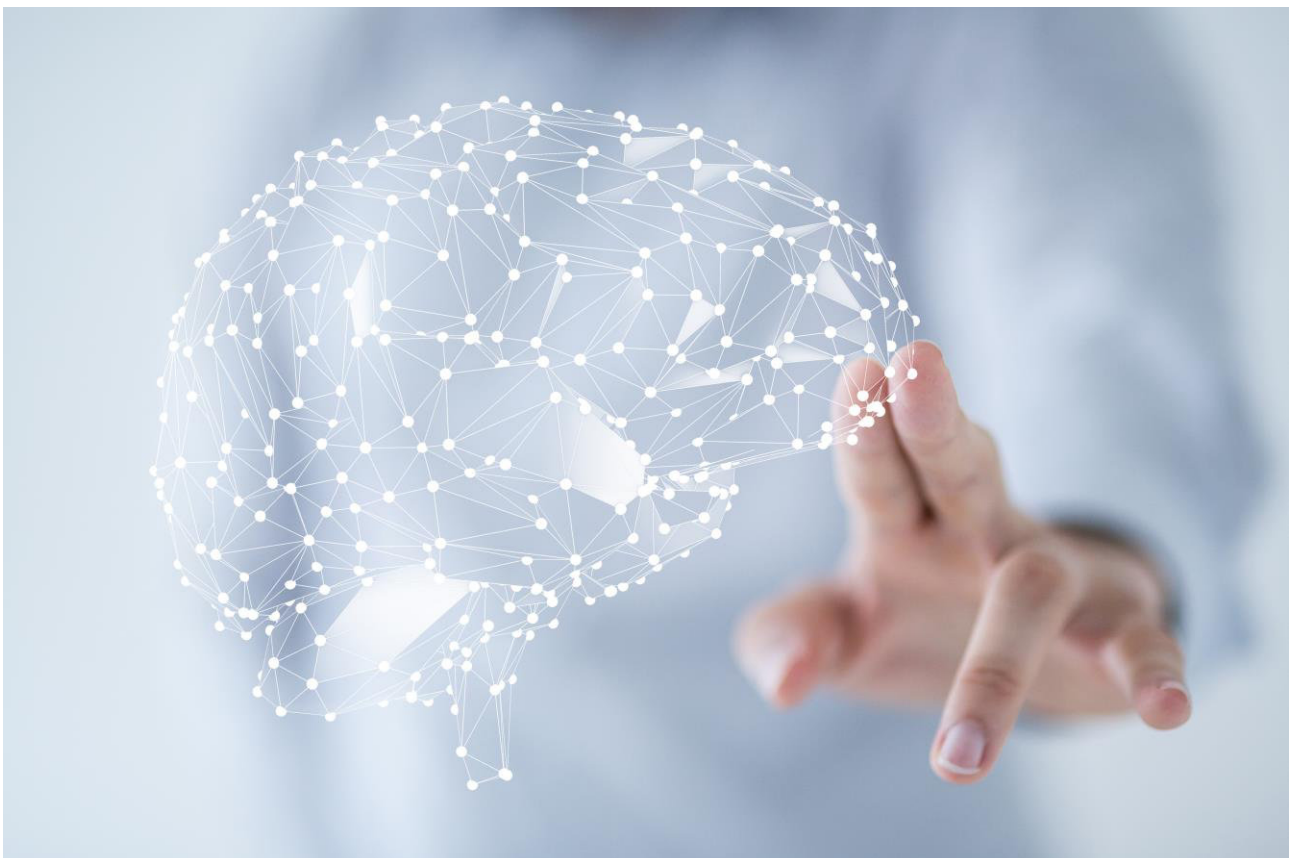




**Consolidated Financial Statements of the Expert System Group
for the year ended 31/12/2015**



1. Consolidated Financial Statements of the Expert System Group for the year ended 31/12/2015
2. Explanatory Notes of the Expert System Group for the year ended 31/12/2015
3. Report on Operations of the Expert System Group for the year ended 31/12/2015
4. Independent Auditor's Report to the Consolidated Financial Statements of the Expert System Group for the year ended 31/12/2015



Financial statements for the year ended 31/12/2015



EXPERT SYSTEM S.P.A.

Registered office in Via Fortunato Zeni 8 - 38068 Rovereto (TN)

Share capital € 250,607.78 fully paid-in

Registered with the Trento Chamber of Commerce

Tax Code and Register of Companies registration no. 02608970360

VAT number: 02608970360 - REA (Economic and Administrative Index) No.: 212386

Consolidated financial statements for the year ended 31/12/2015**BALANCE SHEET**

ASSETS	31/12/2015	31/12/2014
A) SUBSCRIBED CAPITAL, UNPAID		
Total subscribed capital, unpaid (A)	0	0
B) FIXED ASSETS		
<i>I - Intangible fixed assets</i>		
1) Start-up and expansion costs	906,909	589,021
2) Costs of research, development and advertising	6,310,559	3,994,152
3) Industrial patent and intellectual property rights	85,120	21,562
4) Concessions, licences, trademarks and similar rights	5,317	4,214
5) Goodwill	1,183,146	20,066
Consolidation difference	9,000,042	0
7) Other	1,047,933	10,940
Total intangible fixed assets (I)	18,539,026	4,639,955
<i>II - Tangible fixed assets</i>		
1) Land and buildings	384,912	395,999
2) Plant and machinery	18,970	26,231
4) Other assets	511,849	269,834
Total tangible fixed assets (II)	915,731	692,064
<i>III - Non-current financial assets</i>		

1) Equity investments

a) subsidiaries	0	46,144
b) associates	307,673	281,673
d) other companies	57,138	59,138
Total equity investments (1)	364,811	386,955

2) Receivables

b) Due from associates

After 12 months	402,521	0
Total receivables due from associates	402,521	0

d) Due from others

Total Receivables (2)	402,521	0
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3) Other securities

78,735	0
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Total non-current financial assets (III)

846,067	386,955
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Total fixed assets (B)	20,300,824	5,718,974
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C) CURRENT ASSETS

I) Inventories

3) Contract work in progress	1,796,857	1,562,783
Total inventories (I)	1,796,857	1,562,783

II) Receivables

1) Due from customers

Within 12 months	10,227,852	7,865,708
Total receivables due from customers (I)	10,227,852	7,865,708

2) Due from subsidiaries

Within 12 months	8,221	87,241
After 12 months	26,787	726,787
Total receivables due from subsidiaries (2)	35,008	814,028

4-bis) Tax receivables

Within 12 months	1,501,599	38,348
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After 12 months	30,766	102,257
Total tax receivables (4-bis)	1,532,365	140,605
4-ter) Prepaid taxes		
Within 12 months	155,095	6,783
After 12 months	293,129	42,608
Total prepaid taxes (4-ter)	448,224	49,391
5) Other receivables		
Within 12 months	5,703,588	2,544,647
After 12 months	5,049,541	6,290,681
Total other receivables (5)	10,753,129	8,835,328
Total receivables (II)	22,996,578	17,705,060
<i>III - Current financial assets</i>		
1) Equity investments in subsidiaries	4,153,074	4,153,074
4) Other equity investments	8,400	8,400
5) Treasury shares	560,395	89,163
6) Other securities	1,345,646	4,073,169
Total current financial assets (III)	6,067,515	8,323,806
<i>IV - Cash and cash equivalents</i>		
1) Bank and postal deposits	11,247,267	4,898,970
3) Cash at bank and in hand	2,060	1,370
Total cash and cash equivalents (IV)	11,249,327	4,900,340
Total current assets (C)	42,110,277	32,491,989
D) ACCRUALS AND DEFERRALS		
Accrued income and prepaid expenses	1,038,403	189,002
Total accruals and deferrals (D)	1,038,403	189,002
TOTAL ASSETS	63,449,504	38,399,965

BALANCE SHEET

LIABILITIES	31/12/2015	31/12/2014
A) SHAREHOLDERS' EQUITY		
I - Share capital	250,608	219,497
II - Share premium reserve	20,737,590	13,768,730
III - Revaluation reserves	0	0
IV - Legal reserve	43,899	40,067
V - Statutory reserves	0	0
VI - Reserve for treasury shares in portfolio	560,395	89,163
<i>VII) Other reserves, indicated separately</i>		
Extraordinary or optional reserve	4,020,302	3,711,110
Merger surplus reserve	376,622	376,622
Reserve for exchange gains	217,282	0
Miscellaneous other reserves	541,768	233,252
Total other reserves	5,155,974	4,320,984
VIII - Retained earnings (losses)	-2,745,934	-1,569,154
<i>IX - Profit (loss) for the year</i>		
Profit (loss) for the year	-3,284,307	88,529
Residual profit/(loss)	-3,284,307	88,529
Total shareholders' equity	20,718,225	16,957,816
<i>Shareholders' equity pertaining to minority shareholders</i>		
Minority interests in capital and reserves	0	0
Profit (loss) for the year pertaining to minority shareholders	0	0
Total shareholders' equity pertaining to minority shareholders	0	0
Total consolidated shareholders' equity	20,718,225	16,957,816
B) PROVISIONS FOR RISKS AND CHARGES		
1) Pensions and similar obligations	3,151	1,969

2) Taxation, including deferred	411,922	83,158
3) Other	17,115	149,262
Total provisions for risks and charges (B)	432,188	234,389
C) EMPLOYEE SEVERANCE INDEMNITY	1,390,984	1,126,002
D) PAYABLES		
1) Bonds		
After 12 months	5,000,000	0
Total bonds (1)	5,000,000	0
3) Payables due to shareholders for loans		
After 12 months	524	0
Total payables due to shareholders for loans (3)	524	0
4) Payables due to banks		
Within 12 months	4,847,800	2,647,115
After 12 months	11,485,190	4,381,995
Total payables due to banks (4)	16,332,990	7,029,110
5) Payables due to other lenders		
Within 12 months	587,262	293,183
After 12 months	1,754,683	416,608
Total payables due to other lenders (5)	2,341,945	709,791
6) Payments on account		
Within 12 months	2,909,546	1,721,747
After 12 months	1,151,231	1,644,448
Total payments on account (6)	4,060,777	3,366,195
7) Trade payables		
Within 12 months	2,854,713	1,913,788
Total trade payables (7)	2,854,713	1,913,788
12) Tax payables		
Within 12 months	941,582	1,454,606

Total tax payables (12)	941,582	1,454,606
13) Payables due to social security institutions		
Within 12 months	1,419,651	235,348
Total payables due to social security institutions (13)	1,419,651	235,348
14) Other payables		
Within 12 months	1,381,590	934,723
After 12 months	1,000,000	0
Total other payables (14)	2,381,590	934,723
Total payables (D)	35,333,772	15,643,561
E) ACCRUALS AND DEFERRALS		
Accrued expenses and deferred income	5,574,335	4,438,197
Total accruals and deferrals (E)	5,574,335	4,438,197
TOTAL LIABILITIES	63,449,504	38,399,965

MEMORANDUM ACCOUNTS

	31/12/2015	31/12/2014
Risks assumed by the company		
Sureties		
to subsidiaries	300,000	300,000
to other companies	4,828,099	6,952,948
Total sureties	5,128,099	7,252,948
Other risks		
Total risks assumed by the company	5,128,099	7,252,948
TOTAL MEMORANDUM ACCOUNTS	5,128,099	7,252,948

INCOME STATEMENT

	31/12/2015	31/12/2014
A) VALUE OF PRODUCTION		
1) Sales and service revenues	16,388,897	11,967,532
3) Changes in contract work in progress	174,750	1,086,768
4) Own work capitalised	3,619,440	3,041,447
5) Other revenues and income		
Other	1,713,470	548,371
Operating grants	750,421	528,777
Total other revenues and income (5)	2,463,891	1,077,148
Total value of production (A)	22,646,978	17,172,895
B) COSTS OF PRODUCTION:		
6) Raw materials, consumables and goods for resale	955,979	350,063
7) For services	8,119,802	7,229,182
8) Use of third-party assets	922,051	583,718
9) Personnel:		
a) Salaries and wages	8,710,856	5,087,754
b) Social security costs	1,995,499	1,174,087
c) Employee severance indemnity	393,451	288,312
d) Pensions and similar charges	6,989	0
e) Other costs	194,958	34,679
Total personnel costs (9)	11,301,753	6,584,832
10) Amortisation, depreciation and write-downs:		
a) Amortisation of intangible fixed assets	4,977,127	1,512,309
b) Depreciation of tangible fixed assets	163,554	145,786
d) Write-down of receivables included in current assets and of cash and cash equivalents	82,126	41,665
Total amortisation, depreciation and write-downs (10)	5,222,807	1,699,760
12) Provisions for risks	15,000	30,000

14) Sundry operating expenses	143,028	85,933
Total costs of production (B)	26,680,420	16,563,488
Difference between the value and costs of production (A-B)	-4,033,442	609,407
C) FINANCIAL INCOME AND EXPENSES		
16) Other financial income:		
a) from receivables classified as fixed assets		
From subsidiaries	0	57
From associates	12,521	0
Other	2,649	0
Total financial income from receivables classified as fixed assets	15,170	57
c) From securities included in current assets	6,669	0
d) Other income		
Other	37,827	131,847
Total other income (d)	37,827	131,847
Total other financial income (16)	59,666	131,904
17) Interest and other financial expenses		
Other	383,418	337,049
Total interest and other financial expenses (17)	383,418	337,049
17-bis) Exchange gains and losses	539,128	233,778
Total financial income and expenses (C) (15+16-17+-17-bis)	215,376	28,633
D) VALUE ADJUSTMENTS OF FINANCIAL ASSETS:		
18) Revaluations:		
c) Of securities included in current assets	-2,148	0
Total revaluations (18)	-2,148	0
19) Write-downs:		
Total value adjustments to financial assets (D) (18-19)	-2,148	0
E) EXTRAORDINARY INCOME AND EXPENSES:		

20) Income		
Other	515,531	215,363
Total income (20)	515,531	215,363
21) Expenses		
Capital losses from disposals, with accounting effects not recognisable in item 14	2,884	0
Other	254,202	156,106
Total expenses (21)	257,086	156,106
Total extraordinary items (E)	258,445	59,257
PRE-TAX RESULT (A-B+-C+-D+-E)	-3,561,769	697,297
22) Income taxes for the year – current, deferred and prepaid		
Current taxes	20,585	552,114
Prepaid taxes	656,811	-9,835
Deferred taxes	358,764	46,819
Total income taxes for the year (22)	-277,462	608,768
23) Profit (loss) for the year	-3,284,307	88,529
Profit (loss) for the year pertaining to minority shareholders	0	0
Group profit (loss) for the year	-3,284,307	88,529



Explanatory Notes of the Expert System Group for the year ended 31/12/2015



EXPERT SYSTEM GROUP

Explanatory notes to the consolidated financial statements for the year ended 31/12/2015

Form and content of the financial statements

The consolidated financial statements as at and for the year ended 31/12/2015, 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 translation principles

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.

Note that, unlike the consolidated financial statements as at 31 December 2014, the scope of consolidation has changed as a result of the following transactions:

- Expert System Iberia S.L.U. has been included in the consolidated financial statements of the Expert System Group for the first time in 2015, following its incorporation in December 2014;
- the acquisition of 100% of TEMIS S.A., a French leader in text analytics solutions with branches also in Germany, the USA and Canada. This transaction began with the signing of a binding agreement in May 2015 and closed on 23 September 2015, the reference date for inclusion of the investee's economic and equity values in the scope of consolidation.

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 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 S.p.A. as at 31/12/2015 is not considered functional with regard to the group's objectives and in fact, since the last quarter of 2014, scouting activities have been underway via a specialised advisor for the purpose of identifying a strategic partner, of an industrial

and/or financial nature, to whom a significant or total holding in the company may be transferred, which permits ADmantX to more fully express its potential on a market such as that of ADTech which has features and methods very different from the Expert System business model.

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

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

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

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

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

Measurement criteria

The measurement criteria adopted for the drafting of the 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, with a view to the business as a going-concern, and taking into account the economic function of the asset and liability elements on the basis of the principle of prevalence of substance over form.

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

In particular, the measurement criteria adopted were as follows.

Intangible fixed assets

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

Tangible fixed assets

Tangible fixed assets are recognised at purchase or production costs net of the related accumulated depreciation, including all the costs and accessory charges directly attributable.

The cost is revalued in accordance with monetary revaluation laws and, in any event, does not exceed the market value.

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

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

Non-current financial assets

Equity investments in associates are measured at cost.

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

Current financial assets

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

Inventories

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

Receivables

The receivables are recognised at estimated realisable value via allocation 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 temporary 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 temporary 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 € 18,539,026 (€ 4,639,955 in the previous year).

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

	Costi di impianto e di ampliamento	Costi di ricerca, di sviluppo e di pubblicità	Diritti di brevetto industriale e diritti di utilizzazione delle opere dell'ingegno	Concessioni, licenze, marchi e diritti simili	Avviamento	Differenza da consolidamento	Altre immobilizzazioni immateriali	Totale immobilizzazioni immateriali
Valore di inizio esercizio								
Costo	775.320	12.466.953	575.935	17.212	33.444	0	38.464	13.907.328
Ammortamenti (Fondo ammortamento)	186.299	8.472.801	554.373	12.998	13.378	0	27.524	9.267.373
Valore di bilancio	589.021	3.994.152	21.562	4.214	20.066	0	10.940	4.639.955
Variazioni nell'esercizio								
Incrementi per acquisizioni	477.974	5.815.868	561.223	1.840	1.462.211	10.945.770	1.634.500	20.899.386
Ammortamento dell'esercizio	159.864	2.230.063	15.662	737	299.131	2.250.010	21.660	4.977.127
Fondo ammortamento controllate ante consolidamento	-222	-1.269.398	-482.003	0	0	304.282	-575.847	-2.023.188
Totale variazioni	317.888	2.316.407	63.558	1.103	1.163.080	9.000.042	1.036.993	13.899.071
Valore di fine esercizio								
Costo	1.253.294	18.282.821	1.137.158	19.052	1.495.655	9.000.042	1.672.964	32.860.986
Ammortamenti (Fondo ammortamento)	346.385	11.972.262	1.052.038	13.735	312.509	0	184.031	13.880.960
Svalutazioni	0	0	0	0	0	0	441.000	441.000
Valore di bilancio	906.909	6.310.559	85.120	5.317	1.183.146	9.000.042	1.047.933	18.539.026

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

- 1) the increase in "Start-up and expansion costs" of € 477,974 is mainly associated with:

- € 356,142 for the business reorganisation of Expert System USA Inc. in terms of subdividing the Corporate and Federal market business between Expert System USA Inc. and Expert System Enterprise Corp., respectively, which was arranged after the acquisition of the latter company;
- € 64,119 for the formation expenses of Expert System Iberia SLU, represented by legal consulting costs for support in the introductory stages and due diligence costs;
- € 57,491 for the start-up costs of Expert System USA Inc. in relation to the recruitment of new personnel and setup of the sales network during the start-up of sales operations;

2) the increase in “Research and development costs”, totalling € 5,815,868, can be broken down as follows:

- € 3,033,114 as the capitalisation carried out by the parent company of costs relating to employees and costs for external consultancy used in research and development, illustrated in detail in the explanatory notes of Expert System S.p.A.;
- € 2,418,115 as the research and development costs of the subsidiary Expert System Iberia S.L.U., which was not included in the scope of consolidation as at 31 December 2014;
- € 364,639 as analogous to the item recognised by Temis SA, which was also not included in the scope of consolidation at the end of the previous year.

3) the increase in “Goodwill” of € 1,462,211 comprises goodwill recognised under assets of the subsidiary Expert System Iberia S.L.U. following acquisition of the business unit of Isoco at the time Expert System Iberia S.L.U. was incorporated;

The total book value of € 1,183,146 comprises:

- € 1,169,769 the goodwill of Expert System Iberia S.L.U., net of € 292,442 amortisation,
- € 13,378 the goodwill recognised among parent company assets, net of € 20,066 amortisation.

The “Consolidation difference” is the difference between the acquisition cost of equity investments and the present value of shareholders’ equity at the date of acquisition of the subsidiaries included in the scope of consolidation. This difference, generated at the time of netting the book value of the equity investments held by the parent company against the shareholders’ equity of the consolidated subsidiaries, was recognised under intangible fixed assets and is amortised on a straight-line basis for 5 years. In particular, the total of € 9,000,042 was calculated as follows:

- € 6,778,449 (net of € 1,694,612 amortisation) from the consolidation into the Expert System Group of the subsidiary Temis SA;

- € 110,313 (net of € 27,578 amortisation) from the consolidation into the Expert System Group of the subsidiary Expert System Iberia SLU;

- € 2,111,281 from the sub-consolidation into the subsidiary Temis SA of its own subsidiaries:

	gross value	amortisation	net value
consolidation difference after netting of the equity investment in Temis SA	8,473,061	1,694,612	6,778,449
consolidation difference after netting of the equity investment in Expert System Iberia SLU	137,891	27,578	110,313
consolidation difference after netting of the equity investments sub-consolidated into Temis SA	2,639,099	527,820	2,111,279
total	11,250,051	2,250,010	9,000,041

The item “Other intangible fixed assets”, which includes residual balances which cannot be classified in the previous items, amounts to € 1,047,933 (€ 10,940 in the previous year), and is made up as follows:

	Opening balance	Closing balance	Change
Leasehold improvements	877	362	-515
Substitute tax on loans	7,601	4,619	-2,982
Loan fees	2,463	379	-2,084
Other intangible fixed assets	0	1,042,573	1,042,573
Total	10,941	1,047,933	1,036,992

The increase in “Other intangible fixed assets” of € 1,042,573 is attributable to the subsidiary Temis SA, which was acquired in 2015. This total largely refers to text mining solution software for the pharmaceutical industry included among Temis SA assets following the acquisition of I Cube on 3 June 2013.

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

Breakdown of start-up and expansion costs:

	Opening balance	Increases in the year	Amortisation in the year	Closing balance	Change
Establishment / article of association amendment costs	848	121,610	11,140	111,318	110,470
Extraordinary transaction costs (mergers, etc.)	6,873	0	3,494	3,379	-3,494
Admission to stock market listing	581,300	356,141	145,229	792,212	210,912
Total	589,021	477,751	159,863	906,909	317,888

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	3,994,151	5,815,868	2,230,063	1,269,397	6,310,559	2,316,408
Total	3,994,151	5,815,868	2,230,063	1,269,397	6,310,559	2,316,408

Breakdown of costs of research, development and advertising:

	Opening balance	Net increases in the year	Amortisation in the year	Closing balance	Change
Increase in production	3,994,151	3,033,114	1,799,061	5,228,205	1,234,054
Research and development - Expert System Iberia	-	1,148,717	358,074	790,643	790,643
Research and development - Temis	-	364,639	72,928	291,711	291,711
Total	3,994,151	4,546,471	2,230,063	6,310,559	2,316,408

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 € 915,731 (€ 692,064 in the previous year).

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

	Terreni e fabbricati	Impianti e macchinario	Attrezzature industriali e commerciali	Altre immobilizzazioni materiali	Totale Immobilizzazioni materiali
Valore di inizio esercizio					
Costo	456.980	213.491	1.558	1.343.079	2.015.108
Ammortamenti (Fondo ammortamento)	60.981	187.260	1.558	1.073.245	1.323.044
Valore di bilancio	395.999	26.231	0	269.834	692.064
Variazioni nell'esercizio					
Incrementi per acquisizioni	0	0	2.689	637.240	639.929
Ammortamento dell'esercizio	11.087	7.261	2.689	142.517	163.554
Altre variazioni	0	0	0	-252.708	-252.708
Totale variazioni	-11.087	-7.261	0	242.015	223.667
Valore di fine esercizio					
Costo	456.980	213.491	4.247	1.980.319	2.655.037
Ammortamenti (Fondo ammortamento)	72.068	194.521	4.247	1.468.470	1.739.306
Valore di bilancio	384.912	18.970	0	511.849	915.731

The item "Other assets", which includes the residual values which cannot be classified in the previous items, amounts to € 511,849 (€ 269,834 in the previous year). The increase is mainly due to the subsidiaries Expert System Iberia SLU and Temis SA not being included in the scope of consolidation as at 31 December 2014.

	Opening balance	Closing balance	Change
Ordinary office furniture and machines	53,580	153,827	100,247
Electronic office machines	129,084	243,193	114,109
Motor vehicles	24,656	14,609	-10,047
Ordinary office machines	0	42,339	42,339
Signage	0	4,230	4,230
Mobile phones	5,705	4,536	-1,169
Office furniture and fittings	56,809	49,115	-7,694
Total	269,834	511,849	242,015

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 € 364,811 (€ 386,955 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 other companies	Total equity investments	Other securities
Balance at start of the year					
Cost	46,144	285,173	59,138	390,455	0
Write-downs	0	3,500	0	3,500	0
Book value	46,144	281,673	59,138	386,955	0
Changes in the year					
Increases due to purchases	0	0	0	0	78,735
Write-downs	0	0	-2,000	-2,000	0
Other changes	-46,144	26,000	0	-20,144	0
Total changes	-46,144	26,000	-2,000	-22,144	78,735
Balance at end of the year					
Cost	0	307,673	57,138	364,811	78,735
Book value	0	307,673	57,138	364,811	78,735

The decrease in “Equity investments in subsidiaries” is due to elimination of the investment in Expert System Iberia S.L.U. of € 46,144 following the consolidation of this subsidiary.

However, as regards the change in equity investments in associates, the increase of € 26,000 is due to the inclusion of professional consulting costs relating to purchase of the equity investment in CY4Gate S.r.l., which as at 31 December 2015 was therefore recognised for a total of € 307,673.

Lastly, the change in “Equity investments in other companies” is due to zeroing out of the book value of the investment in Semantic Valley S.r.l., which filed its post-liquidation financial statements on 30 December 2015. After this adjustment, the total of € 57,138 recognised in the financial statements as at 31 December 2015 can be broken down as follows:

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

The item “Receivables due from associates” includes the amount relating to an interest-bearing loan

disbursed to CY4Gate S.r.l. in 2015 to support the investee during the start-up phase. That amount includes € 12,521 in interest accrued in 2015 on the total loan originally disbursed for € 390,000.

The breakdown of changes in this item is as follows:

	Receivables due from associates
Balance at start of the year	
Cost	-
Write-downs	-
Book value	-
Changes in the year	
Increases due to purchases	402,521
Write-downs	-
Other changes	-
Total changes	402,521
Balance at end of the year	
Cost	402,521
Book value	402,521

Non-current financial assets - Other securities

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

	Other securities
Balance at start of the year	
Cost	0
Write-downs	0
Book value	0
Changes in the year	
Increases due to purchases	78,735
Write-downs	0
Other changes	0
Total changes	78,735
Balance at end of the year	
Cost	78,735
Book value	78,735

Current assets - Inventories

Inventories included under current assets amount to € 1,796,857 (€ 1,562,783 in the previous year).

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

	Contract work in progress	Total inventories
Balance at start of the year	1,562,783	1,562,783
Change during the year	234,074	234,074
Balance at end of the year	1,796,857	1,796,857

Current assets - Receivables

Receivables included under current assets amount to € 22,996,578 (€ 17,705,060 in the previous year).

The breakdown is as follows:

Breakdown of current receivables:

	Nominal value	Bad debt provision	Net value
Due from customers - within 12 months	10,617,365	389,513	10,227,852
Due from subsidiaries - within 12 months	8,221	0	8,221
Due from subsidiaries - after 12 months	26,787	0	26,787
Tax receivables - within 12 months	1,501,599	0	1,501,599
Tax receivables - after 12 months	30,766	0	30,766
Prepaid taxes - within 12 months	155,095	0	155,095
Prepaid taxes - after 12 months	293,129	0	293,129
Other receivables - within 12 months	5,703,588	0	5,703,588
Other receivables - after 12 months	5,049,541	0	5,049,541
Total	23,386,091	389,513	22,996,578

	Current receivables due from customers	Current receivables due from subsidiaries	Current tax receivables	Current prepaid tax assets	Other current receivables	Total current receivables
Balance at start of the year	7,865,708	814,028	140,605	49,391	8,835,328	17,705,060
Change during the year	2,362,144	-779,020	1,391,760	398,833	1,917,801	5,291,518
Balance at end of the year	10,227,852	35,008	1,532,365	448,224	10,753,129	22,996,578
Portion due within 1 year	10,227,852	8,221	1,501,599	155,095	5,703,588	17,596,355
Portion due after 1 year	0	26,787	30,766	293,129	5,049,541	5,400,223

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

Breakdown of receivables by geographic area as at 31/12/2015

Italian customers	6,341,110
EU customers	2,559,604
Non-EU customers	1,716,651
(BAD DEBT PROVISION)	-389,513
TOTAL	10,227,852

Current assets - Financial assets

Current financial assets amount to € 6,067,515 (€ 8,323,806 in the previous year).

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

	Current equity investments in subsidiaries	Other current equity investments	Current treasury shares	Other current securities	Total current financial assets
Balance at start of the year	4,153,074	8,400	89,163	4,073,169	8,323,806
Changes in the year	0	0	471,232	-2,727,523	-2,256,291
Balance at end of the year	4,153,074	8,400	560,395	1,345,646	6,067,515

The change in “Other current securities” of € 2,727,523 is mainly to the following:

- decrease of € 3,000,000 following the maturity on 22/06/2015 of the Expert System S.p.A. certificate of deposit signed with BPER on 22/12/2014;
- increase following consolidation of Temis SA assets, which include certificates of deposit for € 12,600 and other securities for € 353,697.

Current assets - Cash and cash equivalents

Cash and cash equivalents included under current assets amount to € 11,249,327 (€ 4,900,340 in the previous year).

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

	Bank and postal deposits	Cash at bank and in hand	Total cash and cash equivalents
Balance at start of the year	4,898,970	1,370	4,900,340
Change during the year	6,348,297	690	6,348,987
Balance at end of the year	11,247,267	2,060	11,249,327

Accrued income and prepaid expenses

Accrued income and prepaid expenses amount to € 1,038,403 (€ 189,002 in the previous year).

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

Accrued income and prepaid expenses:

	Accrued income	Other prepaid expenses	Total accrued income and prepaid expenses
Balance at start of the year	0	189,002	189,002
Change during the year	922	848,479	849,401
Balance at end of the year	922	1,037,481	1,038,403

Breakdown of prepaid expenses:

	Amount
Consultancy	172,690
Bank charges	136,209
Rent and leases	107,053
Vehicle costs	16,047
Hosting services	232
Maintenance	7,210
Transport costs	179
Subscriptions	2,913
Marketing services	1,614
IT services	16,752
Insurance	12,583
Software	435,061
Other expenses	28,533
Telephone expenses	10,106
Other prepaid expenses	7,602
Licences	82,697
Total	1,037,481

Shareholders' equity

The shareholders' equity existing at the end of the year amounted to € 20,718,225 (€ 16,957,816 in the previous year).

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

	Balance at start of the year	Other allocations	Increases	Decreases	Profit/loss for the year	Balance at end of the year
Share capital	219,497	0	31,111	0		250,608
Share premium reserve	13,768,730	0	6,968,860	0		20,737,590
Legal reserve	40,067	0	3,832	0		43,899
Reserve for treasury shares in portfolio	89,163	0	471,232	0		560,395
Other reserves						
Extraordinary or optional reserve	3,711,110	0	780,424	471,232		4,020,302
Merger surplus reserve	376,622	0	0	0		376,622
Reserve for exchange gains	0	0	217,282	0		217,282
Miscellaneous other reserves	233,252	0	431,217	122,701		541,768
Total other reserves	4,320,984	0	1,428,923	593,933		5,155,974
Retained earnings (losses)	-1,569,154	0	-1,176,780	0		-2,745,934
Profit (loss) for the year	88,529	-88,529			-3,284,307	-3,284,307
Total shareholders' equity	16,957,816	-88,529	7,727,178	593,933	-3,284,307	20,718,225
Shareholders' equity pertaining to minority shareholders						
Total consolidated shareholders' equity	16,957,816	-88,529	7,727,178	593,933	-3,284,307	20,718,225

	Description	Amount
	PIA RESERVE	141,000
	TRANSLATION RESERVE	-30,450
	OTHER RESERVES	431,218
Total		541,768

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

	Balance at start of the year	Other allocations	Increases	Decreases	Profit/loss for the year	Balance at end of the year
Share capital	144,000	0	75,497	0		219,497
Share premium reserve	1,468,843	0	12,299,887	0		13,768,730
Legal reserve	28,800	0	11,267	0		40,067
Reserve for treasury shares in portfolio	0	0	89,163	0		89,163
Other reserves						
Extraordinary or optional reserve	3,592,196	0	214,077	95,163		3,711,110
Merger surplus reserve	376,622	0	0	0		376,622
Miscellaneous other reserves	126,756	0	106,496	0		233,252
Total other reserves	4,095,574	0	320,573	95,163		4,320,984
Retained earnings (losses)	-475,229	0	-1,093,925	0		-1,569,154
Profit (loss) for the year	-605,169	605,169			88,529	88,529
Total shareholders' equity	4,656,819	605,169	11,702,462	95,163	88,529	16,957,816
Shareholders' equity pertaining to minority shareholders						
Total consolidated shareholders' equity	4,656,819	605,169	11,702,462	95,163	88,529	16,957,816

Share capital

Share capital is composed as follow:

	Total	
Shares issued by the company by category		
Description		SHARES WITH NO PAR VALUE
Opening balance, number	21,949,680	21,949,680
Shares subscribed during the year, number	3,111,098	3,111,098
Closing balance, number	25,060,778	25,060,778

Other reserves

The composition of the other reserves is as follows:

	Opening balance	Other changes	Closing book balance
Extraordinary or optional reserve	3,711,110	309,192	4,020,302
Merger surplus reserve	376,622	0	376,622
Reserve for exchange gains	0	217,282	217,282
Miscellaneous other reserves	233,252	308,516	541,768
Total	4,320,984	834,990	5,155,974

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	250,608			0	0	0
Share premium reserve	20,737,590		share capital increase, coverage of losses, distribution to shareholders	15,017,217	0	0
Legal reserve	43,899			0	0	0
Reserve for treasury shares in portfolio	560,395			0	0	0
Other reserves						
Extraordinary or optional reserve	4,020,302		share capital increase, coverage of losses, distribution to shareholders	4,020,302	0	0
Merger surplus reserve	376,622			376,622	0	0
Reserve for exchange gains	217,282			217,282	0	0
Miscellaneous other reserves	541,768			0	0	0
Total other reserves	5,155,974			4,614,206	0	0
Total	26,748,466			19,631,423	0	0
Residual distributable portion				19,631,423		

Provisions for risks and charges

Provisions for risks and charges are recorded under liabilities for a total of € 432,188 (€ 234,389 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	1,969	83,158	149,262	234,389
Changes in the year				
Provision in the year	1,182	132,525	15,000	148,707
Use in the year	0	30,283	149,262	179,545
Other changes	0	226,522	2,115	228,637
Total changes	1,182	328,764	-132,147	197,799
Balance at end of the year	3,151	411,922	17,115	432,188

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

EMPLOYEE SEVERANCE INDEMNITY

The employee severance indemnity is recorded under liabilities for € 1,390,984 (€ 1,126,002 in the previous year).

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

	Employee severance indemnity
Balance at start of the year	1,126,002
Changes in the year	
Provision in the year	336,264
Use in the year	71,282
Total changes	264,982
Balance at end of the year	1,390,984

Payables

The payables are recorded under liabilities for a total of € 35,333,772 (€ 15,643,561 in the previous year).

The breakdown of the individual items is as follows:

	Opening balance	Closing balance	Change
Bonds	0	5,000,000	5,000,000
Payables due to shareholders for loans	0	524	524
Payables due to banks	7,029,110	16,332,990	9,303,880
Payables due to other lenders	709,791	2,341,945	1,632,154
Payments on account	3,366,195	4,060,777	694,582
Trade payables	1,913,788	2,854,713	940,925
Tax payables	1,454,606	941,582	-513,024
Payables due to social security institutions	235,348	1,419,651	1,184,303
Other payables	934,723	2,381,590	1,446,867
Total	15,643,561	35,333,772	19,690,211

Payables - Broken down by maturity

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

	Balance at start of the year	Change during the year	Balance at end of the year	Portion due within 1 year	Portion due after 1 year	Of which with a duration of over 5 years
Bonds	0	5,000,000	5,000,000	0	5,000,000	0
Payables due to shareholders for loans	0	524	524	0	524	0
Payables due to banks	7,029,110	9,303,880	16,332,990	4,847,800	11,485,190	0
Payables due to other lenders	709,791	1,632,154	2,341,945	587,262	1,754,683	0
Payments on account	3,366,195	694,582	4,060,777	2,909,546	1,151,231	0
Trade payables	1,913,788	940,925	2,854,713	2,854,713	0	0
Tax payables	1,454,606	-513,024	941,582	941,582	0	0
Payables due to social security institutions	235,348	1,184,303	1,419,651	1,419,651	0	0
Other payables	934,723	1,446,867	2,381,590	1,381,590	1,000,000	0
Total payables	15,643,561	19,690,211	35,333,772	14,942,144	20,391,628	0

Payables backed by collaterals on company assets

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

	Payables backed by mortgages	Total payables backed by collaterals	Payables not backed by collaterals	Total
Bonds	0	0	5,000,000	5,000,000
Payables due to shareholders for loans	0	0	524	524
Payables due to banks	158,876	158,876	16,174,114	16,332,990
Payables due to other lenders	0	0	2,341,945	2,341,945
Payments on account	0	0	4,060,777	4,060,777
Trade payables	0	0	2,854,713	2,854,713
Tax payables	0	0	941,582	941,582
Payables due to social security institutions	0	0	1,419,651	1,419,651
Other payables	0	0	2,381,590	2,381,590
Total payables	158,876	158,876	35,174,896	35,333,772

Accrued expenses and deferred income

Accrued expenses and deferred income are recorded under liabilities for a total of € 5,574,335 (€ 4,438,197 in the previous year).

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

Accrued expenses and deferred income:

	Accrued expenses	Other deferred income	Total accrued expenses and deferred income
Balance at start of the year	133,276	4,304,921	4,438,197
Change during the year	67,010	1,069,128	1,136,138
Balance at end of the year	200,286	5,374,049	5,574,335

Breakdown of accrued expenses:

	Amount
OTHER ACCRUED EXPENSES	200,286
Total	200,286

Breakdown of deferred income:

	Amount
deferred income for research project grants	3,585,717
Maintenance	614,607
Subscriptions	72,777
Consultancy	44,083
miscellaneous	41
tax credits	130,330
hosting fees	6,350
provision of services	15,688
licences	94,863
IT services	55,097
professional services	40,976
other deferred income (Inc)	215,060
other deferred income	498,460
Total	5,374,049

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	7,252,948	5,128,099	-2,124,849
- to subsidiaries	300,000	300,000	0
- to other companies	6,952,948	4,828,099	-2,124,849

Information on the Income Statement

Sales and service revenues

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

Breakdown of sales and services by geographic area:

	Total		
Sales and service revenue by geographic area			
Geographic area		REVENUES FROM ABROAD	DOMESTIC REVENUES
Current year balance	16,388,897	7,195,460	9,193,437

Other revenues and income

Other revenues and income are recorded under value of production in the income statement for a total of € 2,463,891 (€ 1,077,148 in the previous year).

The breakdown of the individual items is as follows:

	Previous period	Current period	Change
Other	39,322	62,161	22,839
Capital grants (portions)	509,049	1,651,309	1,142,260
Operating grants	528,777	750,421	221,644
Total	1,077,148	2,463,891	1,386,743

Service costs

Costs for services are recorded under costs of production in the income statement for a total of € 8,119,802 (€ 7,229,182 in the previous year).

	Previous period	Current period	Change
Services	7,229,182	8,119,802	890,620
Total	7,229,182	8,119,802	890,620

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 € 922,051 (€ 583,718 in the previous year).

	Previous period	Current period	Change
Use of third party assets	583,718	922,051	338,333
Total	583,718	922,051	338,333

Sundry operating expenses

Sundry operating expenses are recorded under costs of production in the income statement for a total of € 143,028 (€ 85,933 in the previous year).

	Previous period	Current period	Change
Sundry operating expenses	85,933	143,028	57,095
Total	85,933	143,028	57,095

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:

	Other	Total
Other	383,418	383,418
Total	383,418	383,418

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	215,363	515,531	300,168
Total	215,363	515,531	300,168

Extraordinary expense

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

	Previous period	Current period	Change
Capital losses from disposals, with effects not recognisable in item 14	0	2,884	2,884
Other extraordinary expense	156,106	254,202	98,096
Total	156,106	257,086	100,980

Income taxes

The breakdown of the individual items is as follows:

	Current taxes	Deferred taxes	Prepaid taxes
Income taxes	12,600	358,764	656,811
IRAP	7,985	0	0
Total	20,585	358,764	656,811

Current taxes comprise the IRAP tax of the parent company and the income taxes of Temis SA. Among the prepaid taxes, € 398,824 refer to the prepaid taxes of Expert System S.p.A. already commented in the relevant explanatory note, and € 257,987 to the prepaid taxes of Temis SA. The deferred taxes include those of the parent company for € 109,320, of Temis SA for € 226,520 and € 22,924 in consolidation differences.

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 in the following table:

A) CASH FLOWS FROM OPERATING ACTIVITIES	2015
Profit (loss) for the year	(3,284,307)
Income taxes	(277,462)
Interest expense (income)	323,752
(Losses)/Gains from asset disposals	2,834
Profit/(Loss) for the year before taxes, interest, dividends and gains/losses from disposals	(3,235,183)
Allocation to provisions	484,971
Amortisation/Depreciation of fixed assets	5,140,681
Other adjustments for non-monetary items	(19,263)
TOTAL ADJUSTMENTS FOR NON-MONETARY ITEMS WITH NO BALANCING ENTRY IN NWC	5,606,389
CASH FLOWS BEFORE CHANGES IN NWC	2,371,206
CHANGES IN NET WORKING CAPITAL	
<i>Decrease/(Increase) in inventories</i>	(234,074)
<i>Decrease/(Increase) in receivables due from customers</i>	(2,362,144)
<i>Increase/(Decrease) in trade payables</i>	940,925
<i>Decrease/(Increase) in accrued income and prepaid expenses</i>	(849,401)
<i>Increase/(Decrease) in accrued expenses and deferred income</i>	1,136,138
<i>Other changes in net working capital</i>	1,837,144
Total changes in net working capital	468,588
CASH FLOWS AFTER CHANGES IN NWC	2,839,794
OTHER ADJUSTMENTS	
Interest collected (paid)	(323,752)
(Income taxes paid)	(1,575,542)
(Use of provisions)	(101,565)
TOTAL OTHER ADJUSTMENTS	(2,000,859)
CASH FLOWS FROM OPERATING ACTIVITIES (A)	838,936
<i>(Investments in tangible assets)</i>	(387,221)
<i>Disinvestments of tangible assets</i>	(2,834)
<i>(Investments in intangible assets)</i>	(18,571,916)
<i>Disinvestments of intangible assets</i>	
<i>(Investments in non-current financial assets)</i>	(507,256)

<i>Disinvestments of non-current financial assets</i>	48,144
<i>(Investments in current financial assets) - no treasury shares</i>	(578,906)
<i>Disinvestments of current financial assets - no treasury shares</i>	3,000,000
CASH FLOWS FROM INVESTING ACTIVITIES (B)	(16,999,989)
THIRD PARTY FINANCING	
<i>Increase in payables for bonds</i>	5,000,000
<i>Increase in payables to other lenders</i>	2,126,259
<i>Repayment of payables to other lenders</i>	(493,581)
<i>New loans</i>	12,000,000
<i>Loan repayments</i>	(3,848,923)
<i>Other changes in payables due to banks (within 12 months)</i>	1,152,802
Increase/(Decrease) in third party financing	15,936,558
OWN EQUITY	
<i>Share capital increase against payment</i>	7,044,716
<i>Disposal/(Purchase) of treasury shares</i>	(471,232)
Increase/(Decrease) in own equity	6,573,484
CASH FLOWS FROM FINANCING ACTIVITIES (C)	22,510,041
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	6,348,987
<i>Cash and cash equivalents at start of year</i>	4,900,340
<i>Cash and cash equivalents at year end</i>	11,249,327
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6,348,987

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

	Shareholders' equity	of which: result for the year
Balances as per the financial statements of the parent company	25,348,665.00	-999,033
Adjusted balances as per the financial statements of the parent company	25,348,665.00	-999,033
Effect of the valuation of equity investments using the line-by-line method		
- Elimination of the book values of the investees	- 11,859,423.00	
- Shareholders' equities of the investees	2,633,380.00	
- Goodwill of the investees	8,473,060.00	
- Investees' result for the year	- 612,598.00	-612,598
- Parent company result for the year	- 999,032.00	
- Amortisation of consolidation differences	- 2,250,010.00	-1,722,190
	- 4,614,623.00	-2,334,788
Other adjustments	- 15,817.00	49,514
Total adjustments	- 4,630,440.00	-2,285,274
Group shareholders' equity and result for the year	20,718,225.00	-3,284,307
Consolidated shareholders' equity and result for the year	20,718,225.00	-3,284,307

List of companies included in the scope of consolidation

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

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

(the share capital values are express in their specific currencies):

Company name	Registered offices	Currency	Share capital	Group direct holding	Group indirect holding
Expert System USA Inc.	Delaware (USA)	\$ USA	0.71	100.00%	
Expert System Enterprise Corp.	Rockville (USA)	\$ USA	200.00		100.00%
Expert System Cogito Ltd.	London (GBR)	£	1,000	100.00%	
Expert System Iberia S.L.U.	Barcelona (ESP)	Euro	3,000	100.00%	
Expert System France S.A.	Paris (FRA)	Euro	1,357,811	100.00%	
Temis Canada Inc.	Montreal (CAN)	\$ Can.	1,000		100.00%
Temis GMBH	Heidelberg (DEU)	Euro	25,000		100.00%

List of other equity investments in subsidiaries and associates

Company name	Registered offices	Currency	Share capital	Group direct holding	Group indirect holding
ADmantX S.p.A.	Naples (Italy)	Euro	217,359	60.70%	
ADmantX Inc.	West Hartford (USA)	\$	0		60.70%
CY4GATE S.r.l.	Rome (Italy)	Euro	300,000	30.00%	

Fees for the directors and statutory auditors of the parent company

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

	Value
Directors' fees	1,074,300
Statutory Auditors' fees	14,560
Total Directors' and Statutory Auditors' fees	1,088,860



**Report on Operations of the Expert System Group for the year ended
31/12/2015**



Report on Operations of the Expert System Group for the year ended 31/12/2015

Structure and activities of the Group

The Group, led by the parent company Expert System S.p.A., is today one of the world's major players in the big data text analytics sector, in which it develops semantics software useful in strategic data management, i.e. able to extract quantities, relations, sentiment and categorisations from enormous amounts of data. As part of a constantly developing organisation that has seen an exponential growth in the quantity of available data, the total said to include around 80% of unstructured data, the solutions offered by Expert System and centering on the Cogito platform qualify as potential sources of competitive advantage and a business development tool.

In 2015, in order to offer its technology on the global market where major competitors already operate, Expert System has aimed to further develop its international reach by, on the one hand, expanding its semantics software products with new releases in Chinese, Korean and Japanese as a preamble to potentially opening up new opportunities on the Asian markets, and on the other through a mix of organic growth and corporate acquisitions.

As part of this internationalisation strategy the binding agreement was signed in May 2015 and the transaction closed in September for the acquisition of 100% of TEMIS S.A., a French leader in text analytics solutions with branches also in Germany, the US and Canada. As a result of this acquisition, the Expert Group now directly or indirectly includes the following business entities:

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

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

As already reported in the consolidated financial statements as at 31 December 2014, Expert System considered it appropriated to continue excluding ADmantX from the Group's scope of consolidation. The aforementioned acquisitions were followed by the opening of new laboratories dedicated to R&D, the true driver for the Group's growth. Two of these are in the USA (Palo Alto - Silicon Valley, and Washington), confirming that innovation is considered and indispensable strategic asset in support of the Group's global growth. These new laboratories will work in synergy with the other "Cogito Labs" (Modena, Rovereto, Naples, Grenoble and Madrid), encouraging cooperation between the various work groups to increase Cogito potential and continue creating the best applications for automatic understand of text-based data.

In view of this, it can be claimed that the Expert Group is today a European leader in the cognitive computing sector, its leadership also recognised by its customers and industry analysts. For this reason, it should be remembered that the independent research company Forrester, globally recognised as one of the most authoritative in the business and technology environment, has rewarded Cogito's unique potential, including the company in its latest report dedicated to the top ten big data text analytics companies (Forrester Wave™ Big Data Text Analytics Platforms, Q2 2016: The 10 Providers That Matter Most And How They Stack Up) after examining another 200 companies. In particular, Expert System proved distinguished for its "product scalability, use of intuitive interfaces

and semantic functions as the core elements of products to offer full management of all activities associated with text analysis: data enhancement, tagging, automatic document classification and big data extraction”.

The Group plans to continue on its chosen growth path, following the directives of its management, which aims to further develop:

- the local presence;
- the support capacity;
- the technological product mix.

Since February 2014 the Company has been listed on the AIM Italia (Alternative Investment Market) - MAC, i.e. the Borsa Italiana market dedicated to Italian small and medium enterprises with high growth potential. These businesses operate in different sectors, with digital comprising 20% of the 72 companies now listed, for a total equity funding of € 715 million and a market capitalisation of more than € 2.9 billion. The AIM listing has allowed Expert System to attract new specialist investors and has facilitated the internationalisation process referred to previously.

The performance of the share as at 26/05/2016 is presented below:

Market	AIM Italia – MAC
Share capital	250,608
Capitalisation	€ 53,873,154
Minimum parcel	1,000.00
Reference price	€ 2.16 - 26/05/2016, 16:10:33 hrs
Official price	€ 2.1497 - 26/05/2016
1 month performance	+ 1.60%
6 month performance	+ 5.99%
1 year performance	- 3.91%

The graph showing share performance from the IPO (18/02/2014) to 26/05/2016 is presented below:



Operating condition, business development and Group structure

Both at global level and in Italy, the year ending 31 December 2015 recorded significant growth of “Global Big Data and Text Analytics”, the market in which Expert Systems operates, given the increasing global interest in Artificial Intelligence and Cognitive Computing. More and more companies are seeking advanced technology tools to support a wide range of business activities, from marketing and sales to finance and control, IT systems, purchasing, production and the supply chain. Future prospects, as confirmed by high-level studies and research, also see positive developments for the sector, with strong growth rates forecast for the coming years.

So as to best satisfy market demands and expectations, the Expert Group has boosted its technological research and development, backed by suitable expansion of its distribution channels, for example by building a network of international partners able to act as distributor and system integrator of the Cogito product line. It is in this context that major partnership agreements have been signed with Italian and international entities, including:

- the partnership with Cloudera, one of the rising companies on the Californian vendor scene;
- the technology partnership agreement signed with Google, which as part of its “Work for Partner” programme has extended the capacity and functions of its Google Cloud Platform using Cogito technology;
- the integration of Cogito® semantics technology into the Google Search Appliance (GSA), which earned Expert System the title of “Premier Technology Partner” in the special programme dedicated to solutions for businesses, with particular reference to research

activities (Google for Work - Search). This title is reserved exclusively for companies capable of demonstrating the highest level of technological expertise and services based on successful innovative implementations;

- the integration of the Cogito platform into products developed in the MongoDB environment. MongoDB is the US leader in latest generation database design;
- as part of the innovative start-up support project, the partnership with Buzzoole, the first native content platform for businesses which chose Cogito to offer its customers the opportunity to optimise digital marketing activities, including the sense of the information underlying every campaign.
- the agreement signed with Nana Bianca, the accelerator for technology businesses in the web and Internet sector, to aid the growth and development of new high-technology value companies and thus for activities and projects designed to encourage growth of the Italian innovative ecosystem by supporting the setup and acceleration of digital business start-ups.
- the partnership with I3P, the Innovative Business Incubator of Turin Polytechnic, which provides support to digital start-ups with a proven capacity for growth.

It is considered that this type of initiative, which not only creates interesting links with innovative and emerging companies, can, in the medium-term, also deliver economic results, should these start-ups be successful in their various sectors.

The greater visibility achieved in 2015 is also associated with new product launches, created to satisfy new and specific market demand, including:

- the specific technological product for the banking and insurance sector, for which *Cogito API Finance* was released, the first vertical API for banking and insurance sector needs which combines the wealth of finance sector taxonomies and ontologies with enhancement of natural language processing and semantics analysis;
- the launch towards the end of 2015 of Cogito Risk Watcher, the software based on Cogito semantic intelligence able to provide businesses with useful information for managing their supplier and third party risk profiles, and therefore guarantee greater security in terms of financial, credit, compliance and reputation profiles. This product derives from thorough analysis of the strong turbulence and volatility of today's global economic situation, and the growing need to be able to understand, correlate and automatically summarise, with maximum

precision, all external or internal information of the company, identifying events, hidden relations and other significant information to ensure risk mitigation and prompt detection of threats by detecting data that can mitigate a variety of different risks.

All the goals achieved in 2015 also earned Expert System major recognition from leaders operating in the Information Technology sector. The previously mentioned Forrester Research included Expert System in its “Techradar” study dedicated to risk management. In its report, Forrester includes the technologies proposed by Expert System among the 13 most important for risk management with respect to the various stages of market maturity and different business values, using a proactive approach capable, where necessary, of adopting suitable remedial action, together with self-reporting activities. Added to this recognition is Expert System’s inclusion in the “Vendor Landscape: Big Data Text Analytics” report, dedicated to describing the most effective big data management solutions based on text. This report provides a list of companies specialised in business information management, selected on the basis of the degree to which their product mix is vertical, their coverage of market domains and the technological approach, for example linguistic rather than statistical analysis, able to provide practical indications by identifying useful relationships within large masses of data.

Another important award came from EContent, one of the most prestigious American digital publishing magazines, which recognizes the value of Expert System’s API product by including Cogito API in the “EContent Magazine’s 2015 Trendsetting Products List”. This list was compiled by EContent Magazine’s editorial staff on the basis of the unique nature of companies’ products, with particular reference to publishing content management, communications and marketing.

Approval of the consolidated financial statements

The consolidated financial statements as at 31/12/2015 were approved by the Board of Directors on 27 May 2016 and audited.

Operating performance

The operating performance as at 31 December 2015 shows a loss of € (3,284,307), but in order to provide greater transparency and comparability of the information, the main consolidated income statement figures for 2015 (value of production, revenues, EBITDA, EBIT and result for the year) were prepared pro-forma in order to represent the consolidation with effect from 1 January 2015 of TEMIS (the acquisition of which was finalised in September 2015) as summarised below.

The value of production amounted to € 30 million with sales and service revenues of € 22 million (+84% on 2014) as a result of stronger sales on foreign markets, particularly € 9.5 million from the new companies included in the scope of consolidation (former TEMIS and Iberia). The overall portion of revenues from foreign sales was € 12.8 million, equal to 58% of total revenues. Also note the major investments made in France, the USA and Spain, which show an increase in R&D of +79% compared to 2014. EBITDA, standing at € 1.8 million, was associated with the strong investments in technical and sales personnel (+156% compared to 2014) both in Italy and in the rest of the Group. EBIT, negative at € 3.5 million, indicates the effect of amortisation (+68% on 2014) of the company's strategic assets. The result for the year was a loss of € 2.3 million.

With reference to the effective consolidated financial statements figures, so including the results of consolidating the former Temis Group from 23 September 2015, the following tables provide a reclassification of the added value income statement, a reclassification of the balance sheet and the more significant financial ratios.

Main income statement figures

The company's reclassified income statement is shown below (in Euro):

Reclassified income statement	31/12/2015	31/12/2014	Change
Sales revenues	16,388,897	11,967,532	4,421,365
Change in inventories	174,750	1,086,769	(912,019)
Own work capitalised	3,619,440	3,041,447	577,993
Sundry income	2,463,891	1,077,148	1,386,743
Value of operating production	22,646,978	17,172,896	5,474,082
Cost of operating materials and overheads	(10,140,860)	(8,248,896)	(1,891,964)
Value added	12,506,118	8,924,000	3,582,118
Personnel costs	(11,301,753)	(6,584,832)	(4,716,921)
EBITDA	1,204,365	2,339,168	(1,134,803)
Amortisation, depreciation and provisions	(5,237,807)	(1,729,760)	(3,508,047)
EBIT	(4,033,442)	609,408	(4,642,850)
Financial area result	213,228	28,632	184,596
Ordinary profit	(3,820,214)	638,040	(4,458,254)
Extraordinary area result	258,445	59,257	199,188
Pre-tax result	(3,561,769)	697,297	(4,259,066)
Income taxes	277,462	(608,768)	886,230
Net profit (loss)	(3,284,307)	88,529	(3,372,836)

The increase in the value of production was positively impacted by the stronger sales on foreign markets, particularly the amount referring to the new companies included in the scope of consolidation (former TEMIS and Iberia). The overall portion of revenues from foreign sales was € 7,195,460 million, equal to 43% of total revenues.

The significant investments made in favour of future company growth, concentrated mainly in France, the USA and Spain, are reflected in the stronger impact on the income statement of the depreciation of strategic tangible assets and the amortisation of strategic intangible assets, and also in the increase in personnel costs, most of which in the development and sales areas. All of the above have compacted into the present the margins it is believed can show positive developments over the short-medium term. Revenues from the first important contracts obtained on foreign markets will contribute to this; first and foremost the United States, where the strongest and most expensive efforts are focused on encouraging the start-up of business operations.

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

Profitability ratios	31/12/2015	31/12/2014
Net ROE	(0.14)	0.05
Gross ROE	(0.15)	0.09
ROI	(0.06)	0.04
ROS	(0.25)	0.14

Main balance sheet figures

The company's reclassified balance sheet, compared with 31/12/2014, is shown below (in Euro):

Reclassified balance sheet	31/12/2015	31/12/2014	Change
Net intangible fixed assets	18,539,026	4,639,954	13,899,072
Net tangible fixed assets	915,731	692,064	223,667
Equity investments and other non-current financial assets	6,246,290	7,549,288	(1,302,998)
Fixed assets	25,701,047	12,881,306	12,819,741
Short-term financial assets	4,153,074	4,153,074	0
Inventories	1,796,857	1,562,783	234,074
Receivables due from customers	10,227,852	7,865,706	2,362,146
Other receivables	7,368,503	2,677,019	4,691,484
Accrued income and prepaid expenses	1,038,403	189,002	849,401
Short-term operating assets	24,584,689	16,447,585	8,137,104
Trade payables	(2,854,713)	(1,913,788)	(940,925)
Payments on account	(2,909,546)	(538,058)	(2,371,488)
Tax and social security payables	(2,361,233)	(1,689,954)	(671,279)
Other payables	(1,381,590)	(934,723)	(446,867)
Accrued expenses and deferred income	(3,122,303)	(2,076,444)	(1,045,859)
Short-term operating liabilities	(12,629,385)	(7,152,966)	(5,476,419)
Net working capital	11,955,304	9,294,619	2,660,685
Employee severance indemnity	(1,390,984)	(1,126,002)	(264,982)
Tax and social security payables	0	0	0
Accrued expenses and deferred income after 12 months	(2,452,032)	(2,361,753)	(90,279)
Other medium and long-term liabilities	(2,583,943)	(3,062,526)	478,583
Medium-term liabilities	(6,426,959)	(6,550,281)	123,322
INVESTED CAPITAL	31,229,392	15,625,646	15,603,746
Shareholders' equity	(20,718,225)	(16,957,818)	(3,760,407)
Net medium/long-term financial position	(18,239,873)	(4,798,603)	(13,441,270)
Net short-term financial position	7,728,706	6,130,775	1,597,931
OWN EQUITY AND NET FINANCIAL DEBT	(31,229,392)	(15,625,646)	(15,603,746)

The net financial position increased both in the short and the medium-long term, since the company

financed its own investments in R&D and sales development, in addition to the acquisition of new equity investments through recourse to the banking system and to other lenders, to which the bond loan issued in 2015 was offered. The company borrowing policy is compatible with the time horizon in which returns are expected on the investments referred to in the plan.

In the last year, the short-term balance was also consolidated, as seen from the increase in net working capital which compares current assets and liabilities. This figure, therefore, was not affected in any way by the significant investments to consolidate the Group's expansion, as confirmed by a considerable growth in fixed assets which doubled over the last 12 months.

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

Fixed asset funding indicators	31/12/2015	31/12/2014
Fixed asset /equity margin	(4,982,821)	4,076,513
Fixed asset /equity ratio	0.81	1.32
Fixed assets / liabilities and equity margin	17,231,455	11,879,955
Fixed assets / liabilities and equity ratio	1.67	1.92

Fixed assets/equity ratio of loans	31/12/2015	31/12/2014
Liabilities due within 12 months (A)	14,942,144	9,200,510
Liabilities due after 12 months (B)	22,214,276	7,803,442
Own equity (C)	20,718,225	16,957,817
Total debt ratio (A+B)/C	1.79	1.00

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

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

Shareholders' equity (A)	20,718,225
Net intangible fixed assets	18,539,026
Net tangible fixed assets	915,731
Equity investments and other non-current financial assets	6,246,289
Fixed assets (B)	25,701,046
Fixed assets /equity margin (A-B)	(4,982,821)
Fixed assets /equity ratio (A/B)	0.81

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

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

Shareholders' equity (A)	20,718,225
Net medium/long-term financial position (B)	18,239,873
Other medium and long-term liabilities (C)	2,583,419
Employee severance indemnity (D)	1,390,984
Fixed assets (E)	(25,701,046)
Fixed assets / liabilities and equity margin (A + B + C + D + E)	17,231,455
Fixed assets / liabilities and equity ratio (A + B + C + D)/(E)	1.67

Main balance sheet figures

The net financial position as at 31/12/2015 is as follows (in Euro):

Reclassified balance sheet	31/12/2015	31/12/2014	Change
Net intangible fixed assets	18,539,026	4,639,954	13,899,072

Net financial position	31/12/2015	31/12/2014	Change
Bank deposits	11,247,267	4,898,970	6,348,297
Cash at bank and in hand	2,060	1,370	690
Treasury shares	560,395	89,163	471,232
Cash and cash equivalents and treasury shares	11,809,722	4,989,503	6,820,219
Current financial assets	1,354,046	4,081,569	(2,727,523)
Bonds and convertible bonds (within 12 months)			
Payables due to shareholders for loans (within 12 months)			
Payables due to banks (within 12 months)	(4,847,800)	(2,647,115)	(2,200,685)
Payables due to other lenders (within 12 months)	(587,262)	(293,183)	(294,079)
Advances for overseas payments			
Short-term portion of loans			
Financial receivables			
Short-term financial payables	(5,435,062)	(2,940,298)	(2,494,764)
Net short-term financial position	7,728,706	6,130,775	1,597,931
Bonds and convertible bonds (after 12 months)	(5,000,000)		(5,000,000)
Payables due to shareholders for loans (after 12 months)			
Payables due to banks (after 12 months)	(11,485,190)	(4,381,995)	(7,103,195)
Payables due to other lenders (after 12 months)	(1,754,683)	(416,608)	(1,338,075)
Advances for overseas payments			
Long-term portion of loans			
Financial receivables			
Net medium/long-term financial position	(18,239,873)	(4,798,603)	(13,441,270)
NET FINANCIAL POSITION	(10,511,167)	1,332,171	(11,843,338)

The environment, personnel and risks

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

Personnel

During the half-year there were no workplace fatalities for registered employees and no serious

accidents occurred in the workplace causing serious or very serious injury to registered employees. Furthermore, there are no recorded charges concerning occupational diseases of employees or former employees, or mobbing proceedings.

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

The Environment

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

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

Risks

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

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

Risks associated with the internationalisation: The Group has initiated an internationalisation process in the hope that an appreciable part of its revenues can be generated from sales outside Europe. In particular, the American market is a major area to be monitored, with the aim of raising the number of customers served and, consequently, the market share held. In this respect the Group companies could be exposed to risks typically associated with operating at international level, including those relating to changes in local economic conditions, policies, taxes and regulations together with risks associated with the complexity of conducting business in distant geographic areas, as well as those linked to changes in foreign exchange rates versus non-EU countries. Unfavourable events occurring in such areas could have negative effects on the Group's business and growth prospects, and on the income, equity and financial position of the Company and/or the Group.

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

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

and/or Group.

Research and development activities

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

The company is constantly conducting research and development activities to retain its global leadership position in the field of semantic technology. The costs incurred for these activities were capitalised, also within the context of certain multi-year national and international research projects that have seen the company's involvement. These activities concerned the Cogito semantics platform and related functions, in particular the Cogito platform for French, Chinese, Japanese, Korean, Portuguese and Russian, as well as further development of Cogito Studio, the implementation of new deep learning algorithms and automatic domain word recognition.

Other significant research developments in the period were the semantics mapping between different languages, the creation of new advanced multi-dimensional browsing methods for large volumes of text, and a new boost to the development of Analyst Workspace.

Significant events after the close of the year

We report that the following new important agreements were signed after the close of the year.

Among these, note that at the start of 2016 the Corriere della Sera digital archive was launched, an innovation expected to redefine Italy's news panorama as a result of the unique capacity of Expert System semantics to provide automatic classification of articles according to content and to recover them through a sophisticated search engine. Consequently, readers of this leading Italian newspaper now have the option of browsing a wealth of information without precedent: 2.5 million pages, 8 million articles, 22 thousand authors from 1876 to date, 140 years of history just one click away.

Consistent with the mission of simplifying operations for its customers, FinecoBank has also chosen Expert System technology for its ability to make customer support processes more efficient, signing an agreement for the use of Cogito technology that allows bank-customer dialogue through digital channels and optimisation of customer service activities.

Highly important for the expansion of the medical research sector and pharmaceuticals industry, on the other hand, is the trade agreement signed with INSERM, the French national institute for health

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

Of note in the finance sector was the decision of Prometeia, a well-known econometrics research association, which chose Expert System to enhance its Wealth Management platform in order to improve the investor profiling process and subsequent advisory tasks provided to them. The system installed means that intermediaries can provide their investors with a rapid and accurate analysis of their needs, diagnosing their wealth status and highly-personalised consulting, and also making it possible to offer a wide range of new services of high added value.

Expert System and Onix, the US company specialising in IT solutions for the corporate and government sectors, have also begun a partnership based on integration of the Cogito technology into the Onix product mix. Through this new transaction, Expert System continues its international growth, extending the use of Cogito through third parties such as system integrators, highly qualified in the research of data, analysis and intelligence and strengthens its position in cognitive computing in the USA.

Another important partnership for Expert System was signed with MarkLogic, the leading US multinational in corporate databases for the management of Big Data. In fact, Cogito was integrated into the MarkLogic platform to enhance data analysis by using cognitive computing. This transaction is in line with Expert System's international growth strategy and strengthens the Italian company's presence in the world of the most advanced technologies for data archiving and processing.

In addition, Expert System became a partner in the Discovery 24 project, presented by Fondazione Golinelli in Bologna jointly with Nòva, the innovation and technology weekly of Il Sole 24 Ore. This project, selected to co-finance Google's Digital News Initiative Innovation Fund (digitalnewsinitiative.com), will develop a system to search and find operating data on the most recent new results in global scientific research for businesses. The semantics tools and artificial intelligence fine-tuned by Expert System will be constantly enhanced by human input, from researchers and journalists, intending to provide output (i.e. Discovery24) which will be a high technology content journalism system with services dedicated to businesses, well-established or start-ups, and for the

business training sector.

Also in 2016, Expert System's work was deemed worthy of several recognitions, first and foremost its inclusion once again in the list of the "100 most important knowledge management companies", compiled by the prestigious US magazine KMWorld, the go-to source worldwide for the best technologies and most innovative experiences in the knowledge management sector. This recognition rewards companies that are distinguished for their creative approach to customer needs and for the advanced functions of the knowledge management products offered.

In May 2016, the company won the LT-Innovate Award (for Linguistic Technologies) that recognises technological innovation excellence, business potential and experience in the development of linguistic analysis-based solutions.

Lastly, the independent research company Forrester, globally recognised as one of the most authoritative in the business and technology environment, also rewarded Cogito's unique potential, including the company in its latest report dedicated to the top ten big data text analytics companies (Forrester Wave™ Big Data Text Analytics Platforms, Q2 2016: The 10 Providers That Matter Most And How They Stack Up).

During 2016 the enhancement of Cogito and the main tools for creating linguistic-semantic rules will be accompanied by new releases and new products, focusing in particular on the intelligence sector, banking and insurance services, the publishing industry and the pharmaceutical industry market. Placing the combination of product innovation and market demand foremost, Expert System's Cogito Labs - including the new labs of Palo Alto and Washington - will work on developing increasingly state-of-the-art applications that are effective and in line with customer needs.

Another important decision was that of establishing the role of Executive Vice President of the EMEA area who, operating from the Paris office, is responsible for the Group's strategic development and growth in Europe.

Treasury shares

As at 31/12/2015, the parent company Expert System S.p.A. held 270,000 treasury shares.

Marco Varone

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

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ART. 14 OF LEGISLATIVE DECREE NO.39 OF JANUARY 27th,2010

To the shareholders of
EXPERT SYSTEM S.p.A.

Report of the consolidated financial statements

We have audited the accompanying consolidated financial statements of Expert System S.p.A. and its subsidiaries (the "Expert System Group"), which comprise the balance sheet as of December 31st, 2015, the statement of income and related explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with the Italian regulations and accounting principles governing financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to art. 11, paragraph 3 of Legislative Decree NO. 39/2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Expert System Group as of December 31st, 2015 and of the result of its operations for the year then ended in accordance with the Italian regulations and accounting principles governing financial statements.

Other matters

The consolidated financial statements for the year ended December 31st, 2014 were audited by the auditor in charge at the time who expressed an unmodified opinion on those statements on June 12nd, 2015.

Report on compliance with other laws and regulation

Opinion on the consistency of the financial statements with the report on operations

We have performed the procedures required by auditing standard (SA Italia) N0. 720B in order to express an opinion, as required by law, on the consistency of the report on operations, which is the responsibility of the directors of Expert System Group, with the consolidated financial statements of Expert System Group. In our opinion, the report on operations is consistent with the consolidated financial statements of Expert System Group as of December 31st, 2015.

Bologna, June 10th, 2016

BDO Italia S.p.A.

Signed by
Alessandro Gallo
(Partner)

This report has been translated into English from the original, which was prepared in Italian and represents the sole original, solely for the convenience of international readers.



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