

Expert System Announces 2014 results with €17.2 million production value and EBITDA of €2.3 million (EBITDA margin 13.6%)

Consolidated financial results for 12/31/2014

€17.2 million production value

EBITDA of €2.3 million with EBITDA margin of 13.6%

EBIT of €0.6 million

Net profit €0.1 million

Positive Net Financial Position of €1.3 million

Expert System S.P.A. 12/31/2014 financial results

€16.1 million production value (+23.1% over 12/31/2013)

EBITDA of €3.2 million with EBITDA margin of 20% (+60.5% over 12/31/2013)

EBIT of €1.5 million (€0.9 million on 12/31/2013)

Net income of €1.0 million (€0.2 million on 12/31/2013)

Positive Net Financial Position of €0.8 million (over negative NFP of €5.2 million on 12/31/2013)

Modena, May 29, 2015 - The Board of Directors of Expert System, the leader in semantic technology for the effective management of unstructured information, on May 28, 2015 approved the consolidated financial statements for December 31, 2014, and the draft financial statements to be submitted for approval at the Shareholders' Meeting scheduled for June 27, 2015 (first call), and, if necessary, June 29, 2015 (second call).

Stefano Spaggiari, CEO, Expert System, commented: "2014 was an important year for our group, starting with our listing on the AIM Italia February geared toward our international development and expansion. The funds raised through the capital increase were used in support of this primary objective, as well as for the continued development of the Cogito® platform and products. These results reflect the significant increase in business in terms of both value and margin, with a €17.2 million production value and an EBITDA margin up 13.6%. In 2014 and 2015, the Group has concentrated its efforts on continued development and management of the domestic market, as well as on building an international network of partners, systems integrators and vendors for sales of the Cogito product line on the American and European markets, which are characterized by large government and private companies interested in the use of advanced tools for managing big data, and for search and semantic text analytics. Expert System's international presence was strengthened with the launch of Expert System Cogito Ltd in the UK, a new US division and office in Palo Alto, California, through the acquisition of the ICM and iLab divisions of ISOCO in Spain, which will offer direct entry into the Spanish market, and a platform for access to South American countries. Finally, with the establishment of CY4Gate targeted for the foreign

market, as well as the agreement signed yesterday for the acquisition of TEMIS, we have created a world leader for semantic technology for cognitive computing.”

Results of the consolidated financial statements for December 31, 2014

The company prepared its first consolidated financial statement for the period ending December 31, 2014; therefore, the consolidated results for 2014 are not comparable to the results represented in the 2013 financial statements.

The **production value** totaled €17.2 million, and **revenues from sales and services** amounted to €11.9 million. Domestic revenues were €9.3 million, and foreign revenues were €2.6 million. **EBITDA** totaled €2.3 million, with an EBITDA margin of 13.6%. **EBIT** was €0.6 million.

The company achieved **net profit** of €0.1 million, and the positive **net financial position** totaled €1.3 million.

Please note that the scope of consolidation at December 31, 2014 includes, in addition to Expert System SpA, both Expert System USA, Inc. (100%) and Expert System Cogito Ltd (100%).

Note also that the consolidated results were lower than those for Expert System SpA, in terms of margin produced, due to increased costs and spending related to the two foreign subsidiaries, the benefits of which, in financial terms, is expected to be reflected in future accounting periods.

Expert System financial performance as of December 31, 2014

The company achieved a production value of €16.1 million, a 23.2% increase over 2013 (€13.1 million).

Sales and services revenues totaled €10.9 million, a 3.2% increase over (the results of) December 31, 2013.

EBITDA increased by 60.5%, with €3.2 million in 2014 compared to €2.0 million in 2013. The EBITDA margin of 20.0% improved significantly over December, 31, 2013 (15.3%).

EBIT (gross operating profit) amounted to €1.5 million (compared to €0.9 million of December 31, 2013) after amortization and depreciation of €1.7 million (compared to €1.1 million of December 31, 2013).

Profit before taxes more than doubled over the previous year, amounting to €1.6 million in 2014, compared to €0.6 million in 2013.

The net result value of €1 million represents a more than four-fold increase compared to 2013 (€0.2 million).

Appropriation of profits: At the Shareholders’ Meeting, the Board of Directors proposed to allocate all 2014 profits in reserve.

The positive Net Financial Position amounts to €0.8 (compared to negative NFP of €5.2 million at December 31,2013); the variation is primarily the result of proceeds from the company's listing on the AIM Italia in February 2014.

Significant events in 2014

- February: trading on the AIM Italia
- July: opening of the new subsidiary, Expert System Cogito Ltd in Great Britain; inclusion in the Gartner Magic Quadrant for Enterprise Search
- December: joint venture with Elettronica, a market leader in defense electronics, and CY4Gate, the new global player in "Cyber Defense Electronics"; the acquisition by the newly formed Expert System Iberia S.L.U. of the ICM and iLab divisions of ISOCO, a Spanish company based in Barcelona that operates in the field of semantic technology

Key events after the close of the fiscal year

May 27, 2015: The company signed a binding agreement to acquire 100% of TEMIS, a company based in France, with a strong presence in Germany, the United Kingdom and the United States; the company employs the proprietary Luxid® technology for text analytics and has an established presence in the Media and Publishing, Healthcare and Intelligence sectors. Through the acquisition of TEMIS, which combines cutting-edge technology and strengthens the company's focus on developing intelligent solutions that support business, Expert System aims at global leadership in the cognitive computing market.

Business Outlook for 2015

In line with its business plan the Group will continue its focus on strengthening its presence in foreign markets and for creating new strategic synergies with major companies. In Europe, the establishment of its newest subsidiaries will enable continued expansion in northern Europe through Expert System Cogito Ltd., and in southern Europe and South America through its Spanish company Expert System Iberia S.L.U.

On the domestic market, the Group will focus on establishing its presence and on continued investment for developing the Cogito technology. It will continue its expansion also in the North American market by strengthening its sales force and by scouting for new partnership opportunities.

Attachments

Expert System Group:

- **Reclassified Consolidated Profit & Loss Account as of December 31, 2014**
- **Reclassified Consolidated Balance Sheet as of December 31, 2014**
- **Consolidated Net Financial Position as of December 31, 2014**

Expert System Spa:

- **Reclassified Profit & Loss Account as of December 31, 2014**
- **Reclassified Balance Sheet as of December 31, 2014**
- **Net Financial Position as of December 31, 2014**

Reclassified Consolidated Profit & Loss Account as of December 31, 2014

Reclassified Consolidated Profit & Loss Account	12/31/2014
Net revenue	11.967.532
Inventory change	1.086.769
Own work capitalised	3.041.447
Other income	1.077.148
Production value	17.172.896
External operating costs	(8.248.896)
Economic value added (EVA)	8.924.000
Cost of labour	(6.584.832)
EBITDA	2.339.168
Amortization, depreciation and other provisions	(1.729.760)
Net operating profit	609.408
Financial income and expenses	28.632
Ordinary profit	638.040
Net Extraordinary components	59.257
Pre - tax results	697.297
Income taxes	(608.768)
Net profit	88.529

Reclassified Consolidated Balance Sheet as of December 31, 2014

Reclassified Consolidated Balance Sheet	12/31/2014
Net intangible assets	4.639.954
Net tangible assets	692.064
Equity investments and other non – current financial assets	7.549.288
Fixed capital	12.881.306
Short-term financial assets	4.153.074
Warehouse inventories	1.562.783
Trade receivables	7.865.706
Other receivables	2.677.019
Accrued income and prepaid expenses	189.002
Short-term assets	16.447.585
Trade Payables	(1.913.788)
Advance payments	(538.058)
Tax and social security payables	(1.689.954)
Other payables	(934.723)
Accrued expenses and deferred income	(2.076.444)
Short-term liabilities	(7.152.965)
Net working capital	9.294.620
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)
Medium/long – term liabilities	(6.550.281)
INVESTED CAPITAL	15.625.646
Shareholders' equity	(16.957.818)
Net medium/long – term financial position	(4.798.603)
Net short – term financial position	6.130.775
OWN EQUITY AND NET FINANCIAL DEBT	(15.625.646)

Consolidated Net Financial Position for December 31, 2014

Consolidated Net Financial Position	12/31/2014
Bank deposits	4.898.970
Cash at bank and in hand	1.370
Treasury shares	89.163
Cash and cash equivalents and treasury shares	4.989.503
Current financial assets	4.081.569
Bonds and convertible bonds (within 12 months)	0
Payables for shareholder 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
Short-term financial payables	(2.940.298)
Net short-term financial position	6.130.775
Bonds and convertible bonds (over 12 months)	0
Payables for shareholder loans (over 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	0
Net medium/long-term financial position	(4.798.603)
Net financial position	1.332.171

Expert System Spa Reclassified Profit & Loss Account as of December 31, 2014

	12/31/2014	12/31/2013	Variation
Net revenue	10.943.137	10.608.164	334.973
Inventory change	1.086.769	(245.498)	1.332.267
Own work capitalised	3.041.447	2.255.895	785.552
Operating grants	528.777	59.049	469.728
Grants relating to assets	509.049	339.080	169.969
Other income	39.322	103.186	-63.864
External operating costs	(7.544.345)	(6.336.994)	(1.207.351)
Economic value added (EVA)	8.604.156	6.782.882	1.821.274
Cost of labour	(5.372.584)	(4.769.279)	(603.305)
EBITDA	3.231.572	2.013.603	1.217.969
Amortization, depreciation and other provisions	(1.722.335)	(1.097.964)	(624.371)
Net Operating Profit	1.509.237	915.639	593.598
Financial income and expenses	54.746	(376.473)	431.219
Ordinary profit	1.563.983	539.166	1.024.817
Net extraordinary components	59.257	45.132	14.125
Pre-tax results	1.623.240	584.298	1.038.942
Income tax	(621.702)	(358.954)	(262.748)
Net profit	1.001.538	225.344	776.194

Expert System Spa Reclassified Balance Sheet as of December 31, 2014

	12/31/2014	12/31/2013	Variation
Net intangible assets	4.639.107	2.462.442	2.176.665
Net tangible assets	670.338	606.110	64.228
Equity investments and other non - current financial assets	8.899.857	6.836.332	2.063.525
Fixed capital	14.209.302	9.904.884	4.304.418
Short - term financial assets	4.153.074	0	4.153.074
Warehouse inventories	1.562.783	476.015	1.086.768
Trade receivables	7.113.745	5.819.984	1.293.761
Other receivables	3.886.450	6.049.728	(2.163.278)
Accrued income and prepaid expenses	187.719	169.918	17.801
Short - term assets	16.903.771	12.515.645	4.388.126
Trade Payables	(1.884.471)	(1.103.820)	(780.651)
Advance payments	(538.058)	(1.524.588)	(986.530)
Tax and social security payables	(1.689.954)	(917.637)	(772.317)
Other payables	(934.723)	(943.140)	8.417
Accrued expenses and deferred income	(979.232)	(238.118)	(741.114)
Short - term liabilities	(6.026.436)	(4.727.303)	(1.299.133)
Net working capital	10.877.335	7.788.342	3.088.993
Employee severance indemnity	(1.126.002)	(948.598)	(177.404)
Tax and social security payables (after 12 months)	0	0	0
Accrued expenses and deferred income (after 12 months)	(2.361.933)	(3.905.115)	1.543.182
Other medium- to long-term liabilities	(3.070.368)	(1.673.769)	(1.396.599)
Medium/long - term liabilities	(6.558.303)	(6.527.482)	(30.821)
Invested capital	18.528.334	11.165.744	7.362.590
Shareholders' equity	(19.347.728)	(5.976.806)	(13.370.922)
Net medium/long – term financial position	(4.798.603)	(5.172.406)	373.803
Net short – term financial position	5.617.997	(16.532)	5.634.529
OWN EQUITY AND NET FINANCIAL DEBT	(18.528.334)	(11.165.744)	(7.362.590)

Expert System Spa Net Financial Position as of December 31, 2014

	12.31.14	12. 31.13	Variation
Bank deposits	4.386.192	2.957.350	1.428.842
Cash at bank and in hand	1.370	1.501	(131)
Treasury shares	89.163		89.163
Cash and cash equivalents and treasury shares	4.476.726	2.958.851	1.517.875
Current financial assets	4.081.569	8.400	4.073.169
Bonds and convertible bonds (within 12 months)	0	0	0
Payables for shareholder loans (within 12 months)	0	0	0
Payables due to banks (within 12 months)	(2.647.115)	(2.692.311)	45.196
Payables due to other lenders (within 12 months)	(293.183)	(291.472)	(1.711)
Advances for overseas payments	0	0	0
Short-term portion of loans	0	0	0
Financial receivables	0	0	0
Short – term financial payables	(2.940.298)	(2.983.783)	43.485
Net short – term financial position	5.617.997	(16.532)	5.634.529
Bonds and convertible bonds (after 12 months)	0	0	0
Payables due to shareholder for loans (after 12 months)	0	0	0
Payables due to banks (after 12 months)	(4.381.995)	(4.462.615)	80.620
Payables due to other lenders (after 12 months)	(416.608)	(709.791)	293.183
Advances for overseas payments	0	0	0
Long-term portion of loans	0	0	0
Financial receivables	0	0	0
Net medium/long – term financial position	(4.798.603)	(5.172.406)	373.803
Net financial position	819.394	(5.188.938)	6.008.332