO SPAGGIARI
<i>Director</i>	PAOLO LOMBARDI
<i>Director</i>	ANDREA MELEGARI
<i>Director</i>	LUCA SCAGLIARINI
<i>Director</i>	MARCELLO PELLACANI
<i>Independent director</i>	ALBERTO SANGIOVANNI VINCENTELLI

Board of Statutory Auditors

<i>Chairman of the Board of Statutory Auditors</i>	ALESSANDRO AUGUSTO
<i>Standing auditor</i>	ANDREA CUOGHI
<i>Standing auditor</i>	ANTONIO TAZZIOLI

EXPERT SYSTEM GROUP

Expert System is an Italian company, listed on the AIM of Borsa Italiana (EXSY), with registered offices in Europe and North America, which develops software which understands the meaning of text similar to the way people do.

Thanks to the solutions proposed by Expert System, government organisations and companies from all sectors can find, analyse and use information more effectively to obtain strategic data from it and take the best decisions, automate information processes and reduce operating risks.

By understanding the meaning of every word based on context with its software, and applying this capacity on a large scale to the automatic analysis of millions of documents, Expert System transforms information into usable knowledge, making it a useful tool for successfully carrying out any business activity.

Unlike traditional technologies, which treat text as a sequence of characters (keywords) or through statistics-based approaches, and don't understand the meaning of words, our Cogito software is different: it is based on artificial intelligence algorithms which simulate the human ability to read and understand language profoundly. Patented, award-winning and multi-lingual, Cogito is a cognitive computing software that applies semantic and natural language search, tagging and automatic classification.

Cogito's value is now appreciated in various business sectors, i.e.:

Defence and public safety

- effectively supports law enforcement for crime prevention and control;
- offers new insight for investigations into criminal and trafficking networks;
- proactively supports analysts in intelligence activities.

Banks and insurance

- optimises customer service using natural language self-help solutions and automatic e-mail management;
- automates operating processes such as loan approvals, claim management or policy underwriting;
- analyses the content of customer communications using automatic categorisation to

- identify needs, trends and problems in real time etc;
- supports the application of AML laws and legal compliance procedures.

Media and Publishing

- increases productivity in editorial content creation and management with automated tagging and content linking and enrichment;
- simplifies the retrieval of information and access to archives using tagging and faceted navigation;
- increases revenue and creates value by simplifying the introduction of innovative digital products and services;
- supports investigative journalism with intuitive analysis of content and information streams.

Energy

- improves the management of information and knowledge in the oil and gas exploration and production phases, through effective integration of structured and unstructured data;
- makes trader activities more effective, facilitating real-time access to strategic information to support investment plans;
- reduces operational risks by managing information to protect production assets, the brand and employees on business travel, verify the financial viability of counterparties and prevent accidents and interruptions in production.

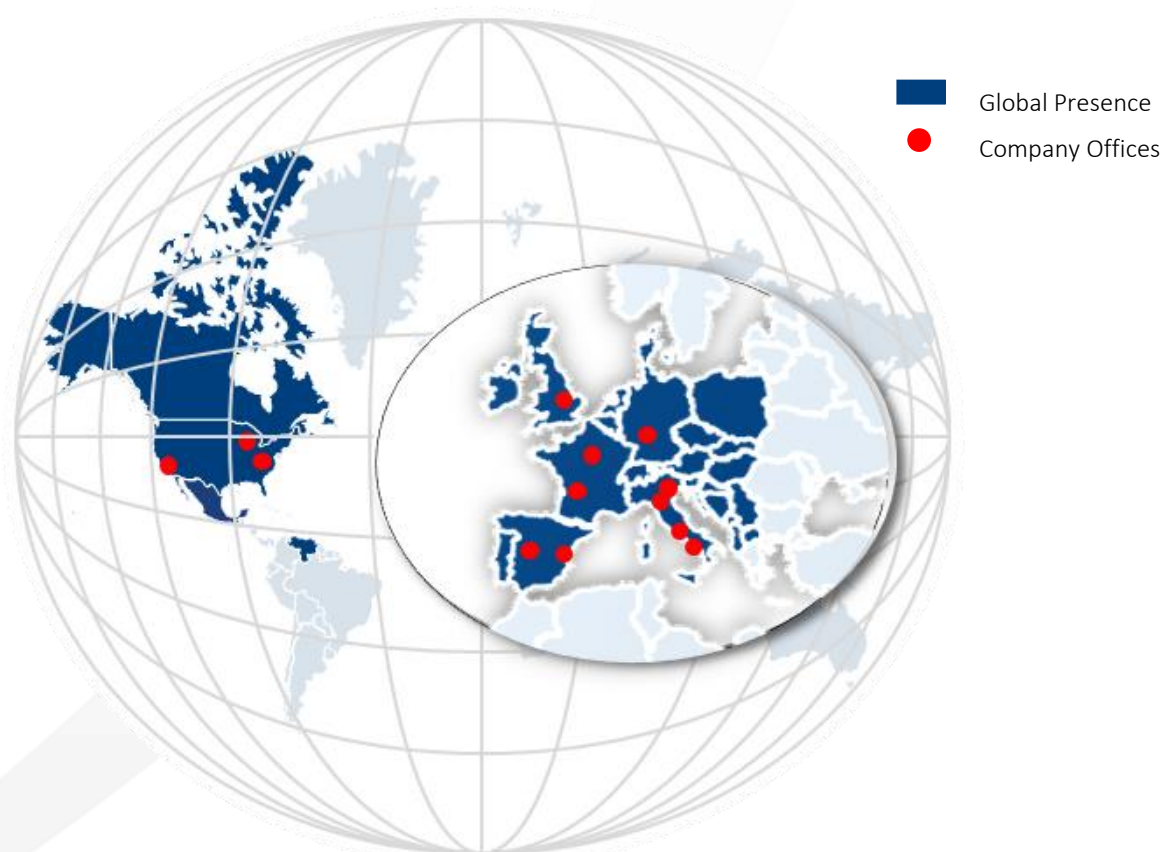
Healthcare and pharmaceutical industry

- provides top-level research strategy support, through effective analysis and access to information published in scientific and scholarly journals, identifying the main industry trends and analysing patient opinions;
- simplifies access to scientific knowledge through in-depth semantic analysis;
- makes it possible to always keep informed about competitor product development, identify the leading industry experts and analyse their reports and publications.

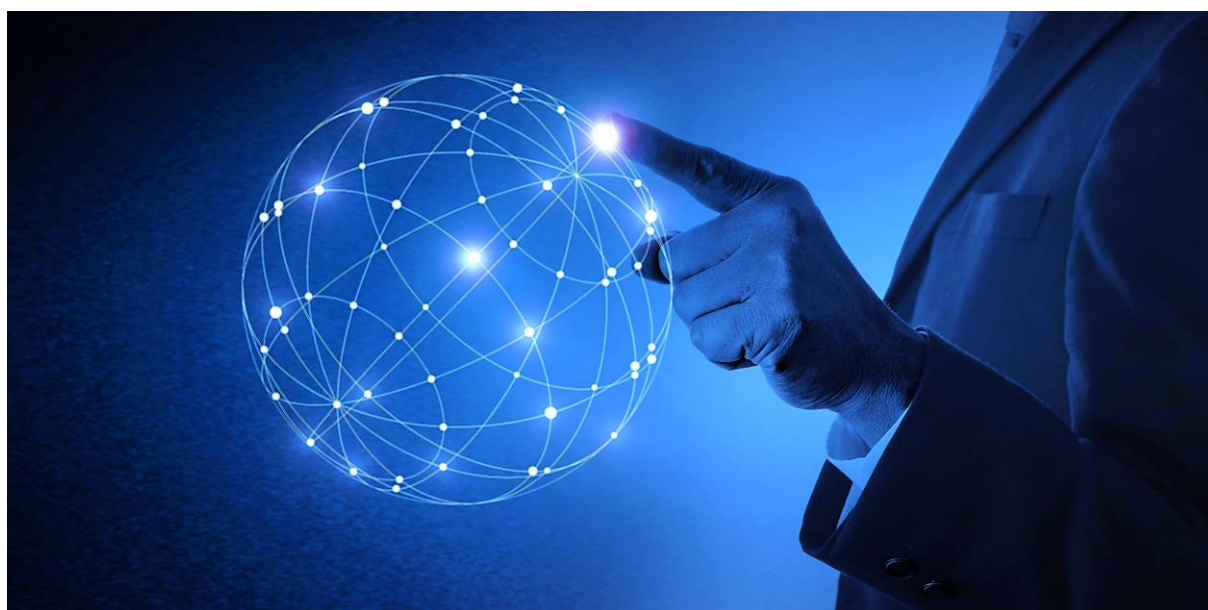
Our growth in the last two years has seen the following main events:

- the IPO on Borsa Italiana;
- the acquisition of two divisions operating in the semantic technology sector of the Spanish company ISOCO;
- the incorporation of CY4Gate S.r.l., in which our company holds a 30% stake, created from a joint venture with Italian company Elettronica S.p.A., a company operating in international cyber defence;
- the acquisition of Temis, a leading French company in text analytics solutions;
- the creation of an organisational structure in the United States targeted at meeting the growing requirements of private and public sector customers.

Thanks to the above, the Expert System Group now boasts a global presence and infrastructure, with fourteen offices located in Italy, Spain, France, Germany, United Kingdom, USA and Mexico.



INTERIM MANAGEMENT REPORT



Dear Shareholders,

in the half ended as at 30/06/2016, the Expert System Group continued on the path to achieving its strategic objectives: from the research and development activities necessary for enhancing Cogito's cognitive capacity, to the implementation of new functionalities, languages and products for vertical sectors aimed at expanding the offering. In fact, the market context in which Expert System now operates attaches even greater importance to Big Data and their study, which must be supported with constant technological improvement, by providing users with tools that, based on the correct analysis and interpretation of said data, are able to produce useful business information.

The growing volumes of information it is now possible to collect helps, in turn, to expand the limits and confines of the sector in the most diverse fields, in which Analytics represents a source of competitive advantage and an instrument for the evolution of the company's model. Several authoritative studies (Forrester™ "*Big Data Text Analytics Platforms, Q2 2016: The 10 Providers That Matter Most And How They Stack Up*", as well as the "*Big Data Analytics & Business Intelligence Observatory*" of the Milan Polytechnic) prove that Big Data have, over time, become an increasingly more important element and with broad margins for growth, if we consider, for example, that they are used today by less than 20% of Italian companies, and that they registering double-digit rates of growth. The market map sees a significant presence

of users in the banking sector, followed by industry, telco&media, PA and healthcare, retail/large-scale retail trade, utilities and insurance, while with reference to the individual company functions, the greatest demand has been registered in the marketing/sales and administration, finance and control areas.

For the market in which Expert System operates, this trend of growing investments translated, in 2016 too, to greater demand for highly specialised professional software and services, and also to increased competition in the sector.

In this scenario, Expert System made every effort to consolidate the unique characteristics of its group, strengthened by the major acquisitions in 2015, and the current position of European leadership in cognitive computing. At the same time, the company continued to employ a strategy targeted at increasing business in the medium-term, by reinforcing its direct presence in the US market, the object of major investments, and by developing its current coverage of the European domain even further, according to a company vision which aims to further boost its share of revenues from foreign markets.

All this helped Expert System’s inclusion in the world’s top ten (of the 200 companies taken into consideration) in the Forrester™ study "*Big Data Text Analytics Platforms Q2 2016*", also mentioned previously as one of the most authoritative in the cognitive computing sector. This is a clear recognition of the value attributed to the many investments made in the technological area and the intense process of internationalisation in progress.

The Expert Group now directly or indirectly includes the following business entities:

COMPANY	Equity investment	Indirect investment through	Control	Activity carried out
Expert System USA Inc.	100.00%	N.A.	Yes	Semantic software activities in the Information technology field
Expert System Enterprise Corp.	100.00%	Expert System France S.A.	Yes	Semantic software activities in the Information technology field
Expert System Cogito Ltd.	100.00%	N.A.	Yes	Semantic software activities in the Information technology field

Expert System Iberia S.L.U.	100.00%	N.A.	Yes	Semantic software activities in the Information technology field
Expert System France S.A.	100.00%	N.A.	Yes	Semantic software activities in the Information technology field
Expert System Canada – Semantic Technologies Inc.	100.00%	Expert System France S.A.	Yes	Semantic software activities in the Information technology field
Expert System Deutschland GMBH	100.00%	Expert System France S.A.	Yes	Semantic software activities in the Information technology field
ADmantX S.p.A.	60.70%	N.A.	Yes	Software platform for contextualising on-line advertising on a semantic basis
ADmantX Inc.	60.70%	ADmantX S.p.A.	Yes	Software platform for contextualising on-line advertising on a semantic basis

The company Expert System considered it appropriate to continue excluding ADmantX S.p.A. and ADmantX Inc. from the Group's scope of consolidation. In fact, both companies provide semantic solutions for the advertising market, offering advertisers software that is able to automatically determine which ads are most suitable for advertising on a given website. Expert System has, over time, reduced its equity investment in ADmantX S.p.A. to the current 60%, no longer considering it part of its long-term strategic objectives, since the on-line advertising market has specific characteristics which call for considerable experience in the sector, in addition to the availability of dedicated resources.

Since February 2014, Expert System has been listed on the AIM Italia (Alternative Investment Market), i.e. the Borsa Italiana market dedicated to Italian small and medium enterprises with high growth potential; within this market, the most represented sectors in terms of number of companies are Green (24%), Digital (20%) and Services (17%); in terms of capitalisation, said sectors account for 30%, 18% and 11% of the market.

These sectors have, over time, won the confidence of a growing number of investors, interested in supporting company projects with healthy growth prospects; the trend in the FTSE AIM Italia index, comprised of all the companies traded on the AIM market weighted on

the basis of their capitalisation, in the first six months of 2016 seems to reward these decisions, if we consider that it outperformed (+5%) the FTSE All-Share index.

The share capital increase resolved by Expert System on 28/06/2016 was also targeted at these investors, fully subscribed on 13/09/2016 for a total of roughly € 4.7 million, and aimed at helping the Group achieve its 2016-2019 three-year strategic objectives, namely:

- strengthening of Cogito’s cognitive capacities, by exploiting the most innovative artificial intelligence approaches (semantic technology and implementation of deep learning techniques);
- the expansion of the offering, focused on the implementation of new functionalities and linguistic enrichment;
- the development of innovative technologies and increasingly more intelligent semantic applications, also through the identification of new partners and expansion of the indirect sales channel;
- as mentioned, consolidation of the company’s presence in North America and maintenance of coverage in the European cognitive computing and text analytics market.

The subscribers of the share capital increase also had the possibility of obtaining a warrant for every new share, as part of an additional share capital increase resolved by the shareholders’ meeting of 28/06/2016, for a total of approx. € 1.55 million - € 1.75 million (the value varies depending on the time at which the right to convert warrants to ordinary Expert System S.p.A. shares is exercised), in support of attainment of the strategic objectives set by company management.

The increase in share capital was fully subscribed, both by existing shareholders, and new investors who took the opportunity to invest in a leading global company in a sector experiencing significant growth like Cognitive computing and Artificial Intelligence.

The performance of the share as at 27/09/2016 is presented below:

Market	AIM Italia – MAC
Share capital	276,703.30
Capitalisation	€ 51,107,100
Minimum parcel	1,000.00
Official price	1.8470 - 27/09/2016
1 month performance	+ 2.21%

6 month performance	- 9.62%
1 year performance	- 2.59%

The graph showing share performance from the IPO (18/02/2014) to 27/09/2016 is presented below:



OPERATING CONDITIONS AND BUSINESS DEVELOPMENT

In the first half of 2016, business development with Cogito's semantic technology as a base saw important new partnerships strengthened, including:

- the creation of the Corriere della Sera digital archive which, by availing itself of the unique capacity of Expert System semantic analysis, is now able to automatically classify articles according to content and to retrieve them through a sophisticated search engine. Consequently, readers of this leading Italian newspaper now have the option of browsing a wealth of information without precedent: 2.5 million pages, 8 million articles, 22 thousand authors from 1876 to date, 140 years of history just one click away;
- the collaboration with QR – Quantic Research, an Italian subsidiary for the R&D of the Holding Nivi Group S.p.A., specialised in the design of innovative solutions dedicated, in particular, to the security sector, targeted at the creation of new commercial and technological opportunities in defence and intelligence;
- the contract signed with Inserm, the French National Institute of Health and Medical

Research, which, thanks to the application of text analytics developed by Expert System for the healthcare and pharmaceuticals industry, will be able to more rapidly analyse scientific documents to precisely and efficiently identify the best talent in the pharmacological environment, selecting the profiles best qualified for the drug assessment and review committees (formed of three to five experts);

- a partnership based on integration of the Cogito technology into the offering of Onix, the US company specialising in IT solutions for the corporate and government sectors, a highly qualified company in developing solutions for the search and analysis of information;
- the collaboration launched with MarkLogic, a leader in the offering of flexible and highly scalable databases, able to organise huge volumes of any type of data in extremely quick times. This agreement, which sees the integration of Cogito in MarkLogic's platform to enhance data analysis using cognitive computing, supports Expert System's international growth strategy, strengthening the company's presence in the world of the most advanced technologies for data archiving and processing;
- the participation in the Discovery 24 project, presented by Fondazione Golinelli in Bologna jointly with Nòva, the innovation and technology weekly of Il Sole 24 Ore. This project, selected to co-finance Google's Digital News Initiative Innovation Fund (digitalnewsinitiative.com), will develop a system to search and find operating data on the most recent new results in global scientific research for businesses. The semantics tools and artificial intelligence fine-tuned by Expert System will be constantly enhanced by human input, from researchers and journalists, intending to provide output (i.e. Discovery24) which will be a high technology content journalism system with services dedicated to businesses, well-established or start-ups, and for the business training sector;
- the agreement signed with Prometeia, a leading company in semantic analysis software for the strategic management of big data, equipped with an extensive Wealth Management platform with a system capable of reading and interpreting the requirements and needs of the customers of banks, networks of consultants and insurance companies. Cogito's artificial intelligence algorithms, able to analyse all information provided by the customer, will allow Prometeia's partner companies to improve the process of profiling, no longer static but digital and adaptive, of investors,

and the subsequent consulting services performed for them;

- the partnership with Computer Science Park (CSP), a major reference for companies operating in the Information and Communication Technology (ICT) sector, established in June 2014 as part of the IT Department of the University of Verona. From a strategic point of view, for Expert System this initiative represents a remarkable opportunity not only in terms of contact with the academic world, regional institutions and the possibility of accessing loans to support innovation, but also in terms of the closeness of the higher education sector, which is also expected to be boosted by the opening of an office - within CSP - that houses staff and collaborators of the company working on these innovative activities.

In the wake of these events, the activities carried out by Expert System earned significant recognition, first and foremost from the independent research company Forrester, already mentioned previously, globally recognised as one of the most authoritative in the business and technology environment, which rewarded Cogito's unique potential, including the company in its latest report dedicated to the top ten big data text analytics companies. This significant achievement is all the more impressive if we consider not only Forrester's standing, which is globally recognised, but the fact the sample involved in the evaluation included as many as two hundred companies. The selective evaluation criteria included three macro-categories: quality of the offering, strategy and market presence. In particular, Expert System set itself apart for its product scalability, use of intuitive interfaces and semantic functions as the core elements of products to offer full management of all activities associated with text analysis: data enhancement, tagging, automatic document classification and big data extraction.

In 2016, Expert System was again included in the "100 most important companies in knowledge management". The list, compiled by the prestigious US magazine KMWorld, the go-to source worldwide for the best technologies and most innovative experiences in the knowledge management sector, rewards companies that distinguished themselves for their creative approach to customer needs and for the advanced functions of the knowledge management products offered.

Expert System also won the LT-Innovate Award (for Linguistic Technologies) that recognises technological innovation excellence, business potential and experience in the development of linguistic analysis-based solutions.

Lastly, in the half ended as at 30/06/2016, Expert System continued the development and market launch of new and advanced software based on Cogito technology; these include the new release of Cogito Studio, the product for developing semantic applications for the analysis, classification and extraction of information (text analytics). By using artificial intelligence algorithms, based on the capacity to simulate the human ability to read and understand language, combined with deep learning techniques (machine learning), Cogito Studio allows companies to optimise the creation of increasingly more advanced, intelligent and easy-to-use applications. In fact, the main feature of the new Cogito Studio is the possibility of optimising the launch of new projects through the machine learning of new knowledge.

The first half of 2016 also saw the release of Analyst WorkSpace, a software platform dedicated to analysts and the agglomerations of data with which they must interact, characterised by growing volumes, speed and variety.

OPERATING PERFORMANCE

General financial performance

In Italy, domestic economic activity, sustained by household spending and, to a lesser degree, investments, accelerated slightly from the start of 2016, only to then slow in the second quarter of the year. This increase in consumption, which concerned all the main components of the economy, including construction spending, helped to boost GDP slightly, which had been slowed by foreign trade, which saw an even more marked drop in exports with respect to that of imports. Undoubtedly, the positive business confidence indexes may decline in light of the outcome of the British referendum on Brexit, and in view of the presence of more extensive and complex geopolitical risks which continue to put the brakes on production activities.

In the Euro area, the macroeconomic indicators still see slightly positive consumer inflation, albeit close to zero, and GDP growth in the first half of less than 1% (+0.8%). The trend in the economic recovery continued, due, in particular, to the expansionary monetary policy approach, the no longer restrictive current fiscal policy and the continually low energy prices. It is possible that the Brexit decision may slightly slow the Eurozone's economic growth in

terms of foreign trade (fall in demand for exports to the UK), but definitely less than was thought in the period closest to the vote. It will be of fundamental importance for the Eurozone to attain that financial stability put at risk by the uncertainty of some banks and the object of substantial initiatives from the ECB.

Similar consideration applies for the global economic situation, which continued to recover slowly in the first half of 2016 too, despite the factor of uncertainty linked to the UK's Yes vote on Brexit. The financial markets, following initially heightened insecurity and volatility, stabilised and no dips were recorded on the share and currency markets.

With reference to the major global economies, in the first half US GDP remained below expectations, which explains why the growth forecasts were repeatedly revised downwards. However, the progress of the US economy is not being seriously questioned, supported by a solid job market, able to sustain private consumption, and the disappearance of some temporary factors that had previously slowed growth, such as the negative effects of changes in stocks and weaker investments in the energy sector.

This analysis highlights a situation of relative uncertainty on the European markets and greater solidity on the US markets which, however, is influenced by the expectations relating to the presidential elections which are partly shaping investments.

Operating performance of the Expert System Group

Dear Shareholders,

the consolidated half-yearly financial report as at 30 June 2016, which includes the consolidated data of the Group, as well as those of the parent company Expert System S.p.A. shows the following (figures in Euro):

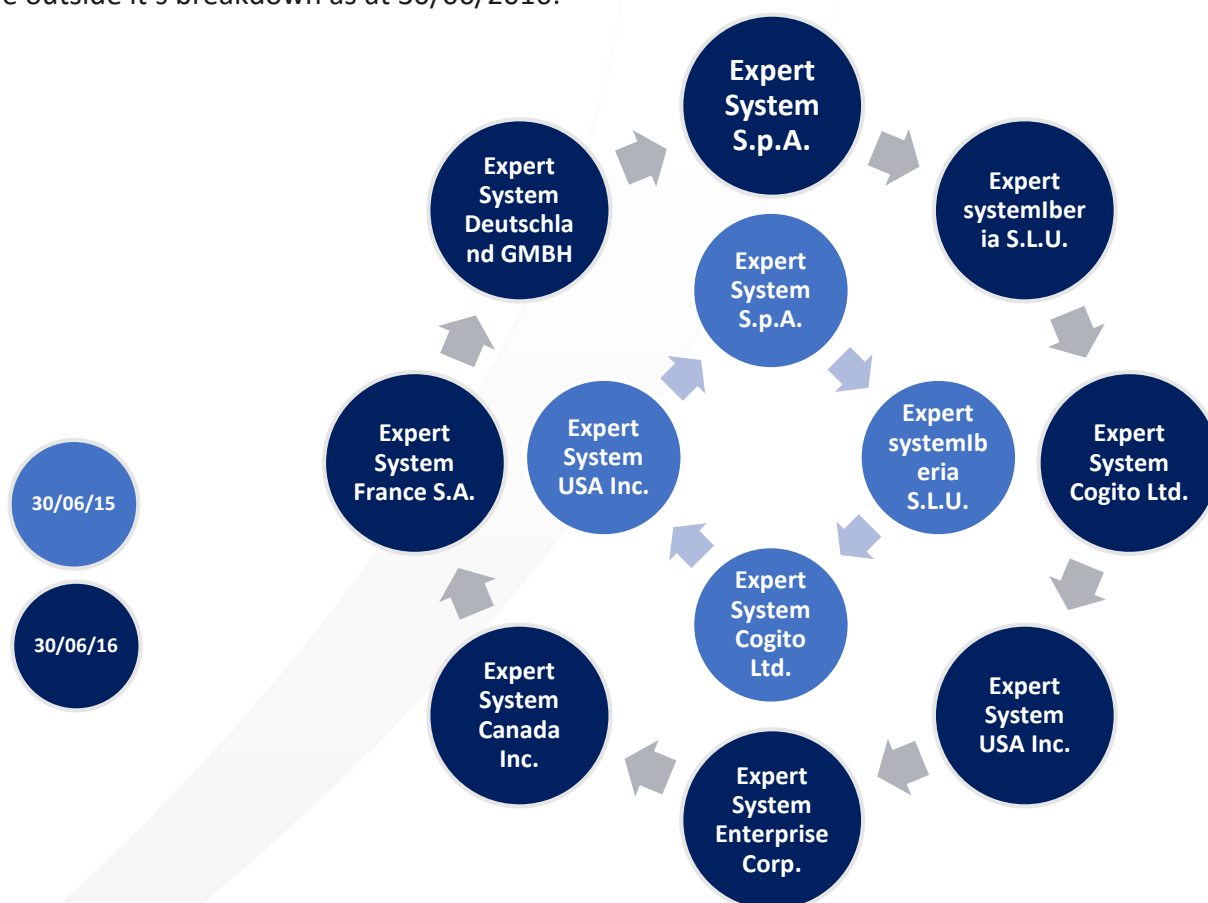
Expert System Group			Main income statement figures	Expert System S.p.A.		
H1 2015	H1 2016	Change		H1 2015	H1 2016	Change
5,502,931	8,570,966	56%	Revenues	3,865,617	5,380,330	39%
7,288,986	13,154,712	80%	Value of production	5,510,611	7,697,000	40%
(1,479,366)	(1,952,610)	(32%)	Gross operating profit (EBITDA)	(1,008,249)	143,053	114%

(2,518,481)	(4,898,189)	(94%)	Operating result (EBIT)	(1,969,960)	(1,026,957)	48%
(2,069,197)	(5,049,318)	(144%)	Net profit (loss)	(1,496,548)	(1,104,612)	26%

In comparing the performance of the first half of 2016 with that of the same period in 2015, account must be taken of the fact they refer to two different scopes of consolidation; in fact, from 30/06/2015 to 30/06/2016, the Group headed up by Expert System S.p.A. changed form due to the corporate acquisitions, summarised below:

The Expert System Group

The graph on the inside shows the breakdown of the Group as at 30/06/2015, the graph on the outside it's breakdown as at 30/06/2016:



The increases in revenues and the value of production were positively impacted by the contribution from the companies at one time part of Temis, which allowed the Group to achieve greater penetration of foreign markets, including therein the US market, the object of

major company investments. In the first half of 2016, these acquired companies made contributions of € 2.8 million and € 5 million respectively to the Group revenues and value of production.

On the whole, the investments made by the Group in the R&D area recorded an increase of 80% compared to the same period in 2015, 67% of which (€ 1.1 million) attributable to the change in the scope of consolidation.

At the same time, the expansion of the Group involved a more complex organisational structure, which translated to an increase in the incidence of structure costs, first and foremost personnel, as such to temporarily erode the company EBITDA and EBIT margins. If, however, on the one hand, the use of a highly specialised and costly sales force constitutes, for Expert System, a strategic asset with a view to constant evolution and development of highly sophisticated products, such as software equipped with semantic technology, on the other, it is reasonable to believe that the gradual integration of the structure of the former Temis Group into Expert System (only acquired in September 2015) will translate to considerable improvements in terms of efficiency and internal organisation, benefitting company margins.

With reference to the effective consolidated financial statements figures, the following tables provide a reclassification of the added value income statement, a reclassification of the balance sheet and the most significant balance sheet ratios.

Main income statement figures

The reclassified income statement of the Expert System Group is shown below (in Euro):

Reclassified income statement	30/06/2016	30/06/2015	Change
Sales revenues	8,570,966	5,502,931	3,068,035
Change in inventories	392,791	(660,705)	1,053,496
Own work capitalised	2,942,807	1,633,711	1,309,096
Sundry income	1,248,147	813,049	435,098
Value of operating production	13,154,712	7,288,986	5,865,726
Cost of operating materials and overheads	(6,008,496)	(4,305,284)	(1,703,212)
Value added	7,146,216	2,983,702	4,162,514
Personnel costs	(9,098,826)	(4,463,068)	(4,635,758)
EBITDA	(1,952,610)	(1,479,366)	(473,244)
Amortisation, depreciation and provisions	(2,945,579)	(1,039,115)	(1,906,464)
EBIT	(4,898,189)	(2,518,481)	(2,379,708)
Financial area result	(540,646)	91,398	(632,044)
Ordinary profit	(5,438,835)	(2,427,083)	(3,011,752)
Extraordinary area result	53,928	(92,048)	145,976
Pre-tax result	(5,384,907)	(2,519,131)	(2,865,776)
Income taxes	335,589	449,934	(114,345)
Net profit (loss)	(5,049,318)	(2,069,197)	(2,980,121)

In addition to the above considerations, the table with the income statement figures allows us to appreciate the positive contribution from the former Temis Group (roughly € 0.55 million as at 30/06/2016) to the value of production, also as regards the access to loans granted by European Funds, in the form of operating grants, including therein those intended to support specific research projects.

The overall portion of Group revenues from foreign sales grew further on a percentage basis, now totalling € 4 million, equal to 47% of total revenues. EBITDA was a negative € 1.9 million, impacted, as mentioned, by the greater incidence of operating costs, first and foremost personnel costs, due to an increase in the Group's workforce, up from 165 employees as at 30/06/2015 to around 240 at present.

EBIT was a negative € 4.9 million, impacted by the increase in the amortisation of intangible fixed assets, relating mainly to the capitalisation of research and development costs, and the presence of a consolidation difference, largely connected with the goodwill of the companies recently acquired exceeding € 11 million, booked to the financial statements in the second

half of 2015 and amortised over 5 years. In light of this, and considering the impact on the result of financial management as a result of the loans taken out in the last 12 months, a net loss of € 5 million was recorded.

In terms of providing a better description of the company's profits, the table below outlines certain profitability ratios.

	30/06/2016	31/12/2015
Net ROE	(0.24)	(0.14)
Gross ROE	(0.26)	(0.15)
ROI	(0.09)	(0.06)
ROS	(0.57)	(0.25)

Main balance sheet figures

The Group's reclassified balance sheet, compared with that as at 31/12/2015, is shown below (in Euro):

Reclassified balance sheet	30/06/2016	31/12/2015	Change
Net intangible fixed assets	18,791,853	18,539,026	252,826
Net tangible fixed assets	974,080	915,731	58,349
Equity investments and other non-current financial assets	5,725,257	6,246,290	(521,032)
Fixed assets	25,491,191	25,701,047	(209,856)
Short-term financial assets	4,153,074	4,153,074	0
Inventories	2,191,264	1,796,857	394,407
Receivables due from customers	7,352,710	10,227,852	(2,875,143)
Other receivables	7,666,437	7,368,503	297,934
Accrued income and prepaid expenses	1,202,565	1,038,403	164,163
Short-term operating assets	22,566,050	24,584,689	(2,018,639)
Trade payables	(2,354,303)	(2,854,713)	500,411
Payments on account	(3,642,827)	(2,909,546)	(733,281)
Tax and social security payables	(1,799,870)	(2,361,233)	561,363
Other payables	(1,563,058)	(1,381,590)	(181,467)
Accrued expenses and deferred income	(4,971,167)	(3,122,302)	(1,848,864)
Short-term operating liabilities	(14,331,224)	(12,629,385)	(1,701,838)
Net working capital	8,234,826	11,955,304	(3,720,478)

Employee severance indemnity	(1,519,307)	(1,390,984)	(128,323)
Tax and social security payables	(21,580)	0	(21,580)
Accrued expenses and deferred income after 12 months	(999,937)	(2,452,032)	1,452,094
Other medium and long-term liabilities	(1,348,113)	(2,583,943)	1,235,829
Medium-term liabilities	(3,888,937)	(6,426,959)	2,538,022
INVESTED CAPITAL	29,837,079	31,229,392	(1,392,313)
Shareholders' equity	(15,898,690)	(20,718,225)	4,819,535
Net medium/long-term financial position	(16,879,513)	(18,239,873)	1,360,359
Net short-term financial position	2,941,124	7,728,706	(4,787,583)
OWN EQUITY AND NET FINANCIAL DEBT	(29,837,079)	(31,229,392)	1,392,313

The short-term financial position reduced, mainly reflecting a decrease in cash and cash equivalents, employed to finance the investments in R&D and commercial development. Debt to the banking system fell on the whole, stabilising at levels slightly below those reached in 2015, which represented an important time for the Group as regards collecting the necessary resources for implementing acquisition-based growth operations and strengthening the company business. The company generally believes that its strategy, geared towards future growth in terms of volumes and margins, may generate the necessary returns on investments for sustaining the current debt policy.

Fixed assets did not undergo any significant changes, given that the increase in fixed assets, mainly relating to research and development activities, were largely offset by higher amortisation of costs capitalised in previous years (€ 0.8 million) and those recognised on the consolidation difference (€ 1.1 million), generated by the elimination of equity investments in subsidiaries against that of the corresponding shareholders' equities.

Net operating capital, which measures the company's ability to meet its short-term obligations using the cash flows generated by its ordinary operations, remained comfortably in positive territory; the difference between current assets and liabilities linked to ordinary company business therefore represents, for the Group, an effective funding "driving force" for supporting the operating cycle.

The table below also shows certain financial statement ratios relating to both (i) the methods of financing medium/long-term investments and (ii) the breakdown of sources of financing.

Fixed asset funding indicators	30/06/2016	31/12/2015
---------------------------------------	-------------------	-------------------

Fixed asset /equity margin	(9,592,500)	(4,982,822)
Fixed asset /equity ratio	0.62	0.81
Fixed assets / liabilities and equity margin	10,154,433	17,231,977
Fixed assets / liabilities and equity ratio	1.40	1.67

Fixed assets/equity ratio of loans	30/06/2016	31/12/2015
Liabilities due within 12 months (A)	14,655,858	14,942,145
Liabilities due after 12 months (B)	19,728,841	22,214,276
Own equity (C)	15,898,690	20,718,225
Total debt ratio (A+B)/C	2.16	1.79

The capital assets and related fixed assets to equity ratio express how the company manages to finance its fixed assets.

The fixed asset/equity margin and its associated ratio, which correlate the value of shareholders' equity with fixed assets (as quantified in the table above), provide us with information on the company's capacity (or not) to finance all fixed assets with its own equity.

	30/06/2016	31/12/2015
Shareholders' equity	15,898,690	20,718,225
Net intangible fixed assets	18,791,853	18,539,025
Net tangible fixed assets	974,080	915,731
Equity investments and other non-current financial assets	5,725,257	6,246,289
Fixed assets	25,491,191	25,701,045
Fixed asset /equity margin	(9,592,500)	(4,982,820)
Fixed asset /equity ratio	0.62	0.81

The negative result of the fixed assets/equity margin with the correlated ratio at less than one indicates that in order to meet its long-term financial commitments the company must, for the moment, seek third party financing (financial indebtedness).

The fixed assets/liabilities and equity margin and its related ratio instead also use medium/long-term liabilities as reference.

	30/06/2016	31/12/2015
Shareholders' equity	15,898,690	20,718,225
Net medium/long-term financial position	16,879,513	18,239,873
Other medium and long-term liabilities	1,347,589	2,583,420
Employee severance indemnity	1,519,307	1,390,984
Fixed assets	(25,491,191)	(25,701,045)
Fixed assets / liabilities and equity margin	10,153,909	17,231,456
Fixed assets / liabilities and equity ratio	1.40	1.67

This figure makes it possible to examine the method of financing of fixed assets; in this case, its positive value expresses a satisfactory correlation of medium-term sources with investments in the same period.

Net financial position

The net financial position as at 30/06/2016 is as follows (in Euro):

Consolidated net financial position	30/06/2016	31/12/2015
Bank deposits	6,387,460	11,247,267
Cash at bank and in hand	2,361	2,060
Treasury shares	560,395	560,395
Cash and cash equivalents and treasury shares	6,950,216	11,809,722
Current financial assets	1,355,294	1,354,044
Bonds and convertible bonds (within 12 months)		
Payables due to shareholders for loans (within 12 months)		
Payables due to banks (within 12 months)	(4,860,989)	(4,847,800)
Payables due to other lenders (within 12 months)	(503,397)	(587,262)
Advances for overseas payments		
Short-term portion of loans		
Financial receivables		
Short-term financial payables	(5,364,386)	(5,435,062)
Net short-term financial position	2,941,124	7,728,703
Bonds and convertible bonds (after 12 months)	(5,000,000)	(5,000,000)
Payables due to shareholders for loans (after 12 months)		
Payables due to banks (after 12 months)	(10,326,897)	(11,485,190)
Payables due to other lenders (after 12 months)	(1,552,616)	(1,754,683)
Advances for overseas payments		
Long-term portion of loans		
Financial receivables		
Net medium/long-term financial position	(16,879,513)	(18,239,873)

NET FINANCIAL POSITION	(13,938,390)	(10,511,169)
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As at 30/06/2016, the Group's net financial position was a negative € 13.9 million (negative € 10.5 million as at 31/12/2015); although, on the one hand, total debt to banks and other lenders fell by € 1.4 million, the Group used part of the cash collected, as much for covering current spending as its own investments in research and development activities, targeted at expanding the business in terms of products and markets.

Economic and equity situation of the parent company

The economic and equity data as at 30 June 2016 of the parent company Expert System S.p.A. are shown in the following tables:

Reclassified income statement of Expert System S.p.A.

Expert System S.p.A. Income Statement	30/06/2016	30/06/2015	Change	Change %
Sales revenues	5,380,330	3,865,617	1,514,713	39%
Change in inventories	88,719	(731,695)	820,414	112%
Own work capitalised	1,643,177	1,633,711	9,465	1%
Sundry income	584,773	742,978	(158,205)	(21%)
Value of operating production	7,697,000	5,510,611	2,186,388	40%
Cost of operating materials and overheads	(3,670,665)	(3,376,227)	(294,439)	(9%)
Value added	4,026,334	2,134,385	1,891,949	89%
Personnel costs	(3,883,281)	(3,142,634)	(740,647)	(24%)
EBITDA	143,053	(1,008,249)	1,151,302	114%
Amortisation, depreciation and provisions	(1,170,010)	(961,711)	(208,299)	(22%)
EBIT	(1,026,957)	(1,969,960)	943,003	48%
Financial area result	(415,816)	114,692	(530,508)	(463%)
Ordinary profit	(1,442,773)	(1,855,269)	412,496	22%
Extraordinary area result	545	(91,345)	91,890	101%
Pre-tax result	(1,442,228)	(1,946,614)	504,386	26%
Income taxes	337,616	450,066	(112,450)	(25%)
Net profit (loss)	(1,104,612)	(1,496,548)	391,936	26%

Sales and service revenues, which refer to licences, maintenance fees and professional services, recorded an increase of 40% over the same period in 2015. The decrease in the item "other revenues and income" is mainly due to the lower contribution from Government grants for supporting company investments, down from € 0.6 million to € 0.5 million.

The increase in the value of production is behind the significant growth in EBITDA, which moved to positive territory (+114% compared to the figure recorded as at 30/06/2015).

The result of financial management, negative for around € 0.4 million (a positive € 0.1 million as at 30/06/2015), highlights the financing policy employed by Expert System S.p.A., which enjoys the application of particularly favourable interest rates and in line with the current macro-economic situation, to the benefit not only of its own business, but also that of its subsidiaries. More specifically, interest expenses on mortgages totalled € 0.2 million (€ 0.1 million as at 30/06/2015) and interest relating to the bond issued in 2015 of € 0.1 million. Lastly, the change in the item is impacted by the recognition of exchange gains and losses, relating primarily to trade receivables and loans in currency to subsidiaries, a negative € 0.2 million (a positive € 0.2 million as at 30/06/2015).

On the whole, the result for the period, even if a negative € 1.1 million, recorded a considerable improvement over the figure as at 30/06/2015.

Reclassified balance sheet of Expert System S.p.A.

Expert System S.p.A. balance sheet	30/06/2016	31/12/2015	Change
Net intangible fixed assets	6,280,767	5,720,373	560,395
Net tangible fixed assets	711,211	697,817	13,394
Equity investments and other non-current financial assets	24,281,862	22,440,371	1,841,491
Fixed assets	31,273,841	28,858,561	2,415,280
Short-term financial assets	4,153,074	4,153,074	0
Inventories	1,803,258	1,714,539	88,719
Receivables due from customers	5,116,828	6,493,691	(1,376,863)
Other receivables	8,745,985	7,105,028	1,640,957
Accrued income and prepaid expenses	902,916	796,548	106,367
Short-term operating assets	20,722,061	20,262,881	459,180
Trade payables	(1,118,769)	(1,579,333)	460,564
Payments on account	(3,641,189)	(2,907,908)	(733,281)
Tax and social security payables	(711,472)	(900,746)	189,273
Other payables	(1,258,647)	(1,101,091)	(157,556)
Accrued expenses and deferred income	(3,479,864)	(976,286)	(2,503,578)
Short-term operating liabilities	(10,209,941)	(7,465,364)	(2,744,577)
Net working capital	10,512,120	12,797,517	(2,285,397)
Employee severance indemnity	(1,519,307)	(1,390,984)	(128,323)
Tax and social security payables	0	0	0
Accrued expenses and deferred income after 12 months	(399,750)	(2,452,032)	2,052,281
Other medium and long-term liabilities	(1,692,048)	(2,543,394)	851,346
Medium-term liabilities	(3,611,105)	(6,386,409)	2,775,304

INVESTED CAPITAL	38,174,856	35,269,668	2,905,187
Shareholders' equity	(24,244,053)	(25,348,665)	1,104,613
Net medium/long-term financial position	(15,435,242)	(16,795,602)	1,360,360
Net short-term financial position	1,504,440	6,874,599	(5,370,159)
OWN EQUITY AND NET FINANCIAL DEBT	(38,174,855)	(35,269,668)	(2,905,186)

Fixed assets rose from € 28.9 million as at 31/12/2015 to € 31.3 million as at 30/06/2016. The variation is mainly attributable to the change in non-current financial assets, which rose by € 1.8 million, solely for the amounts provided in the form of financing to companies in the former Temis Group.

Working capital was a positive € 10.5 million as at 30/06/2016 (a positive € 12.8 million as at 31/12/2015). The variation of € 2.2 million is mainly attributable, on the one hand, to lower trade receivables for € 1.3 million, due to better management of collections and a greater incidence of current liabilities, such as deferred income on grants for research projects. In turn, the recognition under short-term of deferred income which, as at 31/12/2015, was due after one year, impacts the liabilities expiring after 12 months, which fell by more than € 2.7 million.

Therefore, net invested capital came to € 38.2 million (€ 35.3 million as at 31/12/2015) due to the above effects.

Net financial position of Expert System S.p.A.

Net financial position of Expert System S.p.A.	30/06/2016	31/12/2015
Bank deposits	5,051,630	9,393,911
Cash at bank and in hand	2,087	1,772
Treasury shares	560,395	560,395
Cash and cash equivalents and treasury shares	5,614,112	9,956,078
Current financial assets	987,748	987,748
Payables due to banks (within 12 months)	(4,801,070)	(3,680,182)
Payables due to other lenders (within 12 months)	(296,351)	(389,045)
Short-term financial payables	(5,097,421)	(4,069,227)
Net short-term financial position	1,504,440	6,874,599
Bonds and convertible bonds (after 12 months)	(5,000,000)	(5,000,000)
Payables due to banks (after 12 months)	(10,326,897)	(11,485,190)
Payables due to other lenders (after 12 months)	(108,345)	(310,412)
Net medium/long-term financial position	(15,435,242)	(16,795,602)
NET FINANCIAL POSITION	(13,930,802)	(9,921,003)

The net financial debt of the parent company rose by € 4 million, up from € 9.9 million as at 31/12/2015 to the current € 13.9 million. The disbursements linked to both investment spending and current assets contributed to the variation, while as regards the liabilities (€ 2 million) incurred with banks and other lenders, the increases and decreases are essentially the same (€ 2 million reimbursed in relation to payables for loans against new mortgages provided of € 1 million and the use of short-term credit lines of € 0.8 million).

The environment, personnel and risks

Pursuant to art. 2428 no. 1 of the Italian Civil Code, information is provided below in relation to the environment, personnel and risks.

Personnel

During the half-year there were no workplace fatalities for registered employees and no serious accidents occurred in the workplace causing serious or very serious injury to registered employees. Furthermore, there are no recorded charges concerning occupational diseases of employees or former employees, or mobbing proceedings.

During the half-year, the parent company carried out investments in personnel safety in compliance with Legislative Decree 81/08. In fact, all personnel were given training on the safety of workers and supervisors. In addition, refresher courses were also provided to first aid personnel and members of the fire safety team.

The Environment

In the first half of the year there was no damage to the environment for which the group was ultimately declared guilty. During the year, no sanctions or penalties were imposed upon our group for environmental offences or damages.

On 30 June 2008, Expert System S.p.A. obtained ISO 9001:2008 certification, the review of which was performed on 2 July 2014, reconfirming validity until 1 July 2017.

Risks

Pursuant to art. 2428 no. 1 of the Italian Civil Code, the main risks to which the company is exposed are as follows:

Risks associated with trade receivable collection times: Expert System's business activities are characterised by customer payment timing that cannot easily be determined and can occasionally be several months, also in relation to the type of assignment and the contingent general economic situation. Any lengthening of payment times by customers can lead to Expert System needing to finance the related current capital needs. Such situations can therefore have a negative effect on the Group's income, equity and financial position. The above takes on further significance in consideration of the relevance of the trade receivables due from European public entities. These receivables can have longer and more difficult to predict collection times compared to receivables due from private customers. Although as part of its normal operations Expert System makes use of bank credit facilities and is considering the future expansion of its operating market to private international customers, it cannot be ruled out at this time that there will be no difficult to collect receivables.

Risks associated with the internationalisation: the Group has initiated an internationalisation process in the hope that an appreciable part of its revenues can be generated from sales outside its domestic market, in Europe over the US market which represents an important area to be covered on both the public and private front. In this respect the Group companies could be exposed to risks typically associated with operating at international level, including those relating to changes in local economic conditions, policies, taxes and regulations together with risks associated with the complexity of conducting business in distant geographic areas, as well as those linked to changes in foreign exchange rates versus non-EU countries. Unfavourable events occurring in such areas could have negative effects on the Group's business and growth prospects, and on the income, equity and financial position of the Company and/or the Group.

Risks associated with related party transactions: the parent company has concluded commercial and financial transactions with related parties, and as part of its operations could continue to do so. Expert's main relations with related parties refer primarily to commercial transactions such as technical and/or sales consultancy, administrative services contracts and leases. The financial contracts instead refer mainly to loans disbursed by Expert System S.p.A. to Group companies. In particular, last April Expert System adopted an intercompany financing plan which envisages the parent company's disbursement to subsidiaries of loans of an amount sufficient to provide them with the funding necessary to meet their expense and investment commitments. The intercompany financing plan offers subsidiaries a simpler way

to obtain funding on the market and therefore overall facilitates execution of the Group's business plan. All the transactions performed were at arm's length.

Risks associated with the protection of intellectual property rights: To protect corporate value, the Company has registered the Expert System and COGITO trademarks. COGITO has also been patented in the United States. Though the Company has implemented the necessary measures to protect its intellectual property rights, it cannot be excluded that in the future third parties could perform activities that violate such rights, with negative effects on the Company's and/or Group's business and growth prospects and on the income, equity and financial position of the Company and/or Group.

Interest rate risk: the interest rate risk management policy aims to limit this volatility, first and foremost through the identification of a balanced mix of fixed and floating rate loans, and also by using derivatives which limit the fluctuations in interest rates.

Information is provided below on the fair value, amounts and the nature of each category of derivative financial instruments put into place by the company, with breakdown by class, taking into account aspects such as the instruments' characteristics and their purpose.

The company has signed the following derivative contract with CARIPARMA:

- Derivative contract type: IRS no. 59746/2014, unlisted;
- Purpose: hedging;
- Transaction with no principal swap on expiry;
- Initial notional amount € 1,200,000;
- Notional amount at the reference date (30/06/2016): € 620,345;
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: negative fair value of € 10,323.87, client side;
- Liability hedged: CARIPARMA mortgage no. 04 107 008852280000, originated for € 1,200,000, signed on 23/12/2013.

Research and development activities

Pursuant to art. 2428.2.1 of the Italian Civil Code, the following information is provided:

The company is constantly conducting research and development activities to retain its global leadership position in the field of semantic technology and cognitive computing. The costs incurred for these activities were capitalised, also within the context of certain multi-year national and international research projects that have seen the company's involvement. These

activities concerned the Cogito semantics platform and related functions, in particular the Cogito platform for French, Spanish and German.

As regards the development tools used to customise the project, some new components were created for the Cogito Studio suite and integration with the components of the technology stack deriving from the acquisition of the former Temis Group was initiated.

Other sources of major research in the period included:

- logics for conceptual visualisation of the results of semantic analyses;
- development of text analytics functions integrated in the product Cogito Intelligence Platform;
- completion of the first version of Analyst WorkSpace;
- development of new functionalities for Luxid Navigator.

Significant events after the close of the half

We report to you that, also after the close of the half, the Group obtained important recognitions and results, in the wake of those registered as at 30/06/2016.

In particular, it should be noted that *L'Argus de la presse*, a leading French company in marketing and competitive intelligence, chose Cogito to optimise the media intelligence services offered to a customer base incorporating more than 10,000 companies/30,000 brands: from monitoring of on-line reputation to control of discussion locations for the analysis of the information produced by influencers and opinion leaders. Through Cogito's integration in the LuQi Media Intelligence suite, *L'Argus de la presse* improves the management of its customers' information by exploiting Cogito's ability to understand the exact meaning of text for enriching the content analysed of all useful information for identifying and extracting intelligence from big data.

Expert System also became part of the Sypcit project which, co-financed by the European Commission, DG Home Affairs, and coordinated by Adiconsum in partnership with the University of Tor Vergata – Department of Civil Engineering and IT Engineering, Expert System and Kaspersky Lab Italia, plus the Romanian Consumer Association InfoCons and the precious support of the Guardia di Finanza – Nucleo Speciale Frodi Tecnologiche, (Italian Finance Police - Special Technology Fraud Unit), aims to promote new models and tools for combating and preventing on-line identity theft.

An APP for consumers and a platform targeted at Law Enforcement Agencies are the core of the Sypcit project. The APP, called "MP-Shield", was designed to support consumers and is freely accessible to all on Android smartphones. It allows users to browse the internet with more awareness of the possible risks: in fact, thanks to the fact it comes with automatic tools for monitoring the exchange of data, both unencrypted and in the background, it makes browsing more secure.

By contrast, the Sypcit platform is a tool that has been designed for Law Enforcement Agencies. Central to its functioning is a system for the semantic analysis of web sources, capable of categorising and classifying content according to a series of criteria which aim to automatically identify potential dangers. This will allow investigators to use already structured and pre-analysed material, on which to work in a more targeted and effective manner.

Further proof of the major role Expert System plays in the world of Artificial Intelligence and "made in Italy" innovation came in the form of the company's success in the "Trend-Setting Products of 2016", the prestigious US recognition bestowed by experts from magazine KM World, dedicated to the most effective knowledge management solutions. And designated as a Trend-Setting Product was Cogito's Risk Watcher, the software designed by Expert System to support organisations with the qualification of the risk profiles of suppliers and third parties, for monitoring, analysing and selecting information from different sources, inside or outside the company, necessary for developing, enriching and keeping up-to-date the risk profiles at the root of activities targeted at mitigating operational, reputation and compliance risks.

In terms of partnerships, the company's subscription to the project called "Cyber Academy" promoted by the University of Modena and Reggio Emilia stands out; this partnership was established with the goal of helping to fill the gap between the supply and demand of expert cyber security professionals. The Cyber Security specialist training course, promoted by Cyber Academy, therefore aims to provide personnel with the skills to tackle new risks linked to the growth and spread of the internet, which are estimated to have an impact on the global economy to the tune of \$ 500 billion.

A licence agreement was also signed in September with Mondadori Magazines France, the French subsidiary of the Mondadori Group, today among the leading European publishers. Mondadori Magazines France chose Expert System's platform dedicated to the semantic

enrichment of content, in order to enhance its publishing assets and commence the creation of innovative digital products and services geared towards increasing the value of data.

Mondadori Magazines France combines the traditional paper publications with an extensive digital offering, websites and mobile applications, which encompass a wide variety of sectors including motoring, women's fashion, celebrity, health, science, leisure and entertainment. By availing itself of the innovative solutions offered by Expert System, Mondadori Magazines France aims to direct its commercial strategy at the distribution of "data-oriented" content, able to maximise traffic and the time spent on websites, by implementing, to this end, a large-scale semantic approach, in support of its digital growth with new, innovative data-based products.

Lastly, a strategic partnership was established with NominoData LLC, a US company dedicated to offering solutions for managing company problems connected with identity and reputation, risk and compliance. The agreement envisages combining NominoData's wealth of experience in risk coverage (from the management of operational risks to the prevention and identification of fraud, to anti-money laundering) with Expert System's artificial intelligence solutions designed to help organisations improve their decision-making processes. Integration with Expert System's platform will allow NominoData to identify significant information on individuals and entities, allowing analysts and investigators not only to meet the legislative requirements, but to develop opportunities for progress and operational improvements".

Treasury shares

As at 30/06/2016, the parent company Expert System S.p.A. held 270,000 treasury shares.

Marco Varone

Expert System S.p.A. (Chairman of the Board of Directors)

CONSOLIDATED FINANCIAL STATEMENTS AS AT 30/06/2016



BALANCE SHEET

ASSETS	30/06/2016	31/12/2015
A) SUBSCRIBED CAPITAL, UNPAID		
Total subscribed capital, unpaid (A)	0	0
B) FIXED ASSETS		
<i>I - Intangible fixed assets</i>		
1) Start-up and expansion costs	917,765	906,909
2) Costs of research, development and advertising	7,871,357	6,310,559
3) Industrial patent and intellectual property rights	72,035	85,120
4) Concessions, licences, trademarks and similar rights	4,953	5,317
5) Goodwill	1,033,581	1,183,146
Consolidation difference	7,875,009	9,000,042
7) Other	1,017,153	1,047,933

Total intangible fixed assets (I)	18,791,853	18,539,026
<i>II - Tangible fixed assets</i>		
1) Land and buildings	379,368	384,912
2) Plant and machinery	20,530	18,970
4) Other assets	574,182	511,849
Total tangible fixed assets (II)	974,080	915,731
<i>III - Non-current financial assets</i>		
1) Equity investments		
b) associates	307,673	307,673
d) other companies	57,138	57,138
Total equity investments (1)	364,811	364,811
2) Receivables		
b) Due from associates		
After 12 months	408,309	402,521
Total receivables due from associates	408,309	402,521
d) Due from others		
Total Receivables (2)	408,309	402,521
3) Other securities	78,735	78,735
Total non-current financial assets (III)	851,855	846,067
Total fixed assets (B)	20,617,788	20,300,824
C) CURRENT ASSETS		
<i>I) Inventories</i>		
3) Contract work in progress	2,191,264	1,796,857
Total inventories (I)	2,191,264	1,796,857
<i>II) Receivables</i>		

1) Due from customers		
Within 12 months	7,352,710	10,227,852
Total receivables due from customers (I)	7,352,710	10,227,852
2) Due from subsidiaries		
Within 12 months	43,030	8,221
After 12 months	26,787	26,787
Total receivables due from subsidiaries (2)	69,817	35,008
3) Due from associates		
Within 12 months	69,662	0
Total receivables due from associates (3)	69,662	0
4-bis) Tax receivables		
Within 12 months	1,167,824	1,501,599
After 12 months	29,610	30,766
Total tax receivables (4-bis)	1,197,434	1,532,365
4-ter) Prepaid taxes		
Within 12 months	307,059	155,095
After 12 months	451,718	293,129
Total prepaid taxes (4-ter)	758,777	448,224
5) Other receivables		
Within 12 months	6,078,861	5,703,588
After 12 months	4,365,288	5,049,541
Total other receivables (5)	10,444,149	10,753,129
Total receivables (II)	19,892,549	22,996,578
<i>III - Current financial assets</i>		
1) Equity investments in subsidiaries	4,153,074	4,153,074

4) Other equity investments	8,400	8,400
5) Treasury shares	560,395	560,395
6) Other securities	1,346,894	1,345,646
Total current financial assets (III)	6,068,763	6,067,515
<i>IV - Cash and cash equivalents</i>		
1) Bank and postal deposits	6,387,460	11,247,267
3) Cash at bank and in hand	2,361	2,060
Total cash and cash equivalents (IV)	6,389,821	11,249,327
Total current assets (C)	34,542,397	42,110,277
D) ACCRUALS AND DEFERRALS		
Accrued income and prepaid expenses	1,202,566	1,038,403
Total accruals and deferrals (D)	1,202,566	1,038,403
TOTAL ASSETS	56,362,751	63,449,504

BALANCE SHEET

LIABILITIES	30/06/2016	31/12/2015
A) SHAREHOLDERS' EQUITY		
I - Share capital	250,608	250,608
II - Share premium reserve	20,737,590	20,737,590
III - Revaluation reserves	0	0
IV - Legal reserve	43,899	43,899
V - Statutory reserves	0	0
VI - Reserve for treasury shares in portfolio	560,395	560,395
<i>VII) Other reserves, indicated separately</i>		
Extraordinary or optional reserve	3,021,269	4,020,302

Merger surplus reserve	376,622	376,622
Reserve for exchange gains	217,282	217,282
Miscellaneous other reserves	498,691	541,768
Total other reserves	4,113,864	5,155,974
VIII - Retained earnings (losses)	-4,758,348	-2,745,934
<i>IX - Profit (loss) for the year</i>		
Profit (loss) for the year	-5,049,318	-3,284,307
Residual profit/(loss)	-5,049,318	-3,284,307
Total shareholders' equity	15,898,690	20,718,225
<i>Shareholders' equity pertaining to minority shareholders</i>		
Minority interests in capital and reserves	0	0
Profit (loss) for the year pertaining to minority shareholders	0	0
Total shareholders' equity pertaining to minority shareholders	0	0
Total consolidated shareholders' equity	15,898,690	20,718,225
B) PROVISIONS FOR RISKS AND CHARGES		
1) Pensions and similar obligations	3,624	3,151
2) Taxation, including deferred	144,037	411,922
3) Other	15,000	17,115
Total provisions for risks and charges (B)	162,661	432,188
C) EMPLOYEE SEVERANCE INDEMNITY		
1,519,307	1,519,307	1,390,984
D) PAYABLES		
1) Bonds		
After 12 months	5,000,000	5,000,000
Total bonds (1)	5,000,000	5,000,000

3) Payables due to shareholders for loans		
After 12 months	524	524
Total payables due to shareholders for loans (3)	524	524
4) Payables due to banks		
Within 12 months	4,860,989	4,847,800
After 12 months	10,326,897	11,485,190
Total payables due to banks (4)	15,187,886	16,332,990
5) Payables due to other lenders		
Within 12 months	503,397	587,262
After 12 months	1,552,616	1,754,683
Total payables due to other lenders (5)	2,056,013	2,341,945
6) Payments on account		
Within 12 months	3,642,827	2,909,546
After 12 months	167,361	1,151,231
Total payments on account (6)	3,810,188	4,060,777
7) Trade payables		
Within 12 months	2,268,149	2,854,713
After 12 months	86,154	0
Total trade payables (7)	2,354,303	2,854,713
9) Payables due to subsidiaries		
Within 12 months	17,568	0
Total payables due to subsidiaries (9)	17,568	0
12) Tax payables		
Within 12 months	535,725	941,582
After 12 months	21,580	0

Total tax payables (12)	557,305	941,582
13) Payables due to social security institutions		
Within 12 months	1,264,144	1,419,651
Total payables due to social security institutions (13)	1,264,144	1,419,651
14) Other payables		
Within 12 months	1,563,058	1,381,590
After 12 months	1,000,000	1,000,000
Total other payables (14)	2,563,058	2,381,590
Total payables (D)	32,810,989	35,333,772
E) ACCRUALS AND DEFERRALS		
Accrued expenses and deferred income	5,971,104	5,574,335
Total accruals and deferrals (E)	5,971,104	5,574,335
TOTAL LIABILITIES	56,362,751	63,449,504

MEMORANDUM ACCOUNTS

	30/06/2016	31/12/2015
Risks assumed by the company		
Sureties		
to subsidiaries	300,000	300,000
to other companies	4,865,810	4,828,099
Total sureties	5,165,810	5,128,099
Other risks		
Total risks assumed by the company	5,165,810	5,128,099
TOTAL MEMORANDUM ACCOUNTS	5,165,810	5,128,099

INCOME STATEMENT

	30/06/2016	30/06/2015
A) VALUE OF PRODUCTION		
1) Sales and service revenues	8,570,966	5,502,931
3) Changes in contract work in progress	392,791	(660,705)
4) Own work capitalised	2,942,807	1,633,711
5) Other revenues and income		
Other	1,050,164	358,773
Operating grants	197,983	454,276
Total other revenues and income (5)	1,248,147	813,049
Total value of production (A)	13,154,711	7,288,986
B) COSTS OF PRODUCTION:		
6) Raw materials, consumables and goods for resale	448,173	268,325
7) For services	4,768,244	3,658,357
8) Use of third-party assets	640,100	349,221
9) Personnel:		
a) Salaries and wages	6,884,767	3,539,854
b) Social security costs	1,923,528	760,360
c) Employee severance indemnity	199,966	160,526
d) Pensions and similar charges	43,562	
e) Other costs	47,004	2,328
Total personnel costs (9)	9,098,827	4,463,068
10) Amortisation, depreciation and write-downs:		
a) Amortisation of intangible fixed assets	2,834,713	942,458
b) Depreciation of tangible fixed assets	110,866	68,440

d) Write-down of receivables included in current assets and of cash and cash equivalents	0	28,217
Total amortisation, depreciation and write-downs (10)	2,945,579	1,039,115
12) Provisions for risks	0	0
14) Sundry operating expenses	151,979	29,381
Total costs of production (B)	18,052,902	9,807,467
Difference between the value and costs of production (A-B)	-4,894,691	-2,518,481

C) FINANCIAL INCOME AND EXPENSES

16) Other financial income:		
a) From receivables classified as fixed assets		
From associates	5,789	28
Other	0	0
Total financial income from receivables classified as fixed assets	5,789	28
c) From securities included in current assets	1,411	0
d) Other income		
Other	7,605	23,427
Total other income (d)	7,605	23,427
Total other financial income (16)	14,805	23,455
17) Interest and other financial expenses		
Other	323,182	138,317
Total interest and other financial expenses (17)	323,182	138,317
17-bis) Exchange gains and losses	-232,268	206,260
Total financial income and expenses (C) (15+16-17+-17-bis)	-540,645	91,398

D) VALUE ADJUSTMENTS OF FINANCIAL ASSETS:

18) Revaluations:

c) Of securities included in current assets	0	0
Total revaluations (18)	0	0

19) Write-downs:

Total value adjustments to financial assets (D) (18-19)	0	0
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E) EXTRAORDINARY INCOME AND EXPENSES:

20) Income

Other	90,484	76,551
Total income (20)	90,484	76,551

21) Expenses

Capital losses from disposals, with accounting effects not recognisable in item 14	760	0
Other	35,794	168,599
Total expenses (21)	36,554	168,599

Total extraordinary items (E)	53,930	-92,048
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PRE-TAX RESULT (A-B+-C+-D+-E)	-5,384,906	-2,519,131
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22) Income taxes for the year – current, deferred and prepaid

Current taxes	262	0
Prepaid taxes	310,815	499,390
Deferred taxes	-25,035	49,456

Total income taxes for the year (22)	-335,588	-449,934
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23) Profit (loss) for the year	-5,049,318	-2,069,197
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Profit (loss) for the year pertaining to minority shareholders	0	0
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Group profit (loss) for the year	-5,049,318	-2,069,197
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EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30/06/2016



Form and content of the financial statements

The consolidated financial statements as at 30/06/2016, comprising the balance sheet, income statement and explanatory notes have been drawn up in compliance with Italian Legislative Decree No. 127/1991 supplemented, with regard to the aspects not specifically envisaged by the decree, by the national accounting standards published by the Italian Accounting Body (OIC) and, in the absence thereof, by those of the International Accounting Standard Board (IASB) and the Financial Accounting Standards Board (FASB); they are accompanied by the Report on operations.

They are also accompanied by the following documents:

- list of the companies included in the consolidated financial statements and of the equity investments;
- companies consolidated line-by-line (pursuant to art. 26);
- other equity investments in subsidiaries and associates;
- statement of reconciliation between shareholders' equity and profit/(loss) for the year of the parent company and the corresponding consolidated balances;
- cash flow statement.

The amounts are expressed in units of Euro.

The interim financial statements as at 30/06/2016 of the companies included in the scope of consolidation have been drawn up by the respective management bodies on the basis of the accounting standards mentioned above.

Exceptions

No exceptional cases were identified that required recourse to the exceptions set forth under art. 29, sections 4 and 5 of Italian Legislative Decree No. 127/1991.

Scope of consolidation - Consolidation and translation principles

The consolidated financial statements comprise the financial statements of Expert System S.p.A. and of the Italian and foreign companies over which it directly or indirectly exercises control.

The assets and liabilities of the consolidated companies are included on a line-by-line basis. The book value of the equity investments held by the parent company and by the other companies included in the scope of consolidation is eliminated against the related shareholders' equity. The difference between the purchase cost and the shareholders' equity at current value of the investee companies as of the date control is acquired is distributed, where possible, to the assets and liabilities of the investees; any remaining difference, if positive, is recognised in the item "Consolidation difference" under intangible fixed assets and amortised on a straight-line basis over a period of five years in relation to the estimate of the period in which this value will contribute to the production of economic results.

If an excess of the shareholders' equity is recognised with respect to the acquisition costs, after having possibly reduced the values of the fixed assets and having established the "Consolidation provision for future risks and charges" for estimated liabilities, this would be credited to consolidated shareholders' equity under the item "Consolidation reserve".

The equity investment in the associate CY4Gate S.r.l. has been carried at cost.

The following companies have been excluded from the scope of consolidation:

- AdmantX S.p.A., with headquarters in Naples, which the Group directly controls;
- AdmantX Inc., with headquarters in the USA, which the Group indirectly controls.

The equity investment in AdmantX S.p.A. as at 30/06/2016 is not considered functional with regard to the group's objectives and in fact, since the last quarter of 2014, scouting activities

have been underway via a specialised advisor for the purpose of identifying a strategic partner, of an industrial and/or financial nature, to whom a significant or total holding in the company may be transferred, which permits ADmantX to more fully express its potential on a market such as that of ADTech which has features and methods very different from the Expert System business model.

The financial statements of the foreign companies are translated into Euro according to the following criteria:

- the assets and liabilities at the exchange rate in force as of the period end date;
- the income and expenses by applying the average of the period exchange rates;
- the shareholders' equity components at the rate in force in the related formation period.

The exchange differences deriving from the conversion of the closing shareholders' equity using the original formation exchange rates with respect to those in force as of the balance sheet date are booked directly to shareholders' equity, together with the differences between the economic result expressed using the average exchange rates and the economic result expressed in Euro using the exchange rates in force as of the end of the period to the item "Translation reserve", included under the item "Other reserves".

The payable and receivable items and those concerning costs and revenues between the companies included in the scope of consolidation, are eliminated.

The annual financial statements of the individual companies approved by the shareholders' meeting or drawn up by the Board of Directors for approval, have been reclassified and adjusted if necessary to align them with the accounting standards adopted by the Group.

Measurement criteria

The measurement criteria adopted for the drafting of the consolidated financial statements are in line with those used by the parent company, supplemented where necessary by the accounting standards adopted for specific consolidated financial statement items.

The measurement of the individual items is carried out on a prudent basis and with a view to the business as a going-concern, and taking into account the economic function of the asset and liability elements on the basis of the principle of prevalence of substance over form.

The measurement criteria adopted are unchanged with respect to those used in the previous year.

In particular, the measurement criteria adopted were as follows.

Intangible fixed assets

Intangible fixed assets are recognised at purchase or production cost, inclusive of any accessory charges, and are amortised systematically in relation to the residual possible useful life, possibly written down if as at the year end date the estimated recovery value of the fixed assets is permanently lower than the cost.

Tangible fixed assets

Tangible fixed assets are recognised at purchase or production costs net of the related accumulated depreciation, including all the costs and accessory charges directly attributable. The cost is revalued in accordance with monetary revaluation laws and, in any event, does not exceed the market value.

The cost of the fixed assets whose use is limited over time is systematically depreciated each year on the basis of the economic-technical rates established in relation to the residual useful life.

In the event that, irrespective of the depreciation already recognised, permanent losses in value (impairment) are registered, the fixed assets are written down in relation to the residual useful life. If the reasons for the write-downs no longer exist in subsequent years, the original value is written back. Fixed assets in progress and payments on account to suppliers are recorded under the assets on the basis of the cost incurred and/or the payment on account made inclusive of the directly attributable costs.

Non-current financial assets

Equity investments in associates are measured at cost.

The other equity investments and other securities are recognised at purchase and/or subscription cost, inclusive of accessory charges, and are written down in the presence of permanent losses in value (impairment), calculated taking into account the respective listings as well for listed securities.

Current financial assets

Securities held over the short-term for investment have been measured at purchase/subscription cost or the value taken from market trends, whichever is the lower.

Inventories

Contract work in progress has been measured adopting the percentage of completion criterion: costs, revenues and the job profit are recognised on the basis of the progress of production activities. For the application of this criterion the hours worked method is adopted.

Receivables

The receivables are recognised at estimated realisable value via allocations to the bad debt provision, recorded as a direct deduction from the asset and determined in relation to the risk of loss emerging from specific analysis of the individual positions and in relation to the past performance of the losses on receivables, as well as the country risk.

Current financial assets

The equity investments and securities which do not represent fixed assets are recognised at purchase cost or estimated realisable value taken from market trends, whichever is the lower. The receivables recorded under financial assets are stated at estimated realisable value. This value has been established by adjusting the face value of the existing receivables so as to take into account all the risks of non-collection.

Cash and cash equivalents

Cash and cash equivalents at year end are valued at face value.

Accruals and deferrals

Accrued income and prepaid expenses, and accrued expenses and deferred income are recognised on an accruals basis.

Provisions for risks and charges

Provisions for risks and charges are set aside to cover losses or payables which are certain or likely to exist but, in respect of which, the amount or date of occurrence cannot be determined

at year-end. The provisions reflect the best possible estimate on the basis of the elements available.

The pension provision is established to cover the commitments accrued at period end vis-à-vis those with the right to a pension.

The provision for taxation includes the deferred tax liabilities associated with consolidation adjustments, when the effective manifestation with regard to one of the subsidiaries is probable.

Employee severance indemnity

This reflects the liability, subject to revaluation by means of specific indices and net of the advance paid out, accrued by all the employees of the Group at year end, in compliance with the provisions of the law and current employment agreements.

Payables

Payables recognised under balance sheet liabilities are stated at their face value, deemed representative of their discharge value.

Criteria for the translation of amounts stated in foreign currency

Receivables and payables outstanding at the end of the year, originally expressed in currencies of countries not complying with the Euro, are expressed in the financial statements at the exchange rate in force at the end of the period. Profits and losses on the translation of the receivables and payables mentioned above using the exchange rate as of the balance sheet date are respectively credited and charged to the income statement.

Commitments, guarantees and risks

The commitments and guarantees are indicated in the memorandum accounts at their contractual value.

Amounts have been set aside in the specific provisions for risks in relation to which manifestation of a liability is certain or probable.

The risks for which the manifestation of a liability is only possible are described in the explanatory notes without making any provision for risks.

Costs and revenues

These are stated on a prudent basis in accordance with the accruals principle.

Income taxes for the year

Current income taxes are recognised, for each company, on the basis of the estimate of the taxable income in compliance with the rates and current provisions as of the period end date in each country, taking into account any applicable exemptions and the tax credits possible due.

Prepaid and deferred taxes are calculated on the timing differences between the value assigned to an asset or liability in the financial statements and the corresponding values recognised for tax purposes, on the basis of the rates in force at the time the timing differences will reverse. Prepaid taxes are only recognised if reasonable certainty exists with respect to their future recoverability.

Significant events after 30/06/2016

On 13/7/2016, by means of deed of notary Rolando Rosa, index no. 120891, folder 20484, the Board of Directors resolved, pursuant to art. 2443 of the Italian Civil Code, a share capital increase in tranches for a maximum of € 26,095.52, to be discharged through the payment of a premium of € 4,671,098.08, for a total of € 4,697,193.60, to be carried out by 31/12/2016. In respect of this share capital increase, provision was made for the issuing of a maximum of 2,609,552 shares with an unstated nominal value.

The share capital increase reserved under option to shareholders envisaged the possibility of subscribing 2 new shares for every 19 shares held.

The share price for exercising the option right was € 1.80 for every new share, with € 0.01 allocated to the share capital and € 1.79 to the share premium reserve.

The share capital increase also envisaged the issuing of up to 2,609,552 warrants called "Warrants Expert System S.p.a. 2016-2018" to be bundled free of charge with the shares issued following the subscription of the share capital increase.

The first part of the subscription of the share capital increase closed on 11/08/2016, which involved the subscription of € 4,017,754.80, with € 22,320.86 to be allocated to the share capital increase and € 3,995,433.94 to the share premium reserve, with the issuing of 2,232,086 new shares and as many new warrants.

The last part of the share capital increase that had remained unopted was subscribed on 13/09/2016, for a total of € 679,438.80, which entailed a share capital increase of € 3,774.66 plus € 675,664.14 to the share premium, with the issuing of 377,466 new shares and 265,466 warrants.

The entire share capital increase was subscribed as at 13/09/2016. The share capital totals € 276,703.30, divided into 27,670,330 shares.

In respect of the full share capital increase a total of 2,497,552 warrants were also issued. A total of 112,000 warrants were not issued given that an investor who subscribed the share capital increase expressly waived these.

Following the issuing of the warrants, a share capital increase for a maximum of € 6,523.88 plus premium of € 1,754,923.72 was resolved, reserved to any conversion of warrants into a maximum of 652,388 new conversion shares.

INFORMATION ON THE BALANCE SHEET

Intangible fixed assets

Intangible fixed assets amount to € 18,791,853 (€ 18,539,026 in the previous year).

The breakdown and the changes in the individual items are presented as follows:

	Start-up and expansion costs	Costs of research, development and advertising	Industrial patent and intellectual property rights	Concessions, licences, trademarks and similar rights	Goodwill	Consolidation difference	Other intangible fixed assets	Total
Cost	1,253,294	18,282,821	1,137,158	19,052	1,495,655	9,000,042	1,672,964	32,860,986
Amortisation (Accumulated amortisation)	346,385	11,972,262	1,052,038	13,735	312,509	0	184,031	13,880,960
Write-downs	0	0	0	0	0	0	441,000	441,000
Net value as at 31/12/2015	906,909	6,310,559	85,120	5,317	1,183,146	9,000,042	1,047,933	18,539,026
Increases due to purchases	148,214	2,944,384	2,253	0	0	0	0	3,094,851
Decreases due to sales and disposals	0	0	4,279	0	0	0	0	4,279
Amortisation in the year	130,618	1,383,270	44,293	364	149,566	1,125,002	1,600	2,834,713
Other changes	-6,740	-316	33,234	0	1	-31	-29,180	-3,032
Total changes in the year	10,856	1,560,798	-13,085	-364	-149,565	-1,125,033	-30,780	252,827
Cost	1,394,950	21,227,205	1,135,133	19,052	1,495,655	7,875,009	1,672,964	34,819,968

Amortisation (Accumulated amortisation)	477,185	13,355,848	1,063,098	14,099	462,074	0	214,811	15,587,115
Write-downs	0	0	0	0	0	0	441,000	441,000
Net value as at 30/06/2016	917,765	7,871,357	72,035	4,953	1,033,581	7,875,009	1,017,153	18,791,853

Information is provided below on the most significant changes during the year.

The increase in "Start-up and expansion costs" of € 148,214 is composed:

- for € 128,214 of costs of goodwill incurred by Expert System USA Inc. as a result of business reorganisation of the company itself in terms of subdividing the Corporate and Federal market business between Expert System USA Inc. and Expert System Enterprise Corp., respectively, which was arranged after the acquisition of the latter company. Goodwill costs are connected to the activities for obtaining the necessary certification to operate in the US Federal market;
- for € 20,000 of costs incurred by the subsidiary Expert System S.p.A and concerning the aforementioned share capital increase.

The increase in "Research and development costs", in which exclusively development costs of long-term use are recognised, totalling € 2,944,384, can be broken down as follows:

- € 1,643,177 from the capitalisation carried out by the parent company of costs relating to employees and costs for external consultancy used in the research and development activities of Expert System S.p.A.;
- € 172,633 as the development costs of the subsidiary Expert System Iberia S.L.U.;
- € 1,126,997 as the development costs of the subsidiary Expert System France S.A..

The "Consolidation difference" is the difference between the acquisition cost of equity investments and the present value of shareholders' equity at the date of acquisition of the subsidiaries included in the scope of consolidation. This difference, generated at the time of netting the book value of the equity investments held by the parent company against the shareholders' equity of the consolidated subsidiaries, was recognised under intangible fixed assets and is amortised on a straight-line basis for 5 years. In particular, the total of € 7,875,009 was calculated as follows:

- € 5,931,143 (net of amortisation of € 2,541,918) from the consolidation into the Expert System Group of the subsidiary Expert System France S.A.;
- € 96,524 (net of amortisation of € 41,367) from the consolidation into the Expert

System Group of the subsidiary Iberia S.L.U.;

- € 1,847,342 (net of amortisation of € 791,757) from the sub-consolidation into the subsidiary Expert System France S.A. of the companies in turn controlled by said Expert System France S.A.:

	Gross value	Accumulated amortisation as at 30/06/2016	Net value
Consolidation difference after netting of the equity investment in Expert System France S.A.	8,473,061	2,541,918	5,931,143
Consolidation difference after netting of the equity investment in Iberia S.L.U.	137,891	41,367	96,524
Consolidation difference after netting of the equity investments sub-consolidated into Expert System France S.A.	2,639,099	791,757	1,847,342
Total	11,250,051	3,375,042	7,875,009

The item "Other intangible fixed assets", which includes residual balances which cannot be classified in the previous items, amounts to € 1,017,153 (€ 1,047,933 in the previous year):

	Opening balance	Closing balance	Change
Leasehold improvements	362	181	-181
Substitute tax on loans	4,619	3,390	-1,229
Loan fees	379	190	-189
Other intangible fixed assets	1,042,573	1,013,393	-29,180
Total	1,047,933	1,017,154	-30,779

The item "Other intangible fixed assets" amounting to € 1,013,393 is attributable entirely to the subsidiary Expert System France S.A.. This total largely refers to text mining solution software for the pharmaceutical industry included among Expert System France S.A. assets following the acquisition of I Cube on 3 June 2013.

In relation to the matters laid down by art. 38.1, letter d) of Italian Legislative Decree No. 127/1991, the breakdown of the start-up and expansion costs and research, development and advertising costs is illustrated in the following tables.

Breakdown of start-up and expansion costs:

	Opening balance	Increases in the year	Amortisation in the year	Other decreases	Closing balance	Change
Establishment / article of association amendment costs	467,460	128,214	54,488	6,557	534,629	67,169
Extraordinary transaction costs	3,379	0	1,747	0	1,632	-1,747
Admission to stock market listing	436,070	20,000	74,383	0	381,687	-54,383
Total	906,909	148,214	130,618	6,557	917,948	11,039

Breakdown of costs of research, development and advertising:

	Opening balance	Increases in the year	Amortisation in the year	Other decreases	Closing balance	Change
Research and development expenses - parent company	5,228,205	1,643,177	1,017,815	0	5,853,567	625,362
Research and development expenses - Iberia S.L.U.	790,643	172,633	183,419	0	779,857	-10,786
Research and development expenses - Expert System France S.A.	291,711	1,128,574	182,036	316	1,237,933	946,222
Total	6,310,559	2,944,384	1,383,270	316	7,871,357	1,560,798

The costs recorded are reasonably correlated to long-term benefit over several years, and are systematically amortised in relation to their residual useful life.

Tangible fixed assets

Tangible fixed assets amount to € 974,080 (€ 915,731 in the previous year).

The breakdown and the changes in the individual items are presented as follows:

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Total tangible fixed assets
Cost	456,980	213,491	4,247	1,980,319	2,655,037
Depreciation (Accumulated depreciation)	72,068	194,521	4,247	1,468,470	1,739,306

Book value at 31/12/2015	384,912	18,970	0	511,849	915,731
Reclassifications (of book value)	0	4,800	0	0	4,800
Depreciation in the year	5,544	3,240	8,995	93,087	110,866
Other changes	0	0	8,995	155,420	164,415
Total changes	-5,544	1,560	0	62,333	58,349
Cost	456,980	218,291	1,558	2,127,316	2,804,145
Depreciation (Accumulated depreciation)	77,612	197,761	1,558	1,553,134	1,830,065
Book value at 30/06/2016	379,368	20,530	0	574,182	974,080

The item "Other assets", which includes the residual values which cannot be classified in the previous items, amounts to € 574,182 (€ 511,849 in the previous year).

	Opening balance	Closing balance	Change
Ordinary office furniture and machines	153,827	185,578	31,751
Electronic office machines	243,193	289,600	46,407
Motor vehicles	14,609	9,785	-4,824
Ordinary office machines	42,339	33,338	-9,001
Signage	4,230	3,960	-270
Mobile phones	4,536	6,650	2,114
Office furniture and fittings	49,115	45,271	-3,844
Total	511,849	574,182	62,333

Non-current financial assets - Equity investments

Equity investments in companies included in the scope of consolidation, booked to the financial statements of the parent company Expert System S.p.A., were eliminated as a balancing entry of the netting off of the respective shareholders' equities; this netting off was carried out by taking the book value of said equity investments as a reference, corresponding to the cost incurred to acquire them. In particular, it should be noted that the book value of the equity investments in subsidiaries satisfies the requirements set out in art. 2426,

paragraph 3 of the Italian Civil Code, since said value, even if higher than the corresponding portion of shareholders' equity of Expert System S.p.A.'s subsidiaries, is consistent with the fair value indicated in the appropriate appraisals prepared by qualified professionals.

The valuation of the equity investments in Expert System S.p.A.'s subsidiaries is therefore summarised in the following table (values in Euro):

Investee	% of equity investment	Book value	SE at 30/06/2016	Fair Value
Expert System France S.A.	100.00% direct	€ 11,810,831	€ 2,363,250	Included between € 12,674,000 and € 16,583,000 **
Expert System Deutschland GMBH	100.00% indirect*		€ (189,809)	
Expert System Enterprise Corp.	100.00% indirect*		€ (2,855,299)	
Expert System Canada – Semantic Technologies Inc.	100.00% indirect*		€ (51,181)	
Expert System Iberia S.L.U.	100.00% direct	€ 47,344	€ (1,319,606)	Included between € 1,552,000 and € 2,011,000 ***
Expert System USA Inc.	100.00% direct	€ 1	€ (3,890,447)	
Expert System Cogito Ltd.	100.00% direct	€ 1,248	€ (449,602)	
* held through the 100.00% shareholding in Expert System France S.A.				
** As indicated in the appraisal signed by Mr. Maurizio Dallochio, an independent professional, on 18/09/2015				
** As indicated in the appraisal signed by Accuracy, dated December 2014				

In light of the above, the recognition of € 11,250,051 to balance sheet assets under the item "Consolidation difference", as inserted under Intangible fixed assets, is therefore consistent.

The equity investments not included in the scope of consolidation, since they are irrelevant or carry out activities dissimilar to those of the group, included under non-current financial assets amounted to € 364,811 (€ 364,811 in the previous year).

The breakdown and the changes in the individual items are presented as follows:

	Equity investments in associates	Equity investments in other companies	Total equity investments
Balance at start of the year			

Cost	307,673	57,138	364,811
Book value	307,673	57,138	364,811
Changes in the year			
Balance at end of the year			
Cost	307,673	57,138	364,811
Book value	307,673	57,138	364,811

The item "Equity investments in associates" totalling € 307,673 relates to the equity investment in the company CY4Gate S.r.l., with registered offices in Rome, in which a 30% stake is held.

The item "Equity investments in other companies" amounting to € 57,138 booked to the financial statements as at 30/06/2016 is composed as follows:

Equity investment	Value in €
Okkam S.r.l.	1,000
Conai	5
ICT Sud	133
Confidimpresa	5,000
Distretto Tecnologico Trentino S.c.a.r.l.	1,000
Buzzoole S.r.l.	50,000
Total	57,138

The item "Receivables due from associates" includes the amount relating to an interest-bearing loan disbursed to CY4Gate S.r.l. in 2015 to support the investee during the start-up phase. That amount includes € 5,788 in interest accrued in the first half of 2016, plus the interest accrued in 2015, on the loan originally disbursed for € 390,000.

The breakdown of changes in this item is as follows:

	Receivables due from associates
Cost	402,521
Write-downs	-
Book value at 31/12/2015	402,521
Increases due to purchases	-
Write-downs	-
Other changes	5,788
Total changes	5,788

Cost	408,309
Book value at 30/06/2016	408,309

Non-current financial assets - Other securities

The breakdown and the changes in this item are presented as follows:

	Other securities
Cost	78,735
Write-downs	0
Book value at 31/12/2015	78,735
Increases due to purchases	0
Write-downs	0
Other changes	0
Total changes	0
Cost	78,735
Book value at 30/06/2016	78,735

Current assets - Inventories

Inventories included under current assets amount to € 2,191,264 (€ 1,796,857 in the previous year).

The breakdown and the changes in the individual items are presented as follows:

	Contract work in progress	Total inventories
Balance at start of the year	1,796,857	1,796,857
Change during the year	394,407	394,407
Balance at end of the year	2,191,264	2,191,264

Contract work in progress has been measured adopting the percentage of completion criterion: costs, revenues and the job profit are recognised on the basis on the progress of production activities. For the application of this criterion the hours worked method is adopted.

Current assets - Receivables

Receivables included under current assets amount to € 19,892,549 (€ 22,996,578 in the previous year).

The breakdown is as follows:

Breakdown of current receivables:

	Nominal value	Bad debt provision	Net value
Due from customers - within 12 months	7,695,112	342,402	7,352,710
Due from subsidiaries - within 12 months	43,030	0	43,030
Due from subsidiaries - after 12 months	26,787	0	26,787
Due from associates - within 12 months	69,662	0	69,662
Tax receivables - within 12 months	1,167,824	0	1,167,824
Tax receivables - after 12 months	29,610	0	29,610
Prepaid taxes - within 12 months	307,059	0	307,059
Prepaid taxes - after 12 months	451,718	0	451,718
Other receivables - within 12 months	6,078,861	0	6,078,861
Other receivables - after 12 months	4,365,288	0	4,365,288
Total	20,234,951	342,402	19,892,549

Prepaid tax assets derive, for € 758,100, from the parent company, and for € 677 from the subsidiary Expert System France S.A..

Additional information with regard to "Prepaid tax assets" is provided in the section "Prepaid and deferred taxation".

Breakdown of receivables recorded under current assets as at 30/06/2016

	Receivables due from customers	Receivables due from subsidiaries	Receivables due from associates	Tax receivables	Prepaid tax assets	Other receivables	Total current receivables
Balance at start of the year	10,227,852	35,008	0	1,532,365	448,224	10,753,129	22,996,578
Change during the year	-2,875,142	34,809	69,662	-334,931	310,553	-308,980	-3,104,029
Value as at 30/06/2016	7,352,710	69,817	69,662	1,197,434	758,777	10,444,149	19,892,549
Portion due within 1 year	7,352,710	43,030	69,662	1,167,824	307,059	6,078,861	15,019,146
Portion due after 1 year	0	26,787	0	29,610	451,718	4,365,288	4,873,403

Breakdown of receivables due from customers by geographic area as at 30/06/2016

	Receivables due from customers	Invoices to be issued	Other trade receivables	Total
Italian customers	4,210,965	550,696		4,761,661

EU customers	949,594	279,155	22,331	1,251,080
Non-EU customers	1,583,198	99,174		1,682,372
Total	6,743,757	929,025	22,331	7,695,113
(Bad debt provision)				(342,402)
Total				7,352,710

Receivables due from subsidiaries, amounting to € 69,817, are composed of trade receivables due from the subsidiary ADmantX S.p.A., excluded from the scope of consolidation as explained in the preamble.

Receivables due from associates, amounting to € 69,662, are composed of trade receivables due from the associate CY4Gate S.r.l..

Other receivables, amounting to € 10,444,149 as at 30/06/2016, are composed, for € 8,354,438, of receivables for research project grants, all relating to the parent company Expert System S.p.A., broken down by maturity below:

Description	Amount due within 12 months	Amount due after 12 months
Receivables for research project grants	5,056,656	3,297,782

Receivables for research project grants due within no later than 12 months refer to all receivables accrued as at 30/06/2016, relating to sums that the company has to collect in that respect.

Details of receivables for research project grants are presented below by company:

Expert System S.p.A. projects	Receivables due within 12 months	Receivables due after 12 months	Total
FESR - Province of Trento	347,483	0	347,483
Horizon 2020	0	589,157	589,157
Law 6 – Province of Trento	2,367,378	0	2,367,378
Mise (Ministry of Economic Development) - FIT	600,000	357,630	957,630
MIUR (Ministry of Education, Universities and Research) - PNR Tessile	0	39,984	39,984
MIUR (Ministry of Education, Universities and Research) - FAR	0	243,892	243,892
PON	0	115,000	115,000

PON R&C 2007-2013	0	1,952,119	1,952,119
POR FESR Lazio	419,235	0	419,235
European Project - Tender ISEC	1,322,560	0	1,322,560
Overall total	5,056,656	3,297,782	8,354,438

Expert System Iberia S.L.U. projects	Receivables due within 12 months	Receivables due after 12 months	Total
X-Lime	0	69,750	69,750
Horizon Everest	0	349,525	349,525
K-Drive	0	92,306	92,306
Overall total	0	511,581	511,581

Current assets - Financial assets

Current financial assets amount to € 6,068,763 (€ 6,067,515 in the previous year).

The breakdown and the changes in the individual items are presented as follows:

	Current equity investments in subsidiaries	Other current equity investments	Current treasury shares	Other current securities	Total current financial assets
Balance at start of the year	4,153,074	8,400	560,395	1,345,646	6,067,515
Changes in the year	0	0	0	1,248	1,248
Value at 30/06/2016	4,153,074	8,400	560,395	1,346,894	6,068,763

The item "Current equity investments in subsidiaries", amounting to € 4,153,074, includes the 60.70% equity investment in the subsidiary ADmantX S.p.A. held by the parent company, and excluded from the scope of consolidation for the reasons outlined in the preamble.

The value of the equity investment in ADmantX S.p.A. was not written down on the basis of the appraisal, carried out in accordance with art. 2343 ter, par. 2 of the Italian Civil Code by Mauro Zavani, listed in the Ordine dei Dottori Commercialisti ed Esperti Contabili (Association of Chartered and Qualified Accountants) of Massa Carrara, an appraisal which valued the company ADmantX S.p.A. at a total of € 11,072,000. This valuation was definitely enhanced by the share capital increase of this subsidiary ADmantX S.p.A., resolved by the extraordinary shareholders' meeting of 4 August 2015. That occasion saw the entry of new investors in the shareholding structure, for a total outlay of € 2,160,000, of which € 2,132,633 share premium, allowing the new shareholders to become owners of an aggregate 12.6% of the new share capital, therefore now estimated at € 17,160,000. In respect of said valuation, confirmed by

the aforementioned share capital increase, the equity investment in ADmantX S.p.A. was not written down as it is not below the fair value.

The item "Treasury shares" is composed of 270,000 treasury shares with no par value, purchased following the resolution of the ordinary shareholders' meeting of Expert System S.p.A. of 09/01/2014, for a consideration of € 560,395. In compliance with the provisions of the law, the percentage is within the limit set by articles 2357 and 2357-bis of the Italian Civil Code and a specific restricted reserve has been set up for the same amount under shareholders' equity.

The item "other securities" includes the following:

- bonds held by Expert System S.p.A., for a total of € 979,348. For details please refer to the following table:

Bond provision	Az Multi Challenge SICAV – Globes Portfolio Income Shs -I- Cap
ISIN	LU0968268341
No. security	22201132
Acquisition date	17/11/2014
Quantity	9,220
Unit Value at 17/11/2014	€ 106.22
Book value at 30/06/2016	€ 979,348

- certificates of deposit for € 12,600 held by Expert System Deutschland GMBH;
- other securities for € 354,946 held by Expert System Deutschland GMBH, as sums intended for temporary investments.

Current assets - Cash and cash equivalents

Cash and cash equivalents included under current assets amount to € 6,389,821 (€ 11,249,327 in the previous year).

The breakdown and the changes in the individual items are presented as follows:

	Bank and postal deposits	Cash at bank and in hand	Total cash and cash equivalents
Balance at start of the year	11,247,267	2,060	11,249,327
Change during the year	-4,859,807	301	-4,859,506
Balance at end of the year	6,387,460	2,361	6,389,821

Accrued income and prepaid expenses

Accrued income and prepaid expenses amount to € 1,202,566 (€ 1,038,403 in the previous year).

The breakdown and the changes in the individual items are presented as follows:

	Accrued income	Other prepaid expenses	Total accrued income and prepaid expenses
Balance at start of the year	922	1,037,481	1,038,403
Change during the year	432	163,731	164,163
Balance at end of the year	1,354	1,201,212	1,202,566

Breakdown of prepaid expenses:

Prepaid expenses	Due within 12 months	Due after 12 months	Due after 5 years
Rent	113,399		
Other deferrals	496		
Insurance	38,683		
Hosting fees	93,923		
Commissions	38,794	63,356	998
Consultancy	125,791	61,316	
Grants	2,382		
Trade fairs and conventions	25,027		
Software licences	277,051	189,234	
Maintenance	8,458		
Rental	15,889	726	
Advertising	11,885		
Research and education	13,398	433	
Commercial services	26,939		
AIM listing services	29,356		
Internet costs	55,210	90	
Telephone expenses	5,012		
Miscellaneous administrative	3,366		
Total	885,058	315,156	998

Shareholders' equity

The shareholders' equity existing at the end of the year amounted to € 15,898,690 (€ 20,718,225 in the previous year).

The following tables disclose the change during the year in the individual items which make up the shareholders' equity and the breakdown of the item "Other reserves".

	Balance at start of the year	Other allocations	Increases	Decreases	Profit/loss for the year	Balance at end of the year
Share capital	250,608	0	0	0		250,608
Share premium reserve	20,737,590	0	0	0		20,737,590
Legal reserve	43,899	0	0	0		43,899
Reserve for treasury shares in portfolio	560,395	0	0	0		560,395
<i>Other reserves</i>						
Extraordinary or optional reserve	4,020,302	-999,033	0	0		3,021,269
Merger surplus reserve	376,622	0	0	0		376,622
Reserve for exchange gains	217,282	0	0	0		217,282
Miscellaneous other reserves	541,768	0	29,077	72,154		498,691
Total other reserves	5,155,974	-999,033	29,077	72,154		4,113,864
Retained earnings (losses)	-2,745,934	-2,012,414	0	0		-4,758,348
<i>Profit (loss) for the year</i>	<i>-3,284,307</i>	<i>3,284,307</i>			<i>-5,049,318</i>	<i>-5,049,318</i>
Total shareholders' equity	20,718,225	272,860	29,077	72,154	-5,049,318	15,898,690
<i>Shareholders' equity pertaining to minority shareholders</i>						
Total consolidated shareholders' equity	20,718,225	272,860	29,077	72,154	-5,049,318	15,898,690

The "Miscellaneous other reserves" are composed as follows:

Description	Amount
PIA Reserve provision	141,000
Translation reserve	-73,526
Other reserves	431,217
Total	498,691

In order to be able to better understand the changes in shareholders' equity, the movements during the previous year in the shareholders' equity items are illustrated below:

	Balance at start of the year	Other allocations	Increases	Decreases	Profit/loss for the year	Balance at end of the year
Share capital	219,497	0	31,111	0		250,608
Share premium reserve	13,768,730	0	6,968,860	0		20,737,590
Legal reserve	40,067	0	3,832	0		43,899

Reserve for treasury shares in portfolio	89,163	0	471,232	0		560,395
<i>Other reserves</i>						
Extraordinary or optional reserve	3,711,110	0	780,424	471,232		4,020,302
Merger surplus reserve	376,622	0	0	0		376,622
Reserve for exchange gains	0	0	217,282	0		217,282
Miscellaneous other reserves	233,252	0	308,516	0		541,768
Total other reserves	4,320,984	0	1,306,222	471,232		5,155,974
Retained earnings (losses)	-1,569,154	-1,176,780	0	0		-2,745,934
<i>Profit (loss) for the year</i>	88,529	-88,529			-3,284,307	-3,284,307
Total shareholders' equity	16,957,816	-1,265,309	8,781,257	471,232	-3,284,307	20,718,225
<i>Shareholders' equity pertaining to minority shareholders</i>						
Total consolidated shareholders' equity	16,957,816	-1,265,309	8,781,257	471,232	-3,284,307	20,718,225

Share capital

At the reporting date, there were 27,670,330 outstanding ordinary shares with no par value.

Other reserves

The composition of the other reserves is as follows:

	Opening balance	Use to cover losses	Other changes	Closing book balance
Extraordinary or optional reserve	4,020,302	999,033	0	3,021,269
Merger surplus reserve	376,622	0	0	376,622
Reserve for exchange gains	217,282	0	0	217,282
Miscellaneous other reserves	541,768	0	-43,077	498,691
Total	5,155,974	999,033	-43,077	4,113,864

Summary statement of the usability of the reserves

The information required by art. 2427, section 7-bis of the Italian Civil Code relating to the specification of the shareholders' equity items with reference to their origin, possibility of use and distributable nature, as well as their use in previous years, can be gathered from the following tables:

	Amount	Origin/ nature	Possibility of use	Available portion	Summary of uses made in the three previous years - for coverage of losses	Summary of uses made in the three previous years - for other reasons
Share capital	250,608			0	0	0
Share premium reserve	20,737,590		share capital increase, coverage of losses, distribution to shareholders	20,731,367	0	0
Legal reserve	43,899			0	0	0
Reserve for treasury shares in portfolio	560,395			0	0	0
<i>Other reserves</i>						
Extraordinary or optional reserve	3,021,269		share capital increase, coverage of losses, distribution to shareholders	3,021,269	999,032	0
Merger surplus reserve	376,622			0	0	0
Reserve for exchange gains	217,282			0	0	0
Miscellaneous other reserves	498,691			0	0	0
Total other reserves	4,113,864			3,021,269	999,032	0
Retained earnings (losses)	1,920,120			1,920,120	0	0
Total	27,626,476			25,672,756	999,032	0
<i>Residual distributable portion</i>				<i>25,672,756</i>		

Provisions for risks and charges

Provisions for risks and charges are recorded under liabilities for a total of € 162,661 (€ 432,188 in the previous year).

The breakdown and the changes in the individual items are presented as follows:

	Pension provision and similar obligations	Provision for taxes, including deferred	Other provisions	Total provisions for risks and charges
Balance at start of the year	3,151	411,922	17,115	432,188
Changes in the year				
Provision in the year	473	0	0	473
Use in the year	0	267,885	2,115	270,000
<i>Total changes</i>	<i>473</i>	<i>-267,885</i>	<i>-2,115</i>	<i>-269,527</i>
Balance at end of the year	3,624	144,037	15,000	162,661

The provision for deferred taxes derives, for € 141,556, of the provision for deferred taxes of the parent company and, for € 2,481, of the provisions for deferred taxes of subsidiaries.

With regard to the information relating to changes in the "Provision for deferred taxation", please see the section "Prepaid and deferred taxation".

EMPLOYEE SEVERANCE INDEMNITY

The employee severance indemnity is recorded under liabilities for € 1,519,307 (€ 1,390,984 in the previous year).

The breakdown and the changes in the individual items are presented as follows:

	Employee severance indemnity
Balance at start of the year	1,390,984
<i>Changes in the year</i>	
Provision in the year	199,966
Use in the year	71,643
<i>Total changes</i>	<i>128,323</i>
Balance at end of the year	1,519,307

Payables

The payables are recorded under liabilities for a total of € 32,810,989 (€ 35,333,772 in the previous year).

The breakdown of the individual items is as follows:

	Opening balance	Closing balance	Change
Bonds	5,000,000	5,000,000	0
Payables due to shareholders for loans	524	524	0
Payables due to banks	16,332,990	15,187,886	-1,145,104
Payables due to other lenders	2,341,945	2,056,013	-285,932
Payments on account	4,060,777	3,810,188	-250,589
Trade payables	2,854,713	2,354,303	-500,410
Payables due to subsidiaries	0	17,568	17,568
Tax payables	941,582	557,305	-384,277
Payables due to social security institutions	1,419,651	1,264,144	-155,507
Other payables	2,381,590	2,563,058	181,468

Total	35,333,772	32,810,989	-2,522,783
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The item "Bonds" is composed of the bond issued by Expert System S.p.A., comprising 50 non-convertible bonds with a par value of € 100,000 each, for a total of € 5,000,000, reserved to professional investors and fully subscribed by the Strategic Fund Trentino Alto Adige managed by Finint Investments SGR S.p.A.. For information on the bond, please refer to the section "Information on the financial instruments issued by the company".

Payables - Broken down by maturity

Information relating to the breakdown of payables by maturity is provided below, pursuant to art. 38.1, letter e) of Italian Legislative Decree 127/1991:

	Balance at start of the year	Change during the year	Balance at end of the year	Portion due within 1 year	Portion due after 1 year	Of which with a duration of over 5 years
Bonds	5,000,000	0	5,000,000	0	5,000,000	0
Payables due to shareholders for loans	524	0	524	0	524	0
Payables due to banks	16,332,990	-1,145,104	15,187,886	4,860,989	10,326,897	0
Payables due to other lenders	2,341,945	-285,932	2,056,013	503,397	1,552,616	0
Payments on account	4,060,777	-250,589	3,810,188	3,642,827	167,361	0
Trade payables	2,854,713	-500,410	2,354,303	2,268,149	86,154	0
Payables due to subsidiaries	0	17,568	17,568	17,568	0	0
Tax payables	941,582	-384,277	557,305	535,725	21,580	0
Payables due to social security institutions	1,419,651	-155,507	1,264,144	1,264,144	0	0
Other payables	2,381,590	181,468	2,563,058	1,563,058	1,000,000	0
Total payables	35,333,772	-2,522,783	32,810,989	14,655,857	18,155,132	0

Payables backed by collaterals on company assets

It should be noted that the payable due to banks secured by a mortgage is the Carige loan, originally for € 347,000, with a residual debt of € 140,634 as at 30/06/2016, taken out in 2009 to purchase a property in Naples, used for Expert System S.p.A.'s offices. It is secured by a mortgage on said asset for an amount of € 434,000 (art. 2427.1.6 of the Italian Civil Code).

The information concerning collaterals on company assets is presented below, pursuant to art. 38.1, letter e) of Italian Legislative Decree No. 127/1991:

	Payables not backed by collaterals	Payables backed by mortgages	Total
Bonds	5,000,000		5,000,000
Payables due to shareholders for loans	524		524
Payables due to banks	15,047,252	140,634	15,187,886
Payables due to other lenders	2,056,013		2,056,013
Payments on account	3,810,188		3,810,188
Trade payables	2,354,303		2,354,303
Payables due to subsidiaries	17,568		17,568
Tax payables	557,305		557,305
Payables due to social security institutions	1,264,144		1,264,144
Other payables	2,563,058		2,563,058
Total payables	32,670,355	140,634	32,810,989

Accrued expenses and deferred income

Accrued expenses and deferred income are recorded under liabilities for a total of € 5,971,104 (€ 5,574,335 in the previous year).

The breakdown and the changes in the individual items are presented as follows:

Accrued expenses and deferred income

	Accrued expenses	Other deferred income	Total accrued expenses and deferred income
Balance at start of the year	200,286	5,374,049	5,574,335
Change during the year	-60,859	457,628	396,769
Balance at end of the year	139,427	5,831,677	5,971,104

Breakdown of accrued expenses

Accrued expenses	Due within 12 months	Due after 12 months	Due after 5 years
Grants	1,781		
Interest expense	94,069		
Commissions	19,188		
Professional services	9,007		
Legal costs	1,153		
Salaries and wages	12,426		
Taxes	1,803		
Total	139,427	0	0

Breakdown of deferred income

Deferred income	Due within 12 months	Due after 12 months	Due after 5 years
Hosting fees	11,221		
Research project grants	2,220,296	918,347	
R&D Tax credits	32,538	81,590	
Software licences	426,822		
Maintenance	2,104,688		
Provision of services	34,406		
Membership fees	10		
Sundry revenues	201		
Professional services	1,557		
Total	4,831,740	999,937	0

Memorandum accounts: guarantees, commitments and risks

The memorandum accounts include entries relating to risks, commitments and guarantees with the exclusion of intercompany ones.

As at the year end date, the following guarantees were outstanding:

	Opening balance	Closing balance	Change
<i>SURETIES</i>	5,128,099	5,165,810	37,711
- to subsidiaries	300,000	300,000	0
- to other companies	4,828,099	4,865,810	37,711

These refer to surety guarantees to banks for € 4,371,410. The remaining € 794,400 is made up as follows:

- € 300,000 for the guarantee given by Expert System S.p.A. to the subsidiary ADmantX S.p.A., assumed by means of a private agreement between Expert System S.p.A. and IMI Fondi Chiusi società di gestione del risparmio S.p.A. (IMI). In respect of said agreement Expert System S.p.A. undertakes to purchase from IMI, in the event the subsidiary ADmantX S.p.A. is unable to repay at the maturity dates set forth by the loan, the bond securities subscribed by IMI. The guarantee originally given for a maximum of 4 bonds with a par value of € 100,000 each for a total of € 400,000, has now dropped to € 300,000 following partial conversion of the bond issue by IMI;
- € 494,400 is made up of the surety undertaken in favour of the investee company Okkam S.r.l..

INFORMATION ON THE INCOME STATEMENT

Sales and service revenues

In relation to the matters laid down by art. 38.1, letter I) of Italian Legislative Decree No. 127/1991, the breakdown of revenues by geographic area is illustrated in the following table:

Breakdown of sales and services by geographic area:

Geographic area	Total	FOREIGN REVENUES	REVENUES – ITALY
Current year balance	8,570,966	3,985,573	4,585,393

Other revenues and income

Other revenues and income are recorded under value of production in the income statement for a total of € 1,248,147 (€ 813,049 in the previous year).

The breakdown of the individual items is as follows:

	Previous period	Current period	Change
Other	18,293	65,307	47,014
Capital grants (portions)	340,480	984,857	644,377
Operating grants	454,276	197,983	-256,293
Total	813,049	1,248,147	435,098

Capital grants

The Group receives grants from various bodies (European Community according to the methods of the Seventh Framework Programme, Horizon 2020, Ministry of Education, Universities and Research, Ministry of Economic Development and other institutions) aimed at financing research and development projects.

These grants are classified under grants related to assets since they are contributions targeted at financing long-term investments. As regards the accounting of these grants, the indirect method envisaged by OIC 16 was chosen, involving the deferral of said grants in proportion to the amortisation of the costs of R&D to which they refer.

Costs for services

Costs for services are recorded under costs of production in the income statement for a total of € 4,768,244 (€ 3,658,357 in the previous year).

The breakdown of the individual items is as follows:

Costs for services	Previous period	Current period	Change
Insurance	124,865	45,516	-79,349
Meal vouchers	48,825	103,679	54,854
ISO Certification	1,503	1,472	- 31
Directors' fees	407,044	533,852	126,808
Consultancy	1,993,698	2,321,356	327,657
Grants	114,984	101,686	-13,298
Board of Statutory Auditors' emoluments	7,000	7,280	280
Charitable donations	4,650	5,937	1,287
Maintenance (plants, furniture, etc.)	24,121	117,527	93,406
Commissions	45,519	13,500	-32,019
Sundry reimbursements	37,134	6,509	-30,625
Administrative services	277,351	71,024	- 206,327
Commercial services	5,993	198,796	192,803
Marketing services	57,446	266,330	208,884
Cleaning services	17,186	35,149	17,964
Security services	1,140	1,139	- 1
AIM listing services	60,752	57,150	- 3,602
Supply of food and beverages	3,826	2,564	- 1,261
Jointly owned property expenses	6,274	17,588	11,315
Operating expenses	26,825	9,309	-17,516
Rental costs	37,270	58,206	20,936
Transfer costs	215,446	495,598	280,151
Bank charges and fees	15,689	44,474	28,785
Postal expenses	2,743	5,525	2,782
Recruitment and hiring expenses	39,911	94,804	54,893
Utilities	81,164	150,713	69,549
Translations	-	1,562	1,562
Total	3,658,357	4,768,244	1,109,887

As clarified in the management report, the increase in service costs is strictly related to the need to incur higher operating costs, closely related to the production of revenues, e.g. for consultancy and commercial services.

Details of the considerations paid to the consultants of Group companies for audit activities, verification and tax consultancy services and other non-audit services are also reported below:

	Expert System S.p.A.	Expert System Iberia S.L.U.	Expert System Cogito Ltd.	Expert System USA Inc.
Audit service costs	10,417	-	-	-
Tax consultancy costs	20,000	3,750	3,663	16,387

Use of third party assets

Costs for the use of third party assets are recorded under costs of production in the income statement for a total of € 640,100 (€ 349,221 in the previous year).

The breakdown of the individual items is as follows:

	Previous period	Current period	Change
Rent and leases payable	145,578	446,491	300,913
Cloud rental	121,859	118,226	- 3,663
Truck rental	1,705	517	- 1,188
Other vehicle rental	53,356	64,865	11,509
Hardware rental	26,723	10,000	- 16,723
Total	349,221	640,100	290,879

Sundry operating expenses

Sundry operating expenses are recorded under costs of production in the income statement for a total of € 151,979 (€ 29,381 in the previous year).

The breakdown of the individual items is as follows:

	Previous period	Current period	Change
Magazine and newspaper subscriptions	5,021	20,793	15,772
Other costs	764	528	- 235
Non-deductible costs	5,777	57,769	51,992
Taxes and duties	5,949	57,682	51,733
Fines and penalties	1,042	2,301	1,259
Membership fees	10,828	12,906	2,078
Total	29,381	151,979	122,598

Interest and other financial expenses

In relation to the matters laid down by art. 38.1, letter l) of Italian Legislative Decree No. 127/1991, the breakdown of the item "interest and other financial expenses" is illustrated in the following table:

	Previous period	Current period	Change
Default interest	263	19	-245
Current account interest	345	2	-342
Interest on loans	1,174	1,366	192
Interest on bond payables	0	100,511	100,511
Interest on mortgages	105,512	161,170	55,658
Surety commissions	21,198	47,756	26,557
Overdraft fees	8,595	11,082	2,487
Loan fees	1,230	1,277	48
Total	138,317	323,182	184,866

Extraordinary income

In relation to the matters laid down by art. 38.1, letter m) of Italian Legislative Decree No. 127/1991, the breakdown of extraordinary income is illustrated in the following table:

	Previous period	Current period	Change
Other extraordinary income	76,551	90,484	13,933
Total	76,551	90,484	13,933

Extraordinary income, totalling € 90,484, is composed of:

- € 10,852 relating to reversals of costs recorded by Expert System S.p.A. in previous years;
- recognition of actual costs higher than the allocation to invoices to be received made as at 31/12/2015, amounting to € 22,929 relating to Expert System USA Inc.;
- extraordinary revenues totalling € 37,471 relating to Expert System Iberia;
- reversal of the bad debt provision for the collection of a receivable previously considered uncollectible totalling € 15,730, relating to Expert System France;

- capital gain on disposal of vehicles totalling € 3,500 relating to Expert System France.

Extraordinary expense

In relation to the matters laid down by art. 38.1, letter m) of Italian Legislative Decree No. 127/1991, the breakdown of extraordinary expense is illustrated in the following table:

	Previous period	Current period	Change
Capital losses from disposals, with effects not recognisable in item 14	0	760	760
Other extraordinary expense	168,599	35,794	-132,805
Total	168,599	36,554	-132,045

Extraordinary expense is composed of:

- € 10,308 in the form of non-deductible costs recorded by Expert System S.p.A., given relating to previous years;
- write-off of uncollectible receivables totalling € 19,359 relating to Expert System USA Inc.;
- grants totalling € 3,447 relating to Expert System Iberia;
- marketing costs for 2012 of € 2,681 relating to Expert System France;
- capital loss on disposal of vehicles totalling € 760 relating to Expert System France.

Income taxes

The breakdown of the individual items is as follows:

	Current taxes	Deferred taxes	Prepaid taxes
IRES	262	-25,035	310,815
Total	262	-25,035	310,815

Current taxes comprise the income taxes of the subsidiary Expert System France S.A.

Prepaid taxes derive, for € 310,138, from the prepaid taxes of the parent company Expert System S.p.A., and for € 677, from the prepaid taxes of the subsidiary Expert System France S.A.. The deferred taxes are composed of those of the parent company for € 27,516, and the consolidation differences (€ 2,481).

Transition to new OIC standards

This dossier has been drafted on the basis of the provisions of Italian Accounting Standards (OIC) prior to the amendments made with Legislative Decree no. 139 of 18 August 2015, published in the Official Journal of the Italian Republic on 04/09/2015, whose provisions came into force on 1 January 2016, and apply to the financial statements for financial years starting from said date.

However, AIM Italia, by means of its recommendation no. 14484 of 22/07/2016, clarifies the non-obligatory nature of the new accounting regulations in drafting the half-yearly report as at 30/06/2016, which will instead be mandatory for half-yearly reports after the financial statements for the year ended as at 31/12/2016, i.e. from 30/06/2017.

In spite of this, for the purposes of a clearer disclosure, listed below are the accounting items that would have been subject to a different accounting classification if the company had opted to adopt the new national accounting standards (OIC) in force from 01/01/2016:

FINANCIAL STATEMENTS ITEM	OIC PRIOR TO DECREE LAW 139/2015	OIC AFTER DECREE LAW 139/2015
TREASURY SHARES € 560,395	Disclosure of the item under Balance Sheet assets, item C.III.5 "Treasury shares", and in Shareholders' equity, item A.VI "Reserve for treasury shares in portfolio".	Disclosure under shareholders' equity of the items "Negative reserve for treasury shares in portfolio" and "Extraordinary reserve"
EXTRAORDINARY INCOME € 90,484	Disclosure under item E20 of Income statement	Recognition of the total amount of € 90,484: - for € 56,701 as an increase of the value of production; - for € 33,781 as a decrease of the costs of production
EXTRAORDINARY EXPENSE € 36,554	Disclosure under item E21 of Income statement	Recognition of the total amount of € 36,554 as an increase of the costs of production

DERIVATIVE CONTRACTS	Indication in the explanatory notes, for each category of derivative financial instruments, of the fair value and information regarding their amount and nature	Negative fair value as at 30/06/16 of € 10,324. Disclosure of the negative fair value under shareholders' equity in the item "Negative reserve for hedging operations", and in the balance sheet liabilities item "Derivative financial instruments - liabilities" reclassified under provisions for risks and charges
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OTHER INFORMATION

Cash flow statement

This has been drawn up on the basis of the indications envisaged by OIC 10.

A) CASH FLOWS FROM OPERATING ACTIVITIES	30/06/2016	31/12/2015
Profit (loss) for the year	(5,049,318)	(3,284,307)
Income taxes	(335,589)	(277,463)
Interest expense (income)	308,378	323,752
(Capital gains)/Capital losses from asset disposals	(2,740)	2,834
Profit/(Loss) for the year before income taxes, interest, dividends and capital gains/losses from disposals	(5,079,268)	(3,235,184)
Allocation to provisions	200,439	484,971
Amortisation/Depreciation of fixed assets	2,945,579	5,140,681
Other adjustments for non-monetary items	23,181	(19,262)
TOTAL ADJUSTMENTS FOR NON-MONETARY ITEMS WITH NO BALANCING ENTRY IN NWC	3,169,199	5,606,390
CASH FLOWS BEFORE CHANGES IN NWC	(1,910,070)	2,371,207
CHANGES IN NET WORKING CAPITAL		
Decrease/(Increase) in inventories	(394,407)	(234,074)
Decrease/(Increase) in receivables due from customers	2,875,143	(2,362,144)
Increase/(Decrease) in trade payables	(500,411)	940,925
Decrease/(Increase) in accrued income and prepaid expenses	(164,163)	(849,401)
Increase/(Decrease) in accrued expenses and deferred income	396,770	1,136,137
Other changes in net working capital	(386,824)	1,837,143
Total changes in net working capital	1,826,108	468,586
CASH FLOWS AFTER CHANGES IN NWC	(83,962)	2,839,793
OTHER ADJUSTMENTS		

Interest collected (paid)	(308,378)	(323,752)
(Income taxes paid)	334,669	(1,575,541)
(Use of provisions)	(339,528)	(101,565)
TOTAL OTHER ADJUSTMENTS	(313,237)	(2,000,858)
CASH FLOWS FROM OPERATING ACTIVITIES (A)	(397,199)	838,935
(Investments in tangible assets)	(169,215)	(387,221)
Disinvestments of tangible assets	2,740	(2,834)
(Investments in intangible assets)	(3,087,541)	(18,571,916)
Disinvestments of intangible assets	0	0
(Investments in non-current financial assets)	(5,789)	(507,256)
Disinvestments of non-current financial assets	0	48,144
(Investments in current financial assets)	(1,249)	(578,906)
Disinvestments of current financial assets	0	3,000,000
CASH FLOWS FROM INVESTING ACTIVITIES (B)	(3,261,053)	(16,999,989)
THIRD PARTY FINANCING		
Increase in payables for bonds	0	5,000,000
Increase/(Decrease) in short-term payables due to banks and other lenders	(336,249)	3,279,061
Obtainment of loans from banks and other lenders	1,000,000	12,000,000
(Reimbursement of loans to banks and other lenders)	(2,094,786)	(4,342,503)
Increase/(Decrease) in third party financing	(1,431,035)	15,936,558
OWN EQUITY		
Share capital increase against payment	0	7,044,716
Other changes in shareholders' equity	229,783	0
Disposal/(Purchase) of treasury shares	0	(471,232)
Increase/(Decrease) in own equity	229,783	6,573,484
CASH FLOWS FROM FINANCING ACTIVITIES (C)	(1,201,252)	22,510,042
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	(4,859,506)	6,348,987
Cash and cash equivalents at start of year	11,249,327	4,900,340
Cash and cash equivalents at year end	6,389,821	11,249,327
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(4,859,506)	6,348,987

Statement of reconciliation between shareholders' equity and result for the year of the parent company and the corresponding consolidated balances

	Shareholders' equity	Of which: result for the year
Balances as per the financial statements of the parent company	24,244,054	-1,104,612
Adjusted balances as per the financial statements of the parent company	24,244,054	-1,104,612
Effect of the valuation of equity investments using the line-by-line method		
- Elimination of the book values of the investees	-1,387,896	
- Shareholders' equities of the investees	-3,567,379	
- Elimination of reserves	-463,754	
- Elimination of retained earnings (losses)	1,018,372	
- Investees' result for the year	-2,825,316	-3,088,948
- Amortisation of consolidation differences	-1,109,459	-861,095
	-8,335,433	-3,950,043
Other adjustments	-9,931	5,337
<i>Total adjustments</i>	-8,345,364	-3,944,706
Group shareholders' equity and result for the year	15,898,690	-5,049,318
Consolidated shareholders' equity and result for the year	15,898,690	-5,049,318

List of companies included in the scope of consolidation

In relation to the matters laid down by art. 38.2, letters a) to d) of Italian Legislative Decree No. 127/1991, the following lists are presented:

List of equity investments included in the scope of consolidation using the line-by-line method

(the values are expressed in their specific currencies):

Company name	Registered offices	Currency	Share capital	Shareholders' equity	Profit/(Loss)	Book value	Group direct holding	Group indirect holding
Expert System USA Inc.	Alexandria (USA)	\$ USA	0.71	-\$4,319,175	-\$686,949	€ 1	100.00%	
Expert System Enterprise Corp.	Rockville (USA)	\$ USA	200.00	-\$3,169,953	-\$951,877			100.00%
Expert System Cogito Ltd.	London (UK)	£	1,000	-£374,362	-£160,908	€ 1,248	100.00%	

Expert System Iberia S.L.U.	Barcelona (ESP)	€	3,000	- € 1,312,887	-€ 752,883	€ 47,344	100.00%	
Expert System France S.A.	Paris (FRA)	€	1,357,811	-€ 2,363,250	-€ 117,732	€ 11,810,831	100.00%	
Expert System Canada	Montreal (CAN)	\$ Can.	1,000	-\$73,619	-\$41,650			100.00%
Temis GMBH	Heidelberg (GER)	€	25,000	-€ 189,909	-€ 246,988			100.00%

List of equity investments in subsidiaries and associates

(the values relate to the last set of financial statements available as at 31/12/2015):

Company name	Registered offices	Currency	Share capital	Shareholders' equity	Profit/ (Loss)	Book value	Group direct holding	Group indirect holding
ADmantX S.p.A.	Naples	€	€ 217,359	€ 1,918,335	-€ 1,412,365	€ 4,153,074	60.70%	
ADmantX Inc.	West Hartford	\$	\$ 9,185	-\$2,193,239	-\$322,618			60.70%
CY4GATE S.r.l.	Rome	€	€ 300,000	€ 2,069,957	-€ 1,030,043	€ 307,673	30.00%	

Fees for the directors and statutory auditors of the parent company

The information concerning the fees of the directors and statutory auditors of the parent company for the performance of these functions also in other companies included in the scope of consolidation, as per art. 38.1, letter o) of Italian Legislative Decree No. 127/1991, is presented below:

	Value
Directors' fees	633,694
Statutory Auditors' fees	7,280
Total Directors' and Statutory Auditors' fees	640,974

Class of shares issued by the company

Description	Closing balance, number
Ordinary shares	27,670,330

At the reporting date, there were 27,670,330 outstanding ordinary shares with no par value.

Information on the financial instruments issued by the company (Ref. art. 2427.1.19 of the Italian Civil Code)

The company has issued a bond loan comprising 50 non-convertible bonds with a par value of € 100,000 each, for a total of € 5,000,000. The bond loan issue is reserved for professional investors and was fully subscribed by the Fondo Strategico Trentino Alto Adige managed by Finint Investments SGR S.p.A.

The main terms and conditions of the Bond Loan are as follows:

Amount	Nominal amount of € 5,000,000.00
Issue date	31/07/2015
Maturity	31/12/2024, date of redemption of the bond loan
Issue price	100% of the nominal value of each bond
Interest rate	Gross annual fixed rate of 4% with half-yearly payments from January 2016
Bond structure	Amortising with 4 years of pre-amortisation

Information on the fair value of derivative financial instruments (Ref. art. 2427-bis.1.1 of the Italian Civil Code)

Information is provided below on the fair value, amounts and the nature of each category of derivative financial instruments put into place by the company, with breakdown by class, taking into account aspects such as the instruments' characteristics and their purpose.

The company has signed the following derivative contract with CARIPARMA:

- Derivative contract type: IRS no. 59746/2014, unlisted;
- Purpose: hedging;

- Transaction with no principal swap on expiry;
- Initial notional amount € 1,200,000;
- Notional amount at the reference date (30/06/2016): € 620,345;
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: negative fair value of € 10,323.87, client side;
- Liability hedged: CARIPARMA mortgage no. 04 107 008852280000, originated for € 1,200,000, signed on 23/12/2013.

Information on transactions carried out by the parent company with related parties (Ref. art. 2427.1.22-bis of the Italian Civil Code)

Information relating to transactions with the subsidiaries ADMANTX S.p.A., Expert System USA Inc., Expert System Cogito Ltd., Expert System Iberia S.L.U., Expert System France, Expert System Enterprise Corp., Expert System GMBH and the associate Cy4Gate S.r.l. is provided below, exclusively for reasons of greater disclosure transparency. The agreements were in any event entered into under normal market conditions (arm's-length basis).

Company	Financial payables	Financial receivables	Trade receivables	Trade payables	Sales	Purchases
ADMANTX S.P.A.	-	26,787	43,030	17,568	20,271	14,400
EXPERT SYSTEM USA INC.	-	2,436,772	1,913,334	188,213	25,201	168
EXPERT SYSTEM LTD.	-	533,250	133,421	-	68,817	-
CY4GATE S.R.L.	-	402,521	-	-	5,789	-
EXPERT SYSTEM IBERIA S.L.U.	-	2,877,610	219,667	60,708	88,244	46,877
EXPERT SYSTEM FRANCE S.A.	-	902,213	50,599	17,133	15,812	17,133
EXPERT SYSTEM ENT CORP.	-	996,929	162,922	72,155	169,039	72,155
EXPERT SYSTEM GMBH	-	-	11,048	7,484	11,048	7,484
Total	-	8,176,082	2,534,021	363,261	404,221	158,217

Trade and sundry transactions

Company	Payables	Receivables	Guarantees	Commitments	Costs	Revenues
ADMANTX S.P.A.	17,568	43,030	-	-	14,400	20,271
EXPERT SYSTEM USA INC.	188,213	1,913,334	-	-	168	9,368
EXPERT SYSTEM LTD.	-	133,421	-	-	-	64,779
CY4GATE S.R.L.	-	-	-	-	-	-
EXPERT SYSTEM IBERIA S.L.U.	60,708	219,667	-	-	46,877	61,940

EXPERT SYSTEM FRANCE S.A.	17,133	50,599	-	-	17,133	13,599
EXPERT SYSTEM ENT CORP.	72,155	162,922	-	-	72,155	162,922
EXPERT SYSTEM GMBH	7,484	11,048	-	-	7,484	11,048
Total	363,261	2,534,021	-	-	158,217	343,927

Financial transactions

Company	Payables	Receivables	Guarantees	Commitments	Expenses	Income
ADMANTX SPA	-	26,787	-	-	-	-
EXPERT SYSTEM USA INC	-	2,436,772	-	-	-	15,833
EXPERT SYSTEM LTD	-	533,250	-	-	-	4,038
CY4GATE S.R.L.	-	402,521	-	-	-	5,789
EXPERT SYSTEM IBERIA S.L.U.	-	2,877,610	-	-	-	26,304
EXPERT SYSTEM FRANCE	-	902,213	-	-	-	2,213
EXPERT SYSTEM ENT CORP	-	996,929	-	-	-	6,117
EXPERT SYSTEM GMBH	-	-	-	-	-	-
Total	-	8,176,082	-	-	-	60,294

These relations, which do not include atypical and/or unusual transactions, are regulated by normal market conditions. Indication of the reasons and interests whose assessment has affected the main decisions adopted, also in consideration of the interests of the related group, are presented below.

With the subsidiary ADmantX S.p.A.:

Sales

- Lease agreement for property in Naples, Via Nuova Poggio Reale, Centro Polifunzionale Inail (Inail – National Institute for Insurance against Accidents at Work - Multi-purpose centre), where the company has its registered offices: half-yearly rent of € 2,542;
- Sub-letting agreement for local office in Modena, Via Virgilio 56/Q: half-yearly rent of € 1,834;
- Services contract relating to accounting support, company economic-financial consultancy, secretarial and general services:
 - Fee for accounting support and company consultancy € 12,000;
 - Fee for secretary activities € 600;
 - Fee for general services (telephone, cleaning services and material, security, electricity, stationery, management software maintenance): lump-sum reimbursement (4.15%) of costs totalling € 3,295 incurred by Expert System S.p.A..

The balance sheet items affected by these contracts are reclassified in the following accounts:

- C.II.2 Receivables due from subsidiaries

The income statement items are reclassified within the following accounts:

- A.5 Other revenues and income

Purchases

- Job technical consultancy: € 14,400

The balance sheet items affected by this transaction are reclassified in the following accounts:

- D) 9 Payables due to subsidiaries

The income statement items are reclassified within the following accounts:

- B) 7 Service costs

With the subsidiary Expert System USA Inc.:

- Loan granted to the subsidiary for € 2,420,939, bearing interest in 2016 for € 15,833.

Sales

- Granting of licences for € 9,368

Purchases

- Professional service activities performed by the subsidiary for € 188,045;
- Re-invoicing of sundry expenses of € 168 by the subsidiary.

With the subsidiary Expert System Cogito Ltd.:

- Loan granted to the subsidiary for € 529,212, bearing interest in 2016 for € 4,038

Sales

- Professional service activities performed for the subsidiary for € 64,779;
- Re-invoicing of sundry expenses of € 2,510 to the subsidiary.

With the subsidiary Expert System Iberia S.L.U.:

- Loan granted to the subsidiary for € 2,850,600, bearing interest in 2016 for € 26,304.

Sales

- Professional service activities performed for the subsidiary for € 35,648 and granting of licences for € 21,494;
- Hardware sales for € 4,532;

- Re-invoicing of sundry expenses of € 266 to the subsidiary.

Purchases

- Professional service activities performed by the subsidiary for € 46,877

With the subsidiary Expert System France S.A.:

- Loan granted to the subsidiary for € 900,000, bearing interest in 2016 for € 2,213.

Sales

- Professional service activities performed for the subsidiary for € 12,464;
- Re-invoicing of sundry expenses of € 1,135 to the subsidiary.

Purchases

- Professional service activities performed by the subsidiary for € 17,133

With the subsidiary Expert System Enterprise Corp.:

- Loan granted to the subsidiary for € 990,812, bearing interest in 2016 for € 6,117.

Sales

- Professional service activities performed for the subsidiary for € 80,421 and granting of licences for € 80,536;
- Re-invoicing of sundry expenses of € 1,965 to the subsidiary.

Purchases

- Professional service activities performed by the subsidiary for € 72,155

With the subsidiary Expert System Deutschland GMBH:

Sales

- Professional service activities performed for the subsidiary for € 3,548 and granting of licences for € 7,500;

Purchases

- Professional service activities performed by the subsidiary for € 7,484

With the associate Cy4Gate S.r.l.:

- Loan granted to the subsidiary

The balance sheet item affected by this transaction is:

- III) Non-current financial assets, 2) Receivables, a) Due from subsidiaries for € 402,520

The income statement item is reclassified in the following account:

- Financial income and expenses, 16) Other financial income, d) other income for € 5,789.

This half-yearly financial report of the Expert System Group as at 30/06/2016, whose financial statements are composed of the Balance Sheet, Income Statement and Explanatory Notes, give a true and fair view of the financial position and the result for the year and correspond to the accounting records.

Chairman of the Board of Directors

Marco Varone



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