

Board of Directors approves financial report of June 30, 2015

Expert System continues path of international growth to strengthen its position as a global leader specializing in semantic technology for cognitive computing

Consolidated financial results for June 30, 2015:

- Revenues of €5.5 million, up 59% (€3.5 million in the first half of 2014*), with 41% foreign market share, a significant increase compared to 16% in 1H 2014*;
- Foreign revenues of €2.3 million (€0.6 in 1H 2014 *), with + 285% growth in the US market, which increased from €0.5 million to €1.9 million;
- Negative EBITDA of €1.5 million (compared to negative €0.4 million in 1H 2014*);
- Negative net result of €2.1 million (compared to €1.0 in 1H 2014*);
- Negative net financial position of €2.3 million (positive €1.3 million for December 31, 2014) with €7.7 million in cash

Modena, September 25, 2015

[Expert System](#) (EXSY.MI), the leader in multilingual [semantic intelligence](#) technology for the effective management of unstructured and open source information, today announced that Expert System Board of Directors approved the financial results for the period ending June 30, 2015. Please note that this interim report is not subject to audit, and that the June 30, 2014 results are of a managerial nature, and therefore used for comparative purposes only.

Stefano Spaggiari, CEO, Expert System, commented:

“In the first half of 2015, our Group achieved the first important results of our internationalization process, in which we continue to invest, with revenue growth generated by foreign sales, which quadrupled over the same period one year ago. Our recent acquisition of TEMIS will play a key role in our strengthening process, bringing significant growth, with pro-forma revenues that will exceed €20 million in 2015. From a profitability point of view, the period saw additional expenses incurred to support the strengthening of foreign commercial resources, that, together with the contractual timing of some orders, will produce results in the second half of the year. In addition to the consolidation of commercial agreements already in place, we have closed new contracts with one of the largest, most prestigious global publisher, which demonstrates the excellence of semantic analysis solutions for big data, based on our Cogito platform. Historically, the second half of the year sees the fruits of investments made in the previous six months, as was true in 2014. The process of expansion that started with our listing on the AIM Italia continues both organically, with new foreign investment opportunities, and not excluding other international acquisitions, and enables us today to affirm our position as the multi-national leader of reference in cognitive computing and artificial intelligence.”

Consolidated financial results for June 30, 2015

The scope of consolidation for the June 30, 2015 results includes, in addition to the parent company Expert System S.p.A., the following subsidiaries: Expert System Cogito Ltd (100% owned), Expert System USA Inc (100% owned) and Expert System IBERIA SLU (100% owned).

Strong foreign revenue growth

Revenues of €5.5 million show significant growth: +59% over June 30, 2014 (€3.5 million in Q1 2014*). In particular, revenues from foreign markets of €2.3 million show the major impact of US revenues, which amounted to €1.9 million, compared to €0.50 million in the first half of 2014*, thus registering +285% growth over the first half of 2014.

Licensing revenues also increased from 28% to 37% of total revenues.

Negative EBITDA of €1.5 million compared to negative EBITDA of €0.4 million for June 30, 2014* reflects the significant costs related to international development, and the development of new products and technologies, as well as the postponement of some major orders to the second half of the year in the domestic market. The differences in margin are also due to the decrease of WIP inventory of ongoing activities, while a positive trend of increased orders is replenishing the commercial pipeline, the effects of which will be seen in the second half of 2015 and in 2016.

EBIT is negative at €2.5 million compared to negative EBIT of €1.1 million at June 30, 2014.*

The net result is negative at €2.1 million compared to a negative net result of €1.0 million at June 30, 2014.*

The Net Financial Position is negative and amounted to €2.3 million (compared to positive €1.3 million at December 31, 2014); available liquidity amounted to €7.7 million.

Consolidated Financial Pro-Forma Results for June 30, 2015, including contribution from the TEMIS acquisition

The acquisition of TEMIS S.A., concluded on September 23, 2015, resulted in a significant increase for the Group's growth that consolidated its position as a market leader in the field of semantic technology for cognitive computing. Retroactively applying the results of the acquisition, the consolidated pro-forma financial results for June 30, 2015 that include the June 30, 2015 results of TEMIS S.A.** are shown below:

Revenues of €9.1 million, 65% of which from foreign markets;

Negative EBITDA of €1.3 million;

Negative EBIT of €2.6 million;

Negative net result of €1.9 million;

Negative net financial position of €2.3 million.

Significant events in the first half of 2015

February 15: Expert System joins the Google for Work Partner Program as a Google Cloud Platform Technology Partner; the Cogito semantic technology will be extended in the Google Cloud Platform.

March 24: Expert System partners with MongoDB, the American next-generation database provider

Significant events after the closing of the first half of 2015

July 31: Expert System announces a €5 million bond issue with 4% fixed annual interest rate, maturing in 2024; It is aimed at enhancing commercial activities in Europe and the US where the recent TEMIS acquisition strengthens the company's market position

September 16: Expert System successfully concludes €2.16 million capital increase for Expert System Group subsidiary ADMantX, the market leader in online advertising technology

September 23: Expert System completes the acquisition of TEMIS, strengthening its position on all Western markets

Business outlook

In 2015, the Group expects to reach a production value between €28 and 30 million, a strong increase compared to 2014 results of €17 million, and positions the group as an industry leader at the international level. The results of major investments already in place will begin to be realized in fiscal 2016 and 2017 when the synergies, and the commercial and operational efficiencies created as a result, can be fully exploited and implemented.

The consolidated interim financial report for June 30, 2015 will be made available in Italian to the public in accordance with the terms of the AIM Italia Issuers' Regulations, as well as on the company's website at www.expertsystem.com/it in the section Investor Relations - Financial Reports.

- Consolidated Income Statement as of June 30, 2015
- Consolidated Financial Statement as of June 30, 2015
- Consolidated Net Financial Position as of June 30, 2015

***Management accounts included for comparative purposes only**

****Pro-forma management accounts and therefore not subject to audit.**

About Expert System

Headquartered in Chicago, Expert System Inc. is a leading provider of information access solutions based on the proprietary, patented, multilingual semantic technology of Cogito. Using Expert System's products, enterprise companies and government agencies can go beyond traditional keyword approaches for the rapid sense-making of their structured and unstructured data. Expert System technology has been deployed to deliver solutions for a vast range of business requirements such as semantic searches, open source intelligence, multilingual and big text analytics, natural language processing and the development and management of taxonomies and ontologies. Expert System serves some of the world's largest industries including Banking and Insurance, Life Sciences and Pharmaceuticals, Oil and Gas, Media and Publishing, and Government including companies such as Shell, Chevron, Eli Lilly, Wolters Kluwer, Networked Insights, Nalco Champion, US Department of Justice and the DTRA. For more information visit www.expertsystem.com or follow us on Twitter at [@Expert_System](https://twitter.com/Expert_System).

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