



## Financial statements for the year ended 31/12/2014



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## **Consolidated financial statements as at 31/12/2014**



## EXPERT SYSTEM GROUP

### Consolidated financial statements as at 31/12/2014

#### BALANCE SHEET

| ASSETS  | 31/12/2014 | 31/12/2013 |
|---|------------|------------|
| <b>A) SUBSCRIBED CAPITAL, UNPAID</b>                    |            |            |
| <b>Total subscribed capital, unpaid</b>                 | <b>0</b>   | <b>0</b>   |
| <b>B) FIXED ASSETS</b>                                  |            |            |
| <i>I - Intangible fixed assets</i>                      |            |            |
| 1) Start-up and expansion costs                         | 589,021    | 12,031     |
| 2) Costs of research, development and advertising       | 3,994,152  | 2,380,535  |
| 3) Industrial patent and intellectual property rights   | 21,562     | 24,001     |
| 4) Concessions, licences, trademarks and similar rights | 4,214      | 1,796      |

|                                   |           |           |
|-----------------------------------|-----------|-----------|
| 5) Goodwill                       | 20,066    | 26,755    |
| 7) Other                          | 10,940    | 17,325    |
| Total intangible fixed assets (I) | 4,639,955 | 2,462,443 |

*II - Tangible fixed assets*

|                                  |         |         |
|----------------------------------|---------|---------|
| 1) Land and buildings            | 395,999 | 407,087 |
| 2) Plant and machinery           | 26,231  | 5,407   |
| 4) Other assets                  | 269,834 | 210,031 |
| Total tangible fixed assets (II) | 692,064 | 622,525 |

*III - Non-current financial assets*

|  |         |       |
|--|---------|-------|
| 1) Equity investments                    |         |       |
| a) subsidiaries                          | 46,144  | 0     |
| b) associates                            | 281,673 | 0     |
| d) other companies                       | 59,138  | 9,138 |
| Total equity investments (1)             | 386,955 | 9,138 |
| Total non-current financial assets (III) | 386,955 | 9,138 |

|                               |                  |                  |
|-------------------------------|------------------|------------------|
| <b>Total fixed assets (B)</b> | <b>5,718,974</b> | <b>3,094,106</b> |
|-------------------------------|------------------|------------------|

**C) CURRENT ASSETS***I) Inventories*

|                              |           |         |
|------------------------------|-----------|---------|
| 3) Contract work in progress | 1,562,783 | 476,015 |
| Total inventories (I)        | 1,562,783 | 476,015 |

*II) Receivables*

|   |           |           |
|---|-----------|-----------|
| 1) Due from customers                       |           |           |
| Within 12 months                            | 7,865,708 | 5,690,126 |
| Total receivables due from customers (I)    | 7,865,708 | 5,690,126 |
| 2) Due from subsidiaries                    |           |           |
| Within 12 months                            | 87,241    | 668,690   |
| After 12 months                             | 726,787   | 26,787    |
| Total receivables due from subsidiaries (2) | 814,028   | 695,477   |

|   |                   |                   |
|---|-------------------|-------------------|
| 4-bis) Tax receivables                  |                   |                   |
| Within 12 months                        | 38,348            | 146,507           |
| After 12 months                         | 102,257           | 126,524           |
| Total tax receivables (4-bis)           | 140,605           | 273,031           |
| 4-ter) Prepaid taxes                    |                   |                   |
| Within 12 months                        | 6,783             | 7,426             |
| After 12 months                         | 42,608            | 51,801            |
| Total prepaid taxes (4-ter)             | 49,391            | 59,227            |
| 5) Other receivables                    |                   |                   |
| Within 12 months                        | 2,544,647         | 4,672,019         |
| After 12 months                         | 6,290,681         | 4,919,872         |
| Total other receivables (5)             | 8,835,328         | 9,591,891         |
| Total receivables (II)                  | 17,705,060        | 16,309,752        |
| <i>III - Current financial assets</i>   |                   |                   |
| 1) Equity investments in subsidiaries   | 4,153,074         | 1,133,650         |
| 4) Other equity investments             | 8,400             | 8,400             |
| 5) Treasury shares                      | 89,163            | 0                 |
| 6) Other securities                     | 4,073,169         | 0                 |
| Total current financial assets (III)    | 8,323,806         | 1,142,050         |
| <i>IV - Cash and cash equivalents</i>   |                   |                   |
| 1) Bank and postal deposits             | 4,898,970         | 3,333,024         |
| 3) Cash at bank and in hand             | 1,370             | 1,501             |
| Total cash and cash equivalents (IV)    | 4,900,340         | 3,334,525         |
| <b>Total current assets (C)</b>         | <b>32,491,989</b> | <b>21,262,342</b> |
| <b>D) ACCRUALS AND DEFERRALS</b>        |                   |                   |
| Accrued income and prepaid expenses     | 189,002           | 169,918           |
| <b>Total accruals and deferrals (D)</b> | <b>189,002</b>    | <b>169,918</b>    |
| <b>TOTAL ASSETS</b>                     | <b>38,399,965</b> | <b>24,526,366</b> |

**BALANCE SHEET**

| <b>LIABILITIES</b>  | <b>31/12/2014</b> | <b>31/12/2013</b> |
|---|-------------------|-------------------|
| <b>A) SHAREHOLDERS' EQUITY</b>                                  |                   |                   |
| I - Share capital   | 219,497           | 144,000           |
| II - Share premium reserve                                      | 13,768,730        | 1,468,843         |
| III - Revaluation reserves                                      | 0                 | 0                 |
| IV - Legal reserve  | 40,067            | 28,800            |
| V - Statutory reserves  | 0                 | 0                 |
| VI - Reserve for treasury shares in portfolio                   | 89,163            | 0                 |
| <i>VII) Other reserves, indicated separately</i>                |                   |                   |
| Extraordinary or optional reserve                               | 3,711,110         | 3,592,196         |
| Merger surplus reserve  | 376,622           | 376,622           |
| Miscellaneous other reserves                                    | 233,252           | 126,756           |
| Total other reserves  | 4,320,984         | 4,095,574         |
| VIII - Retained earnings (losses)                               | -1,569,154        | -475,229          |
| <i>IX - Profit (loss) for the year</i>                          |                   |                   |
| Profit (loss) for the year                                      | 88,529            | -605,169          |
| Residual profit/(loss)  | 88,529            | -605,169          |
| Total shareholders' equity                                      | 16,957,816        | 4,656,819         |
| <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                 |
| <b>Total consolidated shareholders' equity</b>                  | <b>16,957,816</b> | <b>4,656,819</b>  |
| <b>B) PROVISIONS FOR RISKS AND CHARGES</b>                      |                   |                   |
| 1) Pensions and similar obligations                             | 1,969             | 836               |

|   |                  |                |
|---|------------------|----------------|
| 2) Taxation, including deferred                         | 83,158           | 6,340          |
| 3) Other  | 149,262          | 160,000        |
| <b>Total provisions for risks and charges (B)</b>       | <b>234,389</b>   | <b>167,176</b> |
| <b>C) EMPLOYEE SEVERANCE INDEMNITY</b>                  | <b>1,126,002</b> | <b>948,598</b> |
| <b>D) PAYABLES</b>                                      |                  |                |
| 4) Payables due to banks                                |                  |                |
| Within 12 months  | 2,647,115        | 2,693,555      |
| After 12 months   | 4,381,995        | 4,462,615      |
| Total payables due to banks (4)                         | 7,029,110        | 7,156,170      |
| 5) Payables due to other lenders                        |                  |                |
| Within 12 months  | 293,183          | 291,472        |
| After 12 months   | 416,608          | 709,791        |
| Total payables due to other lenders (5)                 | 709,791          | 1,001,263      |
| 6) Payments on account                                  |                  |                |
| Within 12 months  | 1,721,747        | 1,524,588      |
| After 12 months   | 1,644,448        | 1,512,933      |
| Total payments on account (6)                           | 3,366,195        | 3,037,521      |
| 7) Trade payables                                       |                  |                |
| Within 12 months  | 1,913,788        | 1,109,165      |
| Total trade payables (7)                                | 1,913,788        | 1,109,165      |
| 12) Tax payables  |                  |                |
| Within 12 months  | 1,454,606        | 718,443        |
| Total tax payables (12)                                 | 1,454,606        | 718,443        |
| 13) Payables due to social security institutions        |                  |                |
| Within 12 months  | 235,348          | 199,194        |
| Total payables due to social security institutions (13) | 235,348          | 199,194        |
| 14) Other payables                                      |                  |                |
| Within 12 months  | 934,723          | 943,140        |



|   |                   |                   |
|---|-------------------|-------------------|
| Total other payables (14)               | 934,723           | 943,140           |
| <b>Total payables (D)</b>               | <b>15,643,561</b> | <b>14,164,896</b> |
| <b>E) ACCRUALS AND DEFERRALS</b>        |                   |                   |
| Accrued expenses and deferred income    | 4,438,197         | 4,588,877         |
| <b>Total accruals and deferrals (E)</b> | <b>4,438,197</b>  | <b>4,588,877</b>  |
| <b>TOTAL LIABILITIES</b>                | <b>38,399,965</b> | <b>24,526,366</b> |

**MEMORANDUM ACCOUNTS**

|                                    | <b>31/12/2014</b> | <b>31/12/2013</b> |
|------------------------------------|-------------------|-------------------|
| Risks assumed by the company       |                   |                   |
| Sureties                           |                   |                   |
| to subsidiaries                    | 300,000           | 400,000           |
| to other companies                 | 6,952,948         | 3,594,100         |
| Total sureties                     | 7,252,948         | 3,994,100         |
| Other risks                        |                   |                   |
| Total risks assumed by the company | 7,252,948         | 3,994,100         |
| <b>TOTAL MEMORANDUM ACCOUNTS</b>   | <b>7,252,948</b>  | <b>3,994,100</b>  |

**INCOME STATEMENT**

|  | <b>31/12/2014</b> | <b>31/12/2013</b> |
|--|-------------------|-------------------|
| <b>A) VALUE OF PRODUCTION</b>  |                   |                   |
| 1) Sales and service revenues  | 11,967,532        | 10,865,634        |
| 3) Changes in contract work in progress  | 1,086,768         | -245,498          |
| 4) Own work capitalised  | 3,041,447         | 2,255,895         |
| 5) Other revenues and income   |                   |                   |
| Other  | 548,371           | 442,266           |
| Operating grants   | 528,777           | 59,049            |
| Total other revenues and income (5)  | 1,077,148         | 501,315           |
| <b>Total value of production (A)</b>   | <b>17,172,895</b> | <b>13,377,346</b> |
| <b>B) COSTS OF PRODUCTION</b>  |                   |                   |
| 6) Raw materials, consumables and goods for resale                                       | 350,063           | 669,804           |
| 7) For services  | 7,229,182         | 5,601,269         |
| 8) Use of third-party assets   | 583,718           | 517,337           |
| 9) Personnel:  |                   |                   |
| a) Salaries and wages  | 5,087,754         | 3,995,922         |
| b) Social security costs   | 1,174,087         | 1,034,337         |
| c) Employee severance indemnity  | 288,312           | 274,484           |
| e) Other costs   | 34,679            | 21,141            |
| Total personnel costs (9)  | 6,584,832         | 5,325,884         |
| 10) Amortisation, depreciation and write-downs:  |                   |                   |
| a) Amortisation of intangible fixed assets   | 1,512,309         | 956,305           |
| b) Depreciation of tangible fixed assets   | 145,786           | 107,809           |
| d) Write-down of receivables included in current assets and of cash and cash equivalents | 41,665            | 36,493            |
| Total amortisation, depreciation and write-downs (10)                                    | 1,699,760         | 1,100,607         |
| 12) Provisions for risks   | 30,000            | 0                 |
| 14) Sundry operating expenses  | 85,933            | 48,333            |
| <b>Total costs of production (B)</b>   | <b>16,563,488</b> | <b>13,263,234</b> |

|   |                |                |
|---|----------------|----------------|
| <b>Difference between the value and costs of production (A-B)</b> | <b>609,407</b> | <b>114,112</b> |
|---|----------------|----------------|

### C) FINANCIAL INCOME AND EXPENSES

#### 16) Other financial income:

##### a) from receivables classified as fixed assets

|                   |    |   |
|-------------------|----|---|
| From subsidiaries | 57 | 0 |
|-------------------|----|---|

|  |    |   |
|--|----|---|
| Total financial income from receivables classified as fixed assets | 57 | 0 |
|--|----|---|

|   |   |     |
|---|---|-----|
| c) From securities included in current assets | 0 | 998 |
|---|---|-----|

##### d) Other income

|       |         |        |
|-------|---------|--------|
| Other | 131,847 | 27,038 |
|-------|---------|--------|

|                        |         |        |
|------------------------|---------|--------|
| Total other income (d) | 131,847 | 27,038 |
|------------------------|---------|--------|

|                                   |         |        |
|-----------------------------------|---------|--------|
| Total other financial income (16) | 131,904 | 28,036 |
|-----------------------------------|---------|--------|

#### 17) Interest and other financial expenses

|       |         |         |
|-------|---------|---------|
| Other | 337,049 | 392,479 |
|-------|---------|---------|

|  |         |         |
|--|---------|---------|
| Total interest and other financial expenses (17) | 337,049 | 392,479 |
|--|---------|---------|

|                                   |         |         |
|-----------------------------------|---------|---------|
| 17-bis) Exchange gains and losses | 233,778 | -35,833 |
|-----------------------------------|---------|---------|

|   |               |                 |
|---|---------------|-----------------|
| <b>Total financial income and expenses (C) (15+16-17+-17-bis)</b> | <b>28,633</b> | <b>-400,276</b> |
|---|---------------|-----------------|

### D) VALUE ADJUSTMENTS OF FINANCIAL ASSETS

#### 18) Revaluations:

|                          |   |        |
|--------------------------|---|--------|
| a) of equity investments | 0 | -7,807 |
|--------------------------|---|--------|

|       |   |        |
|-------|---|--------|
| Other | 0 | -7,807 |
|-------|---|--------|

|                         |   |        |
|-------------------------|---|--------|
| Total revaluations (18) | 0 | -7,807 |
|-------------------------|---|--------|

#### 19) Write-downs:

|                          |   |       |
|--------------------------|---|-------|
| a) of equity investments | 0 | 3,500 |
|--------------------------|---|-------|

|       |   |       |
|-------|---|-------|
| Other | 0 | 3,500 |
|-------|---|-------|

|                        |   |       |
|------------------------|---|-------|
| Total write-downs (19) | 0 | 3,500 |
|------------------------|---|-------|

|  |          |                |
|--|----------|----------------|
| <b>Total value adjustments to financial assets (D) (18-19)</b> | <b>0</b> | <b>-11,307</b> |
|--|----------|----------------|

### E) EXTRAORDINARY INCOME AND EXPENSES

|   |                |                 |
|---|----------------|-----------------|
| 20) Income  |                |                 |
| Other   | 215,363        | 149,945         |
| Total income (20)   | 215,363        | 149,945         |
| 21) Expenses  |                |                 |
| Other   | 156,106        | 92,156          |
| Total expenses (21)   | 156,106        | 92,156          |
| <b>Total extraordinary items (E)</b>                                  | <b>59,257</b>  | <b>57,789</b>   |
| <b>PRE-TAX RESULT (A-B+-C+-D+-E)</b>                                  | <b>697,297</b> | <b>-239,682</b> |
| 22) Income taxes for the year – current, deferred and prepaid         |                |                 |
| Current taxes   | 552,114        | 365,706         |
| Prepaid taxes   | -9,835         | 6,559           |
| Deferred taxes  | 46,819         | 6,340           |
| <b>Total income taxes for the year (22)</b>                           | <b>608,768</b> | <b>365,487</b>  |
| <b>23) Profit (loss) for the year</b>                                 | <b>88,529</b>  | <b>-605,169</b> |
| <b>Profit (loss) for the year pertaining to minority shareholders</b> | <b>0</b>       | <b>0</b>        |
| <b>Group profit (loss) for the year</b>                               | <b>88,529</b>  | <b>-605,169</b> |



## Explanatory notes to the consolidated financial

## statements for the year ended 31/12/2014



### EXPERT SYSTEM GROUP

#### Explanatory notes to the consolidated financial statements for the year ended 31/12/2014

##### Form and content of the financial statements

The consolidated financial statements as at 31/12/2014, 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 financial statements 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 conversion standards

The consolidated financial statements comprise the financial statements of **EXPERT SYSTEM SPA** 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 portion of shareholders' equity pertaining to minority shareholders of the consolidated subsidiaries is recorded in the item "Minority interests in capital and reserves" under shareholders' equity, while the portion of the net result pertaining to the same is indicated separately in the consolidated income statement in the item "Profit (loss) for the year pertaining to minority shareholders".

The equity investment in the associate CY4Gate Srl has been carried at cost because financial statement data as at 31/12/2014 is not available as the company was established on 11/12/2014 and the first accounting period ends as at 31/12/2015.

The following companies have been excluded from the scope of consolidation: ADMANTX SPA, with headquarters in Naples, which the Group directly controls, and ADMANTX INC with headquarters in the USA, which the Group indirectly controls. The equity investment in Admantx Spa as at 31/12/2014 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.

Expert System Iberia SL has been excluded from the scope of consolidation because it was established on 21/11/2014 and remained dormant until 23/12/2014. Furthermore, as of the date of drafting of these consolidated financial statements, the subsidiary Expert System Iberia SL had not yet closed the financial statements as at 31/12/2014.

The financial statements of the foreign companies are converted 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 "Conversion reserves", 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. In detail, the gains and losses deriving from transactions between Group companies not yet realised vis-à-vis third parties are eliminated, if significant.

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 consolidation 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 possible 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 possibility of use. 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 since the financial statements as at 31/12/2014 are not available, because the associate CY4GATE SRL was established on 11/12/2014 and closes its first accounting period on 31/12/2015.

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 on 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.

## Information on the Balance Sheet

### Intangible fixed assets

Intangible fixed assets amount to € 4,639,955 (€ 2,462,443 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 patents and intellectual property rights | Concessions, licenses, trademarks and similar rights | Goodwill | Consolidation difference | Intangible fixed assets in progress and payments on account | Other intangible fixed assets | Total intangible fixed assets |
|----------------------------------|------------------------------|--|---|--|----------|--------------------------|---|-------------------------------|-------------------------------|
| Opening balance                  |                              |  |   |  |          |                          |   |                               |                               |
| Cost                             | 50,407                       | 9,539,020                                      | 570,169   | 14,085   | 33,444   | -                        | -   | 38,464                        | 10,245,589                    |
| Amortisation (Acc. amortisation) | 38,376                       | 7,158,485                                      | 546,168   | 12,289   | 6,689    | -                        | -   | 21,139                        | 7,783,146                     |
| Book value                       | 12,031                       | 2,380,535                                      | 24,001  | 1,796  | 26,755   | -                        | -   | 17,325                        | 2,462,443                     |
| Changes during the year          |                              |  |   |  |          |                          |   |                               |                               |
| Increases for purchases          | 725,918                      | 3,041,447                                      | 5,766   | 3,127  | -        | -                        | -   | -                             | 3,776,258                     |
| Amortisation for the year        | 148,928                      | 1,341,393                                      | 8,205   | 705  | 6,689    | -                        | -   | 6,385                         | 1,512,309                     |
| Other changes                    | -                            | 86,437   | -   | -  | -        | -                        | -   | -                             | 86,437                        |
| Total changes                    | 576,990                      | 1,613,617                                      | 2,439   | 2,412  | 6,689    | -                        | -   | 6,385                         | 2,177,512                     |
| Closing balance                  |                              |  |   |  |          |                          |   |                               |                               |
| Cost                             | 775,320                      | 12,466,953                                     | 575,935   | 17,212   | 33,444   | -                        | -   | 38,464                        | 13,907,328                    |
| Amortisation (Acc. amortisation) | 186,298                      | 8,472,801                                      | 554,373   | 12,998   | 13,378   | -                        | -   | 27,524                        | 9,267,373                     |
| Book value                       | 589,021                      | 3,994,152                                      | 21,562  | 4,214  | 20,066   | -                        | -   | 10,941                        | 4,639,955                     |

The item “Other intangible fixed assets”, which includes residual balances which cannot be classified in the previous items, amounts to € 10,941 (€ 17,325 in the previous year), and is made up as follows:

|                         | Opening balance | Closing balance | Change         |
|-------------------------|-----------------|-----------------|----------------|
| Leasehold improvements  | 1,545           | 877             | (668)          |
| Substitute tax on loans | 10,817          | 7,601           | (3,216)        |
| Loan fees               | 4,963           | 2,463           | (2,500)        |
| <b>Total</b>            | <b>17,325</b>   | <b>10,941</b>   | <b>(6,384)</b> |

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 | Closing balance | Change         |
|--|-----------------|-----------------------|--------------------------|-----------------|----------------|
| Establishment / article of association amendment costs | 0               | 1,053                 | 205                      | 848             | 848            |
| Extraordinary transaction costs (mergers, etc.)        | 10,367          | 0                     | 3,494                    | 6,873           | -3,494         |
| Admission to stock market listing                      | 1,664           | 724,865               | 145,229                  | 581,300         | 579,636        |
| <b>Total</b>   | <b>12,031</b>   | <b>725,918</b>        | <b>148,928</b>           | <b>589,021</b>  | <b>576,990</b> |

The increase in start-up and expansion costs includes € 724,865 relating to the capitalisation of the AIM listing admission costs incurred by the parent company.

#### Breakdown of costs of research, development and advertising:

|                        | Opening balance  | Increases in the year | Amortisation in the year | Other decreases | Closing balance  | Change           |
|------------------------|------------------|-----------------------|--------------------------|-----------------|------------------|------------------|
| Increase in production | 2,380,534        | 3,041,447             | 1,341,393                | 86,437          | 3,994,151        | 1,613,617        |
| <b>Total</b>           | <b>2,380,534</b> | <b>3,041,447</b>      | <b>1,341,393</b>         | <b>86,437</b>   | <b>3,994,151</b> | <b>1,613,617</b> |

The increase realised in 2014 with regard to research and development costs totalling € 3,041,447, is entirely represented by the capitalisation carried out by the parent company in 2014 of costs relating to personnel employed in research and development activities, as illustrated in detail in the explanatory notes of the parent company.

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 € 692,064 (€ 622,525 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 | Tangible fixed assets in progress and payments on account | Total tangible fixed assets |
|---|--------------------|---------------------|-------------------------------------|-----------------------------|---|-----------------------------|
| Balance at start of the year            |                    |                     |                                     |                             |   |                             |
| Cost                                    | 456,980            | 187,550             | 1,558                               | 1,155,906                   | 0   | 1,801,994                   |
| Depreciation (accumulated depreciation) | 49,893             | 182,143             | 1,558                               | 945,875                     | 0   | 1,179,469                   |
| Book value                              | 407,087            | 5,407               | 0                                   | 210,031                     | 0   | 622,525                     |
| Changes in the year                     |                    |                     |                                     |                             |   |                             |
| Depreciation in the year                | 11,087             | 5,117               | 0                                   | 129,582                     | 0   | 145,786                     |
| Other changes                           | -1                 | 25,941              | 0                                   | 189,385                     | 0   | 215,325                     |
| Total changes                           | -11,088            | 20,824              | 0                                   | 59,803                      | 0   | 69,539                      |
| Balance at end of the year              |                    |                     |                                     |                             |   |                             |
| Cost                                    | 456,979            | 213,491             | 1,558                               | 1,343,079                   | 0   | 2,015,108                   |
| Depreciation (accumulated depreciation) | 60,980             | 187,260             | 1,558                               | 1,073,245                   | 0   | 1,323,044                   |
| Book value                              | 395,999            | 26,231              | 0                                   | 269,834                     | 0   | 692,064                     |

The item "Other assets", which includes the residual values which cannot be classified in the previous items, amounts to € 269,834 (€ 210,031 in the previous year).

## Non-current financial assets - Equity investments

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 € 386,955 (€ 9,138 in the previous year).

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

|                              | Equity investments in subsidiaries | Equity investments in associates | Equity investments in parent companies | Equity investments in other companies | Other securities | Treasury shares | Total equity investments |
|------------------------------|------------------------------------|----------------------------------|--|---------------------------------------|------------------|-----------------|--------------------------|
| Balance at start of the year |                                    |                                  |  |                                       |                  |                 |                          |
| Cost                         | 0                                  | 3,500                            | 0                                      | 9,138                                 | 0                | 0               | 12,638                   |
| Write-downs                  | 0                                  | 3,500                            | 0                                      | 0                                     | 0                | 0               | 3,500                    |
| Book value                   | 0                                  | 0                                | 0                                      | 9,138                                 | 0                | 0               | 9,138                    |
| Changes in the year          |                                    |                                  |  |                                       |                  |                 |                          |
| Increases due to purchases   | 47,392                             | 281,673                          | 0                                      | 50,000                                | 0                | 0               | 379,065                  |
| Reclassifications            | 1,133,651                          | 0                                | 0                                      | 0                                     | 0                | 0               | 1,133,651                |
| Other changes                | -1,134,899                         | 0                                | 0                                      | 0                                     | 0                | 0               | -1,134,899               |
| Total changes                | 46,144                             | 281,673                          | 0                                      | 50,000                                | 0                | 0               | 377,817                  |
| Balance at end of the year   |                                    |                                  |  |                                       |                  |                 |                          |
| Cost                         | 46,144                             | 285,173                          | 0                                      | 59,138                                | 0                | 0               | 390,455                  |
| Write-downs                  | 0                                  | 3,500                            | 0                                      | 0                                     | 0                | 0               | 3,500                    |
| Book value                   | 46,144                             | 281,673                          | 0                                      | 59,138                                | 0                | 0               | 386,955                  |

Changes in equity investments in subsidiaries are justified as follows:

- the reduction is due to the reclassification of the equity investment in Admantx Spa under current assets and no longer under long-term assets. The reason for this differing classification with respect to the previous year can be found in the changed purpose for the holding of the equity investment by Expert System Spa.

The equity investment in Admantx Spa as at 31/12/2014 is no longer 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 increase is due to the purchase of new controlling equity investments in the companies EXPERT SYSTEM COGITO Ltd, with headquarters in London (UK) for € 1,248, and EXPERT SYSTEM IBERIA SL, with headquarters in Barcelona (Spain) for € 46,144.

The change in equity investments in associates concerns the purchase of the equity investment in CY4GATE SRL with headquarters in Rome (Italy) for € 281,673.

The change in equity investments in other companies concerns the purchase of the equity investment in Buzzoole Srl, with headquarters in Via Giovanni Paolo II 100, Fisciano (SA), equating to 1.852% of the share capital.

The item “equity investments in other companies” is made up of the following:

- equity investment in Okkam Srl € 1,000
- Conai € 5
- ICT Sud € 133
- Semantic Valley € 2,000
- Confidimpresa € 5,000
- Trentino technology district € 1,000
- equity investment in Buzzoole Srl € 50,000

### Current assets - Inventories

Inventories included under current assets amount to € 1,562,783 (€ 476,015 in the previous year).

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

|                              | Raw materials and consumables | Work in progress and semi-finished products | Contract work in progress | Finished products and goods for resale | Payments on account | Total inventories |
|------------------------------|-------------------------------|---|---------------------------|--|---------------------|-------------------|
| Balance at start of the year | 0                             | 0   | 476,015                   | 0                                      | 0                   | 476,015           |
| Change during the year       | 0                             | 0   | 1,086,768                 | 0                                      | 0                   | 1,086,768         |



|                            |   |   |           |   |   |           |
|----------------------------|---|---|-----------|---|---|-----------|
| Balance at end of the year | 0 | 0 | 1,562,783 | 0 | 0 | 1,562,783 |
|----------------------------|---|---|-----------|---|---|-----------|

### Current assets - Receivables

Receivables included under current assets amount to € 17,705,060 (€ 16,309,752 in the previous year).

The breakdown is as follows:

#### Breakdown of current receivables:

|  | Nominal value     | Bad debt provision | Bad debt provision - default interest | Net value         |
|--|-------------------|--------------------|---------------------------------------|-------------------|
| Due from customers - within 12 months    | 8,221,767         | 356,059            | 0                                     | 7,865,708         |
| Due from subsidiaries - within 12 months | 87,241            | 0                  | 0                                     | 87,241            |
| Due from subsidiaries - after 12 months  | 726,787           | 0                  | 0                                     | 726,787           |
| Tax receivables - within 12 months       | 38,348            | 0                  | 0                                     | 38,348            |
| Tax receivables - after 12 months        | 102,257           | 0                  | 0                                     | 102,257           |
| Prepaid taxes - within 12 months         | 6,783             | 0                  | 0                                     | 6,783             |
| Prepaid taxes - after 12 months          | 42,608            | 0                  | 0                                     | 42,608            |
| Other receivables - within 12 months     | 2,544,647         | 0                  | 0                                     | 2,544,647         |
| Other receivables - after 12 months      | 6,290,681         | 0                  | 0                                     | 6,290,681         |
| <b>Total</b>                             | <b>18,061,119</b> | <b>356,059</b>     | <b>0</b>                              | <b>17,705,060</b> |

Additional information with regard to “Receivables for prepaid taxes” is provided in the section “Prepaid and deferred taxation”.

### Current assets - Financial assets

Current financial assets amount to € 8,323,806 (€ 1,142,050 in the previous year).

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

|                              | Current equity investments in subsidiaries | Current equity investments in associates | Current equity investments in parent companies | Other current equity investments | Current treasury shares | Other current securities | Total current financial assets |
|------------------------------|--|--|--|----------------------------------|-------------------------|--------------------------|--------------------------------|
| Balance at start of the year | 1,133,650                                  | 0  | 0  | 8,400                            | 0                       | 0                        | 1,142,050                      |
| Changes in the year          | 3,019,424                                  | 0  | 0  | 0                                | 89,163                  | 4,073,169                | 7,181,756                      |
| Balance at end of the year   | 4,153,074                                  | 0  | 0  | 8,400                            | 89,163                  | 4,073,169                | 8,323,806                      |

### Current assets - Cash and cash equivalents

Cash and cash equivalents included under current assets amount to € 4,900,340 (€ 3,334,525 in the previous year).

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

|                              | Bank and postal deposits | Cheques | Cash at bank and in hand | Total cash and cash equivalents |
|------------------------------|--------------------------|---------|--------------------------|---------------------------------|
| Balance at start of the year | 3,333,024                | 0       | 1,501                    | 3,334,525                       |
| Change during the year       | 1,565,946                | 0       | -131                     | 1,565,815                       |
| Balance at end of the year   | 4,898,970                | 0       | 1,370                    | 4,900,340                       |

### Receivables - broken down by maturity

The information relating to the breakdown of the receivables by maturity is presented below, in accordance with art. 38.1, letter e) of Italian Legislative Decree No. 127/1991:

|  | Current receivables due from customers | Current receivables due from subsidiaries | Current receivables due from associates | Current receivables due from parent companies | Current tax receivables | Current prepaid tax assets | Other current receivables | Total current receivables |
|--|--|---|---|---|-------------------------|----------------------------|---------------------------|---------------------------|
|--|--|---|---|---|-------------------------|----------------------------|---------------------------|---------------------------|

|                              |           |         |   |   |          |        |           |            |
|------------------------------|-----------|---------|---|---|----------|--------|-----------|------------|
| Balance at start of the year | 5,690,126 | 695,477 | 0 | 0 | 273,031  | 59,227 | 9,591,891 | 16,309,752 |
| Change during the year       | 2,175,582 | 118,551 | 0 | 0 | -132,426 | -9,836 | -756,563  | 1,395,308  |
| Balance at end of the year   | 7,865,708 | 814,028 | 0 | 0 | 140,605  | 49,391 | 8,835,328 | 17,705,060 |
| Portion due after 5 years    | 0         | 0       | 0 | 0 | 0        | 0      | 0         | 0          |

### Accrued income and prepaid expenses

Accrued income and prepaid expenses amount to € 189,002 (€ 169,918 in the previous year).

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

#### Accrued income and prepaid expenses:

|                              | Discount on loans | Accrued income | Other prepaid expenses | Total accrued income and prepaid expenses |
|------------------------------|-------------------|----------------|------------------------|---|
| Balance at start of the year | 0                 | 1,656          | 168,262                | 169,918                                   |
| Change during the year       | 0                 | -1,656         | 20,740                 | 19,084                                    |
| Balance at end of the year   | 0                 | 0              | 189,002                | 189,002                                   |

#### Breakdown of prepaid expenses:

|                                   | Amount |
|-----------------------------------|--------|
| RENT AND LEASES                   | 5,618  |
| VEHICLES INSURANCE                | 871    |
| NON-DEDUCTIBLE INSURANCE          | 3,906  |
| MOTORCYCLE INSURANCE AND ROAD TAX | 19     |
| INSURANCE FOR EMPLOYEES ABROAD    | 52     |
| MISCELLANEOUS INSURANCE - OFFICE  | 17,403 |
| RENTED VEHICLE FUEL               | 144    |
| SURETY COMMISSION                 | 47,834 |
| LOAN FEES                         | 6,732  |

|                                    |                |
|------------------------------------|----------------|
| SALES CONSULTANCY - ITALY          | 5,819          |
| STRATEGIC CONSULTANCY              | 9,532          |
| TECHNICAL CONSULTANCY - ITALY      | 3,326          |
| BOOKS, MAGAZINES AND SUBSCRIPTIONS | 1,724          |
| MAINTENANCE                        | 1,040          |
| ADVERTISING MATERIAL               | 34             |
| RENTAL                             | 12,393         |
| PUBLIC RELATIONS                   | 5,301          |
| MEMBERSHIP FEES                    | 871            |
| RESEARCH, EDUCATION, TRAINING      | 4,740          |
| ADMINISTRATIVE SERVICES            | 1,616          |
| COMMERCIAL SERVICES                | 1,857          |
| CLEANING SERVICES                  | 84             |
| AIM LISTING SERVICES               | 9,836          |
| SOFTWARE                           | 6,209          |
| BANK CHARGES AND FEES              | 3,546          |
| INTERNET COSTS                     | 29,358         |
| EXPENSES FOR RENTAL SERVICES       | 6,237          |
| TELEPHONE EXPENSES                 | 1,617          |
| OTHER PREPAID EXPENSES             | 1,283          |
| <b>Total</b>                       | <b>189,002</b> |

### Shareholders' equity

The shareholders' equity existing at the end of the year amounted to € 16,957,816 (€ 4,656,819 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 | Allocation of dividends | Other allocations | Increases  | Decreases | Reclassifications | Profit/loss for the year | Balance at end of the year |
|--|------------------------------|-------------------------|-------------------|------------|-----------|-------------------|--------------------------|----------------------------|
| Share capital                            | 144,000                      | 0                       | 0                 | 75,497     | 0         | 0                 |                          | 219,497                    |
| Share premium reserve                    | 1,468,843                    | 0                       | 0                 | 12,299,887 | 0         | 0                 |                          | 13,768,730                 |
| Legal reserve                            | 28,800                       | 0                       | 0                 | 11,267     | 0         | 0                 |                          | 40,067                     |
| Reserve for treasury shares in portfolio | 0                            | 0                       | 0                 | 89,163     | 0         | 0                 |                          | 89,163                     |

|  |           |   |         |            |        |   |        |            |
|--|-----------|---|---------|------------|--------|---|--------|------------|
| Other reserves   |           |   |         |            |        |   |        |            |
| Extraordinary or optional reserve                        | 3,592,196 | 0 | 0       | 214,077    | 95,163 | 0 |        | 3,711,110  |
| Merger surplus reserve                                   | 376,622   | 0 | 0       | 0          | 0      | 0 |        | 376,622    |
| Miscellaneous other reserves                             | 126,756   | 0 | 0       | 106,497    | 0      | 0 |        | 233,252    |
| Total other reserves                                     | 4,095,574 | 0 | 0       | 320,573    | 95,163 | 0 |        | 4,320,984  |
| Retained earnings (losses)                               | -475,229  | 0 | 0       | -1,093,925 | 0      | 0 |        | -1,569,154 |
| Profit (loss) for the year                               | -605,169  | 0 | 605,169 |            |        |   | 88,529 | 88,529     |
| Total shareholders' equity                               | 4,656,819 | 0 | 605,169 | 11,702,462 | 95,163 | 0 | 88,529 | 16,957,816 |
| Shareholders' equity pertaining to minority shareholders |           |   |         |            |        |   |        |            |
| Total consolidated shareholders' equity                  | 4,656,819 | 0 | 605,169 | 11,702,462 | 95,163 | 0 | 88,529 | 16,957,816 |

|       | Description         | Amount  |
|-------|---------------------|---------|
|       | PIA RESERVE         | 141,000 |
|       | TRANSLATION RESERVE | 92,253  |
| Total |                     | 233,253 |

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 | Allocation of dividends | Other allocations | Increases | Decreases | Reclassifications | Profit/loss for the year | Balance at end of the year |
|-----------------------------------|------------------------------|-------------------------|-------------------|-----------|-----------|-------------------|--------------------------|----------------------------|
| Share capital                     | 144,000                      | 0                       | 0                 | 0         | 0         | 0                 |                          | 144,000                    |
| Share premium reserve             | 1,468,843                    | 0                       | 0                 | 0         | 0         | 0                 |                          | 1,468,843                  |
| Legal reserve                     | 28,800                       | 0                       | 0                 | 0         | 0         | 0                 |                          | 28,800                     |
| Other reserves                    |                              |                         |                   |           |           |                   |                          |                            |
| Extraordinary or optional reserve | 3,592,196                    | 0                       | 0                 | 516,611   | 0         | -516,611          |                          | 3,592,196                  |
| Merger surplus                    | 0                            | 0                       | 0                 | 0         | 0         | 376,622           |                          | 376,622                    |

|  |           |         |          |         |   |          |          |           |
|--|-----------|---------|----------|---------|---|----------|----------|-----------|
| reserve  |           |         |          |         |   |          |          |           |
| Miscellaneous other reserves                             | 0         | 0       | 0        | 126,757 | 0 | -1       |          | 126,756   |
| Consolidation reserve                                    | 0         | 0       | 0        | 0       | 0 | -475,229 |          | -475,229  |
| Total other reserves                                     | 3,592,196 | 0       | 0        | 643,368 | 0 | -615,219 |          | 3,620,345 |
| Profit (loss) for the year                               | 696,611   | 101,000 | -595,611 |         |   |          | -605,169 | -605,169  |
| Total shareholders' equity                               | 5,930,450 | 101,000 | -595,611 | 643,368 | 0 | -615,219 | -605,169 | 4,656,819 |
| Shareholders' equity pertaining to minority shareholders |           |         |          |         |   |          |          |           |
| Total consolidated shareholders' equity                  | 5,930,450 | 101,000 | -595,611 | 643,368 | 0 | -615,219 | -605,169 | 4,656,819 |

## Share capital

Share capital is composed as follow:

| Shares issued by the company by category | SHARES WITH NO PAR VALUE | TOTAL      |
|--|--------------------------|------------|
| Opening balance, number                  | 21,949,680               | 21,949,680 |
| Closing balance, number                  | 21,949,680               | 21,949,680 |

## 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 | 3,592,196       | 0                   | 118,914       | 3,711,110            |

|                              |                  |          |                |                  |
|------------------------------|------------------|----------|----------------|------------------|
| Merger surplus reserve       | 376,622          | 0        | 0              | 376,622          |
| Miscellaneous other reserves | 126,756          | 0        | 106,497        | 233,253          |
| <b>Total</b>                 | <b>4,095,574</b> | <b>0</b> | <b>225,410</b> | <b>4,320,984</b> |

The consolidation reserve represents the negative difference deriving from the replacement of the book value of the equity investments of the parent company in the consolidated companies with the corresponding net capitals at the time of acquisition.

The translation reserve contains the exchange differences deriving from the translation of the foreign subsidiaries.

### Summary statement of the usability of the reserves

The information required by Article 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                            | 219,497    |               |  | 0                 | 0   | 0  |
| Share premium reserve                    | 13,768,730 |               | share capital increase, coverage of losses, distribution to shareholders | 9,125,792         | 0   | 0  |
| Legal reserve                            | 40,067     |               |  | 0                 | 0   | 0  |
| Reserve for treasury shares in portfolio | 89,163     |               |  | 0                 | 0   | 0  |
| Other reserves                           |            |               |  |                   |   |  |
| Extraordinary or optional reserve        | 3,711,110  |               | share capital increase, coverage of losses, distribution to shareholders | 3,711,110         | 0   | 0  |
| Merger surplus reserve                   | 376,622    |               |  | 376,622           | 0   | 0  |
| Miscellaneous other reserves             | 233,253    |               |  | 0                 | 0   | 0  |
| Total other reserves                     | 4,320,984  |               |  | 0                 | 0   | 0  |

|                                |            |  |  |            |   |   |
|--------------------------------|------------|--|--|------------|---|---|
| Retained earnings (losses)     | -1,569,154 |  |  | 4,087,732  | 0 | 0 |
| Total                          | 16,869,287 |  |  | 13,213,524 | 0 | 0 |
| Undistributable portion        |            |  |  | 4,032,421  |   |   |
| Residual distributable portion |            |  |  | 9,181,103  |   |   |

## Provisions for risks and charges

Provisions for risks and charges are recorded under the liabilities for a total of € 234,389 (€ 167,176 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 | 836                                       | 6,340                                   | 160,000          | 167,176                                |
| Changes in the year          |   |   |                  |  |
| Other changes                | 1,133                                     | 76,818                                  | -10,738          | 67,213                                 |
| Total changes                | 1,133                                     | 76,818                                  | -10,738          | 67,213                                 |
| Balance at end of the year   | 1,969                                     | 83,158                                  | 149,262          | 234,389                                |

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 the liabilities for € 1,126,002 (€ 948,598 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 | 948,598                      |
| Changes in the year          |                              |
| Provision in the year        | 288,312                      |



|                            |           |
|----------------------------|-----------|
| Use in the year            | 110,908   |
| Total changes              | 177,404   |
| Balance at end of the year | 1,126,002 |

## Payables

The payables are recorded under the liabilities for a total of € 15,644,561 (€ 14,164,896 in the previous year).

The breakdown of the individual items is as follows:

|  | Opening balance   | Closing balance   | Change           |
|--|-------------------|-------------------|------------------|
| Payables due to banks                        | 7,156,170         | 7,029,110         | -127,060         |
| Payables due to other lenders                | 1,001,263         | 709,791           | -291,472         |
| Payments on account                          | 3,037,521         | 3,366,195         | 328,674          |
| Trade payables                               | 1,109,165         | 1,913,788         | 804,623          |
| Tax payables                                 | 718,443           | 1,454,606         | 736,163          |
| Payables due to social security institutions | 199,194           | 235,348           | 36,154           |
| Other payables                               | 943,140           | 934,723           | -8,417           |
| <b>Total</b>                                 | <b>14,164,896</b> | <b>15,643,561</b> | <b>1,478,655</b> |

## Payables - Broken down by maturity

The information relating to the breakdown of the payables by maturity is presented below, in accordance with art. 38.1, letter e) of Italian Legislative Decree No. 127/1991:

|                               | Balance at start of the year | Change during the year | Balance at end of the year | Of which with a duration of over 5 years |
|-------------------------------|------------------------------|------------------------|----------------------------|--|
| Payables due to banks         | 7,156,170                    | -127,060               | 7,029,110                  | 0  |
| Payables due to other lenders | 1,001,263                    | -291,472               | 709,791                    | 0  |
| Payments on account           | 3,037,521                    | 328,674                | 3,366,195                  | 0  |

|  |                   |                  |                   |          |
|--|-------------------|------------------|-------------------|----------|
| Trade payables                               | 1,109,165         | 804,623          | 1,913,788         | 0        |
| Tax payables                                 | 718,443           | 736,163          | 1,454,606         | 0        |
| Payables due to social security institutions | 199,194           | 36,154           | 235,348           | 0        |
| Other payables                               | 943,140           | -8,417           | 934,723           | 0        |
| <b>Total payables</b>                        | <b>14,164,896</b> | <b>1,478,655</b> | <b>15,643,561</b> | <b>0</b> |

### Payables backed by collaterals on company assets

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

|  | Payables backed by mortgages | Payables backed by pledges | Payables backed by special liens | Total payables backed by collaterals | Payables not backed by collaterals | Total             |
|--|------------------------------|----------------------------|----------------------------------|--------------------------------------|------------------------------------|-------------------|
| Payables due to banks                        | 434,000                      | 0                          | 0                                | 434,000                              | 6,595,110                          | 7,029,110         |
| Payables due to other lenders                | 0                            | 0                          | 0                                | 0                                    | 709,791                            | 709,791           |
| Payments on account                          | 0                            | 0                          | 0                                | 0                                    | 3,366,195                          | 3,366,195         |
| Trade payables                               | 0                            | 0                          | 0                                | 0                                    | 1,913,788                          | 1,913,788         |
| Tax payables                                 | 0                            | 0                          | 0                                | 0                                    | 1,454,606                          | 1,454,606         |
| Payables due to social security institutions | 0                            | 0                          | 0                                | 0                                    | 235,348                            | 235,348           |
| Other payables                               | 0                            | 0                          | 0                                | 0                                    | 934,723                            | 934,723           |
| <b>Total payables</b>                        | <b>434,000</b>               | <b>0</b>                   | <b>0</b>                         | <b>434,000</b>                       | <b>15,209,561</b>                  | <b>15,643,561</b> |

### Accrued expenses and deferred income

Accrued expenses and deferred income are recorded under the liabilities for a total of € 4,438,197 (€ 4,588,877 in the previous year).

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

#### Accrued expenses and deferred income:

|  | Accrued expenses | Premium on loans issued | Other deferred income | Total accrued expenses and deferred income |
|--|------------------|-------------------------|-----------------------|--|
|  |                  |                         |                       |  |

|                              |         |   |           |           |
|------------------------------|---------|---|-----------|-----------|
| Balance at start of the year | 162,899 | 0 | 4,425,978 | 4,588,877 |
| Change during the year       | -29,623 | 0 | -121,057  | -150,680  |
| Balance at end of the year   | 133,276 | 0 | 4,304,921 | 4,438,197 |

**Breakdown of accrued expenses:**

|                        | Amount         |
|------------------------|----------------|
| other accrued expenses | 133,276        |
| <b>Total</b>           | <b>133,276</b> |

**Breakdown of deferred income:**

|   | Amount           |
|---|------------------|
| deferred income for research project grants | 2,870,802        |
| other deferred income                       | 1,434,119        |
| <b>Total</b>                                | <b>4,304,921</b> |

**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    |
|----------------------|-----------------|-----------------|-----------|
| SURETIES             | 3,994,100       | 7,252,948       | 3,258,848 |
| - to subsidiaries    | 400,000         | 300,000         | -100,000  |
| - to other companies | 3,594,100       | 6,952,948       | 3,358,848 |

**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 the revenues by geographic area is illustrated in the following table:

**Breakdown of sales and services by geographic area:**

|  | REVENUES FROM ABROAD | DOMESTIC REVENUES | Total |
|--|----------------------|-------------------|-------|
|  |                      |                   |       |

|                      |           |           |            |
|----------------------|-----------|-----------|------------|
| Current year balance | 2,622,462 | 9,345,070 | 11,967,532 |
|----------------------|-----------|-----------|------------|

### Other revenues and income

Other revenues and income are recorded under value of production in the income statement for a total of € 1,077,148 (€ 501,315 in the previous year).

The breakdown of the individual items is as follows:

|                           | Previous period | Current period   | Change         |
|---------------------------|-----------------|------------------|----------------|
| Other                     | 103,186         | 39,322           | -63,864        |
| Capital grants (portions) | 339,080         | 509,049          | 169,969        |
| Operating grants          | 59,049          | 528,777          | 469,728        |
| <b>Total</b>              | <b>501,315</b>  | <b>1,077,148</b> | <b>575,833</b> |

### Services

Costs for services are recorded under costs of production in the income statement for a total of € 7,229,182 (€ 5,601,269 in the previous year).

The breakdown of the individual items is as follows:

|              | Previous period  | Current period   | Change           |
|--------------|------------------|------------------|------------------|
| Services     | 5,601,269        | 7,229,182        | 1,627,913        |
| <b>Total</b> | <b>5,601,269</b> | <b>7,229,182</b> | <b>1,413,054</b> |

### 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 € 583,718 (€ 517,337 in the previous year).

The breakdown of the individual items is as follows:

|                           | Previous period | Current period | Change        |
|---------------------------|-----------------|----------------|---------------|
| Use of third party assets | 517,337         | 583,718        | 66,381        |
| <b>Total</b>              | <b>517,337</b>  | <b>583,718</b> | <b>66,381</b> |

### Sundry operating expenses

Sundry operating expenses are recorded under costs of production in the income statement for a total of € 85,933 (€ 48,333 in the previous year).

The breakdown of the individual items is as follows:

|                           | Previous period | Current period | Change        |
|---------------------------|-----------------|----------------|---------------|
| Sundry operating expenses | 48,333          | 85,933         | 37,600        |
| <b>Total</b>              | <b>48,333</b>   | <b>85,933</b>  | <b>37,600</b> |

### 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:

|              | Relating to bond issues | Relating to payables due to banks | Other          | Total          |
|--------------|-------------------------|-----------------------------------|----------------|----------------|
| Other        | 0                       | 0                                 | 337,049        | 337,049        |
| <b>Total</b> | <b>0</b>                | <b>0</b>                          | <b>337,049</b> | <b>337,049</b> |

### 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 | 149,945         | 215,363        | 65,418        |
| <b>Total</b>               | <b>149,945</b>  | <b>215,363</b> | <b>65,418</b> |

### 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        |
|-----------------------------|-----------------|----------------|---------------|
| Other extraordinary expense | 92,156          | 156,106        | 63,950        |
| <b>Total</b>                | <b>92,156</b>   | <b>156,106</b> | <b>63,950</b> |

## Income taxes

The breakdown of the individual items is as follows:

|              | Current taxes  | Deferred taxes | Prepaid taxes | Income (expenses) transparency |
|--------------|----------------|----------------|---------------|--------------------------------|
| IRES         | 319,623        | 46,819         | -9,835        | 0                              |
| IRAP         | 232,491        | 0              | 0             | 0                              |
| <b>Total</b> | <b>552,114</b> | <b>46,819</b>  | <b>-9,835</b> | <b>0</b>                       |

## Other information

### Cash flow statement

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

The cash flows deriving from operations are represented according to the:

“indirect method”.

|                                     | <b>31.12.2014</b> |
|-------------------------------------|-------------------|
| Net operating profit (NOP)          | 609,407           |
| + Amortisation/Depreciation         | 1,658,096         |
| EBITDA SELF-FINANCING               | 2,267,503         |
| Taxes for the period                | 608,767           |
| NET OPERATING PROFIT SELF-FINANCING | 1,658,735         |

|   |              |
|---|--------------|
| - Change in operational working capital                     | 1,794,924    |
| + Change in employee severance indemnity provision          | 177,404      |
| + Change in other provisions                                | 86,743       |
| CURRENT OPERATIONAL CASH FLOW (COCF)                        | 425,658      |
| - Purchase and sale of tangible and intangible fixed assets | 3,905,146    |
| + Capital gains/losses on disposal of fixed assets          | -            |
| OPERATIONAL CASH FLOW                                       | - 3,479,488  |
| - Purchase and sale of financial assets                     | 6,436,075    |
| + Financial income and expenses                             | 0            |
| ORDINARY CASH FLOW  | - 9,915,563  |
| + Extraordinary income and expenses                         | 59,257       |
| CASH FLOW SERVING THE DEBT                                  | - 9,856,306  |
| - Repayment of financial payables                           | - 417,436    |
| + Borrowing   | -            |
| - Financial expenses  | 269,066      |
| CASH FLOW SERVING EQUITY                                    | - 10,542,808 |
| - Distribution of profits and reserves                      | -            |
| - Repayments of share capital                               | -            |
| + Share capital increases                                   | 12,281,504   |
| Exchange delta  | 172,841      |
| CHANGE IN CASH BALANCE                                      | 1,565,855    |

**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                  | 18,257,027 | 0 |
| Adjusted balances as per the financial statements of the parent company         | 18,257,027 | 0 |
| Effect of the valuation of the equity investments using the line-by-line method |            |   |
| - Elimination of the book values of the investees                               | -1,248     |   |
| - Shareholders' equities of the investees                                       | -1,581,968 |   |
|   | -1,583,216 | 0 |
| Other adjustments   | 106,349    | 0 |
| Total adjustments   | -1,476,867 | 0 |
| Group shareholders' equity and result for the year                              | 16,780,160 | 0 |
| Consolidated shareholders' equity and result for the year                       | 16,780,160 | 0 |

### 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

| Company name             | Registered offices | Currency | Share capital | Group direct holding | Group indirect holding |
|--------------------------|--------------------|----------|---------------|----------------------|------------------------|
| Expert System Cogito Ltd | London UK          | £        | 1,284         | 100%                 |                        |
| Expert System USA Inc    | Delaware<br>USA    | \$       | 0.71          | 100%                 |                        |

### List of other equity investments in subsidiaries and associates

| Company name            | Registered offices  | Currency | Share capital | Group direct holding | Group indirect holding |
|-------------------------|---------------------|----------|---------------|----------------------|------------------------|
| Expert System IBERIA SL | Barcelona,<br>Spain | €        | 3,000         | 100%                 |                        |



|             |               |    |         |        |        |
|-------------|---------------|----|---------|--------|--------|
| ADMANTX SPA | Naples Italy  | €  | 189,991 | 69.41% |        |
| ADMANTX INC | USA           | \$ | 0       |        | 69.41% |
| CY4GATE SRL | Rome<br>Italy | €  |         | 30%    |        |
|             |               |    |         |        |        |

### 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 Article 38.1, letter o) of Italian Legislative Decree No. 127/1991, is presented below:

|   | Value     |
|---|-----------|
| Directors' fees                               | 1,038,696 |
| Statutory Auditors' fees                      | 14,000    |
| Total Directors' and Statutory Auditors' fees | 1,052,696 |



## Report on operations as at 31/12/2014



## **EXPERT SYSTEM GROUP**

### **Report on operations as at 31/12/2014**

#### **Structure and activities of the Group**

The Group headed up by the parent company Expert System Spa is active in the Technology Company sectors where it deals with unstructured information and is the global leader in the development of semantic software for understanding and analysing information. The group has always pursued the objective of developing a software platform that understands the significance of said information and the context to which it refers, therefore providing results of a decidedly higher quality compared to the output of traditional products, based on key words or statistical algorithms. The Cogito platform is able to apply the typical human understanding techniques and, therefore, makes it possible to manage all forms of unstructured information, like documents, web pages, e-mails, etc. in a revolutionary way.

The Group mainly operates in the following geographic areas: Expert System Spa mainly operates

in Italy and Europe, Expert System Cogito Ltd operates on the UK market, particularly strategic for sectors such as Finance, Oil & Gas and Publishing where the parent company has already gained great experience. Expert System USA Inc operates in the enormous area of the USA further strengthening its position with respect to previous years.

By means of the acquisition by Expert System Iberia Slu, with headquarters in Barcelona and Madrid, of the ICM (Intelligent Content Management) and iLab – Research Center Innovation - division of iSOCO, an international company with headquarters in Barcelona with business relations launched in South America, operating in the field of software design based on semantic technology for the handling of non-structured information dedicated to a vast range of industrial services with particular reference to the banking, governmental and pharmaceutical sector, the company will see its presence enhanced in 2015 within Europe and will see new commercial relations launched in South America.

### Approval of the consolidated financial statements

The consolidated financial statements as at 31/12/2014 were approved by the Board of Directors on 28 May 2015 and audited.

### Operating performance

With regard to the operating performance, please refer to the matters illustrated in the Report on operations of the parent company Expert System Spa.

With regard to the performance of the company's value of production, the trend disclosed an increase of more than 28% with respect to 2013.

In order to provide a better outline of the performance and the operating result, the following tables provide a reclassification of the added value income statement, a reclassification of the financial Balance sheet and the more significant financial statement ratios. Since this is the first year in which the consolidated financial statements have been drawn up, a comparison with the previous year is not provided.

### Main income statement figures

| Reclassified income statement             | 31/12/2014        |
|---|-------------------|
| Sales revenues                            | 11,967,532        |
| Change in inventories                     | 1,086,769         |
| Own work capitalised                      | 3,041,447         |
| Sundry income                             | 1,077,148         |
| <b>Value of operating production</b>      | <b>17,172,896</b> |
| Cost of operating materials and overheads | (8,248,896)       |
| <b>Value added</b>                        | <b>8,924,000</b>  |
| Personnel costs                           | (6,584,832)       |
| <b>EBITDA</b>                             | <b>2,339,168</b>  |
| Amortisation, depreciation and provisions | (1,729,760)       |

|                           |                |
|---------------------------|----------------|
| <b>EBIT</b>               | <b>609,408</b> |
| Financial area result     | 28,632         |
| <b>Ordinary profit</b>    | <b>638,040</b> |
| Extraordinary area result | 59,257         |
| <b>Pre-tax result</b>     | <b>697,297</b> |
| Income taxes              | (608,768)      |
| <b>Net profit</b>         | <b>88,529</b>  |

The value of production trend presents an EBITDA/Value of Production equal to 14% which compared with that of the parent company equating to 20%, highlights the heavy investments made in 2014 on the international structure of the group.

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

| <b>Profitability ratios</b> | <b>31/12/2014</b> |
|-----------------------------|-------------------|
| Net ROE                     | 0.01              |
| Gross ROE                   | 0.04              |
| ROI                         | 0.02              |
| ROS                         | 0.05              |

### **Main balance sheet figures**

| <b>Financial balance sheet</b>                            | <b>31/12/2014</b> |
|---|-------------------|
| Net intangible fixed assets                               | 4,639,954         |
| Net tangible fixed assets                                 | 692,064           |
| Equity investments and other non-current financial assets | 7,549,288         |
| <b>Fixed assets</b>                                       | <b>12,881,306</b> |
| Short-term financial assets                               | 4,153,074         |
| Inventories   | 1,562,783         |
| Receivables due from customers                            | 7,865,706         |
| Other receivables   | 2,677,019         |
| Accrued income and prepaid expenses                       | 189,002           |
| <b>Short-term operating assets</b>                        | <b>16,447,585</b> |
| Trade payables  | (1,913,788)       |
| Payments on account                                       | (538,058)         |
| Tax and social security payables                          | (1,689,954)       |

|  |                     |
|--|---------------------|
| Other payables                                       | (934,723)           |
| Accrued expenses and deferred income                 | (2,076,444)         |
| <b>Short-term operating liabilities</b>              | <b>(7,152,965)</b>  |
| <b>Net working capital</b>                           | <b>9,294,620</b>    |
| Employee severance indemnity                         | (1,126,002)         |
| Tax and social security payables                     | 0                   |
| Accrued expenses and deferred income after 12 months | (2,361,753)         |
| Other medium and long-term liabilities               | (3,062,526)         |
| <b>Medium-term liabilities</b>                       | <b>(6,550,281)</b>  |
| <b>INVESTED CAPITAL</b>                              | <b>15,625,646</b>   |
| Shareholders' equity                                 | (16,957,818)        |
| Net medium/long-term financial position              | (4,798,603)         |
| Net short-term financial position                    | 6,130,775           |
| <b>OWN EQUITY AND NET FINANCIAL DEBT</b>             | <b>(15,625,646)</b> |

The positive net financial position was positively impacted by the listing of the parent company on the AIM (alternative capital market) on 18/02/2014

The reclassified balance sheet highlights the company's capital strength (i.e. its capacity to maintain financial equilibrium over the medium/long-term).

For the purposes of a better description of the company's capital strength, the table below shows certain financial statement ratios relating to both (i) the methods of financing medium/long-term investments and to the (ii) composition of sources of financing, compared to the same financial statement ratios in the previous year.

| <b>Fixed assets funding indicators</b>       | <b>31/12/2014</b> |
|--|-------------------|
| Fixed asset /equity margin                   | 4,076,512         |
| Fixed asset /equity ratio                    | 1.32              |
| Fixed assets / liabilities and equity margin | 13,063,641        |
| Fixed assets / liabilities and equity ratio  | 2.01              |

Capital assets and related fixed assets to equity ratio: these two indicators are an expression of how the company manages to finance 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 to finance all fixed assets with its own equity.

Fixed asset/equity margin: shareholders' equity - fixed assets

$$(16,957,818 - 12,881,306) = 4,076,512$$

Fixed asset / equity ratio:

$$16,957,818 / 12,881,306 = 1.32$$

The positive result of the fixed asset/equity margin with the correlated ratio higher than one indicates that the company meets its long-term financial commitments without the need for third party financing.

The improvement with respect to the previous years is reflected by the parent company listing transaction on the AIM market with consequent share capital increase which equipped the company with considerable financial means.

The fixed asset / liabilities and equity margin and its related ratio also take as a reference medium/long-term liabilities.

Fixed asset / liabilities and equity margin:

(SE + net long-term financial position + medium/long-term liabilities) – FIXED ASSETS

|                                  |                  |
|----------------------------------|------------------|
| Net long-term financial position | 4,798,603        |
| Medium/long-term liabilities     | 3,062,526        |
| Employee severance indemnity     | 1,126,000        |
| <b>TOTAL</b>                     | <b>8,987,129</b> |

FIXED ASSETS 12,881,306

SE 16,957,818

$$(16,957,818 + 8,987,129) - 12,881,306 = 13,063,641$$

Fixed assets / liabilities and equity ratio

(SE + net long-term financial position + medium/long-term liabilities) / fixed assets

$$(16,957,818 + 8,987,129) / 12,881,306 = 2.01$$

### Main financial figures

| Net financial position   | 31/12/2014 |
|--------------------------|------------|
| Bank deposits            | 4,898,970  |
| Cash at bank and in hand | 1,370      |
| Treasury shares          | 89,163     |

|   |                    |
|---|--------------------|
| <b>Cash and cash equivalents and treasury shares</b>      | <b>4,989,503</b>   |
| <b>Current financial assets</b>                           | <b>4,081,569</b>   |
| Bonds and convertible bonds (within 12 months)            | 0                  |
| Payables due to shareholders for loans (within 12 months) | 0                  |
| Payables due to banks (within 12 months)                  | (2,647,115)        |
| Payables due to other lenders (within 12 months)          | (293,183)          |
| Advances for overseas payments                            | 0                  |
| Short-term portion of loans                               | 0                  |
| Financial receivables                                     | 0                  |
| <b>Short-term financial payables</b>                      | <b>(2,940,298)</b> |
| <b>Net short-term financial position</b>                  | <b>6,130,775</b>   |
| Bonds and convertible bonds (after 12 months)             | 0                  |
| Payables due to shareholders for loans (after 12 months)  | 0                  |
| Payables due to banks (after 12 months)                   | (4,381,995)        |
| Payables due to other lenders (after 12 months)           | (416,608)          |
| Advances for overseas payments                            | 0                  |
| Long-term portion of loans                                | 0                  |
| Financial receivables                                     | <b>0</b>           |
| <b>Net medium/long-term financial position</b>            | <b>(4,798,603)</b> |
| <b>NET FINANCIAL POSITION</b>                             | <b>1,332,171</b>   |

## Environment and personnel

With regard to information on the environment and personnel as per art. 2428.1 of the Italian Civil Code, please refer to the parent company's Report on operations.

## Significant events after the close of the year

You are hereby informed that after the close of the year, the following events took place: on 27 May 2015, Expert System Spa's BoD resolved the acquisition of Temis, a company which has a strong presence in France, Germany, the UK and the USA and which boasts technology for Big Data in the Media and Publishing, Healthcare and Intelligence sectors which also includes a number of semantic solutions developed *ad hoc* by said Temis.

As a result of the Temis Acquisition Transaction and the investments aimed at creating synergies and integrations between the Expert Group, Temis and the investee companies of the latter, it is envisaged that Expert System may become the main European operator in its reference sector endowing itself, among other aspects, with additional managerial abilities difficult to find on the market.

## Treasury shares

As at 31/12/2014, the company held 47,000 treasury shares.



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