

Expert System: the Board of Directors approves the Financial Report as at 30 June 2016

Value of production amounts to € 13.1 million, up by +80.5% compared to 30 June 2015

- **Value of production** amounts to € 13.1 million, up by +80.5% compared to the consolidated value of production as at 30 June 2015 (€ 7.3 million), of which € 7.7 million of Expert System S.p.A. (+39.7% compared to 30 June 2015);
- **Sales revenues** amount to € 9.0 million, up by +85.1% compared to the revenues as at 30 June 2015 (€ 4.9 million), of which € 5.5 million of Expert System S.p.A. (+74.5% compared to 30 June 2015);
- **Foreign revenues** amount to € 4.3 million, up by +90.4% compared to the foreign revenues as at 30 June 2015 (€ 2.3 million), accounting for 48.5% of total revenues as at 30 June 2016;
- Negative **EBITDA** of € 1.9 million (negative € 1.5 million as at 30 June 2015), positive € 0.1 million for Expert System S.p.A. (up +114.2% over the same period in 2015);
- **Net loss** of € 5.0 million (loss of € 2.1 million as at 30 June 2015) due to the amortisation of the consolidation difference (€ 1.1 million), amortisation of the investments in R&D (€ 1.4 million) and the impact of financial management (€ 0.5 million);
- **Net Financial Position** of € 13.9 million (€ 10.5 million as at 31 December 2015);
- **Considerable growth** of the commercial pipeline (+240%) and orders acquired (+70%) in the first 8 months of 2016 compared to the same period in 2015, confirming the Company's successful continuation of the process of commercial penetration launched at national and international level.

Modena, 28 September 2016

The Board of Directors of Expert System, a leading company in the development of semantic software for the strategic management of information and big data, listed on the AIM Italia market, organised and managed by Borsa Italiana, on today's date approved the Half-Yearly Financial Report as at 30 June 2016. It should be noted that this Half-Yearly Report was not audited and that the data reported as at 30 June 2015 are of a management nature and, therefore, are shown purely for comparative purposes.

Stefano Spaggiari, Chief Executive Officer of Expert System, commented:

“The first half results were achieved within the context of a process of deep transformation of Expert System from a national company to an international leader in the highly competitive cognitive computing and artificial intelligence sector. In fact, a process of integration and harmonisation with the acquired entities is underway, the most significant of which joined the group at the end of 2015, and new initiatives for the international government markets have got up to full speed, whose results may materialise in part at the end of the current year, but in 2017 in particular, the year in which the reference sector will mature further. The significant investments made and in progress throughout the whole of 2016, from both a technological and internationalisation point of view, helped Expert System to be recently selected in the top 10 companies in the world, from 200 examined, in the prestigious report from the research company Forrester, dedicated to the best platforms for the analysis of big data and text analytics, proof of the importance and the amount of work carried out up to now, despite the available resources clearly being very different from those of the global giants mentioned in the report.

From the moment of the listing, around two years ago, Expert System has experienced, and continues to experience, a new phase of significant growth marked, as is normal in an international hi-tech sector, by major investments, use of financial resources to privilege, in the short-term, the creation of intangible value linked to the IP and to the positioning on the developing markets; in fact, Expert System has become the largest company in Europe specialised in semantic technology for cognitive computing.

The seasonal nature of the business is another factor to consider for the purposes of the analysis of the first half results, historically and considerably weaker with respect to the second half of the year; in particular, concrete pipelines of opportunity have been identified on international markets, including of a long-term nature, proof of the fact that the integration and development work is starting to bear fruit and may materialise over the next year in particular, both from a revenue and financial point of view. These prospects are confirmed by the considerable growth of the commercial pipeline (+240%) and orders acquired (+70%) in the first 8 months of 2016 compared to the same period in 2015. The brilliant result of the recent share capital increase of roughly € 4.7 million, fully subscribed, is incorporated in the project to strengthen Expert System’s position even further as one of the most important international players in one of the emerging and key sectors of the hi-tech industry, with excellent prospects for the years to come”.

Consolidated economic-financial results as at 30 June 2016

The scope of consolidation as at 30 June 2016 includes not only the parent company Expert System S.p.A., but the following wholly-owned subsidiaries: Expert System USA Inc, Expert System Cogito Ltd., Expert System Iberia S.l.u., Expert System France S.A., Expert System Enterprise Corp., Expert System Canada – Semantic Technologies Inc. and Expert System Deutschland GmbH. The results of the first half are compared below with the consolidated

results as at 30 June 2015, whose scope of consolidation includes Expert System S.p.A, Expert System USA Inc., Expert System Cogito Ltd. and Expert System Iberia S.l.u.

The **Value of production** amounts to € 13.1 million, up by +80.5% compared to the consolidated value of production as at 30 June 2015 (€ 7.3 million).

Sales revenues amounts to € 9.0 million, up by +85.1% compared to the consolidated sales revenues as at 30 June 2015 (€ 4.9 million). In particular, **foreign revenues**, equal to 48.5% of the total, recorded an increase of +90.4% over the consolidated foreign revenues as at 30 June 2015 (equal to € 2.3 million).

EBITDA was a negative € 1.9 million, compared to a negative EBITDA of € 1.5 million as at 30 June 2015, due to the significant costs of developing an internationalisation and integration plan of the different group companies, both on the product development side (in particular with the enhancement of certain strategic languages for the business, the new release of Cogito Studio, the command centre “designed” by Expert System to support companies with the creation of text analytics applications powered by Cogito, and the launch of Analysts’ Workspace, a new solution for the advanced knowledge management in support of the strategic decision-making processes), and on the sales side, with the development of the sales force and marketing and promotion activities.

EBIT was a negative € 4.9 million compared to a negative EBIT of € 2.5 million as at 30 June 2015, due mainly to the amortisation of the investments in R&D (€ 1.4 million), the amortisation of the consolidation difference generated by the elimination of the equity investments in subsidiaries against that of the corresponding shareholders’ equities (€ 1.1 million) and, lastly, to a lesser extent, the impact of financial management (€ 0.5 million).

The **net loss** came to € 5.0 million, compared to a loss of € 2.1 million as at 30 June 2015.

The **Net Financial Position** came to € 13.9 million, compared to a net financial position of € 10.5 million as at 31 December 2015.

Significant events in the first half of 2016

28 June 2016 - 2015 financial statements and proposed share capital increase in support of the 2016-2019 strategic objectives approved by the Shareholders’ Meeting. The share capital increase envisages the issuing of free warrants to subscribers.

12 May 2016 - Expert System is among the 10 most important companies in the analysis of Big Data: the independent research company Forrester, globally recognised as one of the most authoritative in the business and technology environment, rewarded Cogito’s unique potential, including the company in its latest report dedicated to the top ten big data text analytics companies.

Significant events after the close of the first half of 2016

13 September 2016 - Share capital increase successfully completed with the subscription of 100% of the 2,609,552 new shares offered, for a value of € 4.7 million, and the simultaneous free assignment of 2,497,552 warrants.

Business outlook

The Group expects the heavy investments made in 2016 to produce significant results in 2017, when the synergies between the integrated companies, the optimisation of the different resources, as well as strengthening of the offer, will lead to a better return and bolster the company's international leadership even further.

The consolidated half-yearly financial report as at 30 June 2016 will be made available to the public in accordance with the terms and methods set out in the AIM Italia Issuers' Regulation, as well as on the company's website, www.expertsystem.com, in the "Investor Relations - Financial Reports" section.

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

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Attached:

- Consolidated income statement as at 30 June 2016
- Consolidated equity-financial position as at 30 June 2016
- Consolidated net financial position as at 30 June 2016

- Expert System S.p.A. income statement as at 30 June 2016
- Expert System S.p.A. equity-financial position as at 30 June 2016
- Expert System S.p.A. net financial position as at 30 June 2016

Consolidated Profit & Loss Account Expert System Group	30/06/2016	30/06/2015	Change
Net revenue	8.570.966	5.502.931	3.068.035
Inventory change	392.791	(660.705)	1.053.496
Own work capitalised	2.942.807	1.633.711	1.309.096
Other income	1.248.147	813.049	435.098
Production value	13.154.712	7.288.986	5.865.726
External operating costs	(6.008.496)	(4.305.284)	(1.703.212)
Economic value added (EVA)	7.146.216	2.983.702	4.162.514
Cost of labour	(9.098.826)	(4.463.068)	(4.635.758)
EBITDA	(1.952.610)	(1.479.366)	(473.244)
Amortization, depreciation and other provisions	(2.945.579)	(1.039.115)	(1.906.464)
Net operating profit	(4.898.189)	(2.518.481)	(2.379.708)
Financial income and expenses	(540.646)	91.398	(632.044)
Ordinary profit	(5.438.835)	(2.427.083)	(3.011.752)
Net Extraordinary components	53.928	(92.048)	145.976
Pre - tax results	(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)

Consolidated Balance Sheet Expert System Group	30/06/2016	31/12/2015	Change
Net intangible assets	18.791.853	18.539.026	252.826
Net tangible assets	974.080	915.731	58.349
Equity investments and other non – current financial assets	5.725.257	6.246.290	(521.032)
Fixed capital	25.491.191	25.701.047	(209.856)
Short-term financial assets	4.153.074	4.153.074	0
Warehouse inventories	2.191.264	1.796.857	394.407
Trade receivables	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 assets	22.566.050	24.584.689	(2.018.639)
Trade Payables	(2.354.303)	(2.854.713)	500.411
Advance payments	(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 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/long – 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

Consolidated Net Financial Position Expert System Group	30/06/2016	31/12/2015	Change
Bank deposits	6.387.460	11.247.267	(4.859.807)
Cash at bank and in hand	2.361	2.060	301
Treasury shares	560.395	560.395	0
Cash and cash equivalents and treasury shares	6.950.216	11.809.722	(4.859.506)
Current financial assets	1.355.294	1.354.044	1.251
Bonds and convertible bonds (within 12 months)			
Payables for shareholder loans (within 12 months)			
Payables due to banks (within 12 months)	(4.860.989)	(4.847.800)	(13.189)
Payables due to other lenders (within 12 months)	(503.397)	(587.262)	83.865
Advances for overseas payments			
Short – term portion of loans			
Financial receivables			
Short-term financial payables	(5.364.386)	(5.435.062)	70.676
Net short-term financial position	2.941.124	7.728.703	(4.787.580)
Bonds and convertible bonds (over 12 months)	(5.000.000)	(5.000.000)	0
Payables for shareholder loans (over 12 months)			
Payables due to banks (after 12 months)	(10.326.897)	(11.485.190)	1.158.292
Payables due to other lenders (after 12 months)	(1.552.616)	(1.754.683)	202.067
Advances for overseas payments			
Long – term portion of loans			
Financial receivables			
Net medium/long-term financial position	(16.879.513)	(18.239.873)	1.360.359
Net financial position	(13.938.390)	(10.511.169)	(3.427.220)

Profit & Loss Account Expert System S.p.A.	30/06/2016	30/06/2015	Change
Net revenue	5.380.330	3.865.617	1.514.713
Inventory change	88.719	(731.695)	820.414
Own work capitalised	1.643.177	1.633.711	9.465
Other income	584.773	742.978	(158.205)
Production value	7.697.000	5.510.611	2.186.388
External operating costs	(3.670.665)	(3.376.227)	(294.439)
Economic value added (EVA)	4.026.334	2.134.385	1.891.949
Cost of labour	(3.883.281)	(3.142.634)	(740.647)
EBITDA	143.053	(1.008.249)	1.151.302
Amortization, depreciation and other provisions	(1.170.010)	(961.711)	(208.299)
Net operating profit	(1.026.957)	(1.969.960)	943.003
Financial income and expenses	(415.816)	114.692	(530.508)
Ordinary profit	(1.442.773)	(1.855.269)	412.496
Net Extraordinary components	545	(91.345)	91.890
Pre - tax results	(1.442.228)	(1.946.614)	504.386
Income taxes	337.616	450.066	(112.450)
Net profit (loss)	(1.104.612)	(1.496.548)	391.936

Balance Sheet Expert System S.p.A.	30/06/2016	31/12/2015	Change
Net intangible assets	6.280.767	5.720.373	560.395
Net tangible 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 capital	31.273.841	28.858.561	2.415.280
Short-term financial assets	4.153.074	4.153.074	0
Warehouse inventories	1.803.258	1.714.539	88.719
Trade receivables	5.116.828	6.493.691	(1.376.863)
Other receivables	8.745.984	7.105.028	1.640.956
Accrued income and prepaid expenses	902.916	796.548	106.367
Short-term assets	20.722.060	20.262.881	459.179
Trade Payables	(1.118.769)	(1.579.333)	460.564
Advance payments	(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 liabilities	(10.209.941)	(7.465.364)	(2.744.577)
Net working capital	10.512.119	12.797.517	(2.285.398)
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/long – term liabilities	(3.611.105)	(6.386.409)	2.775.304
INVESTED CAPITAL	38.174.855	35.269.668	2.905.186
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)

Net Financial Position Expert System S.p.A.	30/06/2016	31/12/2015	Change
Bank deposits	5.051.630	9.393.911	(4.342.280)
Cash at bank and in hand	2.087	1.772	315
Treasury shares	560.395	560.395	0
Cash and cash equivalents and treasury shares	5.614.112	9.956.078	(4.341.966)
Current financial assets	987.748	987.748	0
Bonds and convertible bonds (within 12 months)			
Payables for shareholder loans (within 12 months)			
Payables due to banks (within 12 months)	(4.801.070)	(3.680.182)	(1.120.888)
Payables due to other lenders (within 12 months)	(296.351)	(389.045)	92.694
Advances for overseas payments			
Short – term portion of loans			
Financial receivables			
Short-term financial payables	(5.097.421)	(4.069.227)	(1.028.194)
Net short-term financial position	1.504.440	6.874.599	(5.370.159)
Bonds and convertible bonds (over 12 months)	(5.000.000)	(5.000.000)	0
Payables for shareholder loans (over 12 months)			
Payables due to banks (after 12 months)	(10.326.897)	(11.485.190)	1.158.292
Payables due to other lenders (after 12 months)	(108.345)	(310.412)	202.068
Advances for overseas payments			
Long – term portion of loans			
Financial receivables			
Net medium/long-term financial position	(15.435.242)	(16.795.602)	1.360.360
Net financial position	(13.930.802)	(9.921.003)	(4.009.799)