

Register of Companies no. 02608970360
Rea (Economic and Administrative Index) 212386

EXPERT SYSTEM SPA

Registered office in VIA FORTUNATO ZENI 8 - 38068 ROVERETO (TN) Share capital € 219,496.80 fully paid-in

Report on operations of the financial statements for the year ended as at 31/12/2013

Dear Shareholders,

the year ended at 31/12/2013 recorded a positive result of € 225,344.

Operating conditions and business development

The Company carries out its activities in the *Company Technology* sector where it deals with unstructured information and is the global leader in the development of semantic software for understanding and analysing information.

The company has always pursued the objective of developing a software platform that understands the significance of said information and the context to which it refers, therefore providing results of a decidedly higher quality compared to the output of traditional products, based on key words or statistical algorithms. The Cogito platform is able to apply the typical human understanding techniques and, therefore, makes it possible to manage all forms of unstructured information, like documents, web pages, e-mails, etc. in a revolutionary way.

The persistence of the general difficulties of the Italian economy has limited investments by private companies and the public administration in the markets most exposed to this negative economic situation. This scenario saw the company ramp up its investments in foreign markets, the US in particular. As in the previous year, this market continues to record significant investments, both direct and through the subsidiary Expert System USA Inc., so much so as to prompt the company to draw up a medium/long-term plan targeted at penetrating the market in that context and acquiring increasingly more shares in it.

Pursuant to art. 2428, it should be noted that activities are carried out in the company's registered offices in Rovereto (TN) and in the secondary offices in Modena, Naples, Rome and Povo (TN).

From a legal point of view, Expert System Spa directly controls the companies below, which perform the following activities that are complementary and/or functional to the Group's core business, focused on the creation of non-publishing related software applications, customised software and consultancy.

COMPANY	Equity investment	Control	Activity carried out
ADMANTX Spa	66%	Yes	Software platform for contextualising on-line advertising on a semantic basis
EXPERT SYSTEM USA Inc.	100%	Yes	Semantic software activities in the Information technology field

The following changes to the Group's structure took place in 2013: by means of deed dated 28/05/2013, the reverse merger of the parent company ES Srl in the company Expert System Spa was completed.

The new merger by incorporation was carried out to simplify the operating structure of the "Gruppo Expert System", and for its administrative, technical and operating restructuring, completing the Group restructuring project launched in 2012 through the merger by incorporation of Cogito Srl, a wholly-owned subsidiary, with the transfer of the company headquarters from Modena to Rovereto (TN).

Operating performance

Semantics is taking on increasingly greater significance in the IT offer scenario due to the exponential increase in the availability of unstructured information which is managed and understood.

The decision to concentrate expansion efforts overseas on the US market derives from the fact that that environment contains various large private companies and government bodies that potentially have a watchful eye on and are receptive to advanced instruments for text analytics.

Expert System is the only Italian company, and among the few worldwide, to be present in the prestigious Gartner Magic Quadrant 2013, dedicated to information access technologies. Expert System is the only Italian company, among those considered by Gartner, characterised by a deep semantic approach to information analysis.

In the context of the Magic Quadrant, Gartner highlighted Expert System's highly skilled handling of all information data sets for intelligence purposes, with particular appreciation for the scalability of the available solutions, depth of analysis and level of expertise of the company in developing "customised" solutions and projects.

As regards the company's sales and service performance, the trend exhibits a partial reduction in revenues in 2013; this temporary downturn was a result of several factors: first and foremost, in 2012, the value of production recorded a spike due to the billing of extraordinary operations, such as the resale of consultancy and third-party software programmes, special grants for R&D activities and concessions of use of a patent; on the other hand, an increase in outstanding orders was recorded which will generate revenues in 2014.

Operating performance in sectors in which the company operates

The table below shows the results achieved in the last three years in terms of the value of production, EBITDA and pre-tax profit.

The figures as at 31/12/11 concern solely Expert System Spa (data prior to merger with Cogito) whilst at 31/12/12, the figures are aggregated with those of Cogito Srl, merged in 2012.

The figures of Expert System Spa at 31/12/13 also include the values of ES Srl, due to the merger by incorporation of the subsidiary, completed by means of deed dated 28/05/13, but the company did not deem it necessary to detail these separately given that the ES figures are largely irrelevant for analysis purposes.

	31/12/2013	31/12/2012	31/12/2011
Value of production	13,119,876	14,543,485	10,379,890
EBITDA	2,013,603	2,624,177	2,126,733
Pre-tax profit	584,298	1,148,254	1,145,234

The above figures show that the value of production was lower than in the previous year due to the extraordinary revenue components which characterised 2012. EBITDA felt the effects of the increase in the cost of labour, due to the actual launch of the investment plan the company drafted for the next few years.

Main income statement figures

The company's reclassified income statement, compared with that of the previous year, is shown below (in Euro):

	31/12/2013	31/12/2012	Change
Net revenues	10,608,164	11,519,042	(910,878)
Own work capitalised	2,255,895	318,034	1,937,861
Operating grants	59,049	2,777,301	(2,718,252)
Grants relating to assets	339,080		339,080

Sundry income	103,186	74,409	28,777
Cost of materials and overheads	(6,582,492)	(8,076,462)	1,493,970.
Value added	6,782,882	6,612,324	170,558
Cost of labour	(4,769,279)	(3,988,147)	(781,132)
EBITDA	2,013,603	2,624,177	(610,574)
Amortisation, depreciation, write-downs and other provisions	(1,097,964)	(859,209)	238,755
Net operating profit	915,639	1,764,968	(849,329)
Financial income and expenses	(376,473)	(298,056)	78,417
Ordinary profit	539,166	1,466,912	(927,746)
Net extraordinary components	45,132	(318,658)	363,790
Pre-tax result	584,298	1,148,254	(563,956)
Income taxes	(358,954)	(451,643)	(92,689)
Net profit	225,344	696,611	(471,267)

Effective from the financial statements as at 31/12/2013, the company modified the method of accounting for grants received from the various bodies, aimed at financing research and development projects. Up until 31/12/2012, contributions were recognised as operating grants (item A5 of the income statement), while the remainder of research & development costs, not covered by grants received, were recognised as own work capitalised. Effective from these financial statements, the company modified the classification of these grants, reclassifying them as grants relating to assets, given they are grants aimed at financing long-term investments. The reason for the change of criterion and the subsequent disclosure of capitalisation of higher costs is justified by the expansion of the company's business with increasingly important projects, both in terms of quantity and value, also targeted at international markets, for which it is believed said disclosure provides a better representation of the activities performed by the company.

This new classification is also confirmed, as envisaged in OIC 16, and makes provision for the capitalisation of all research & development costs, under item A4 of the income statement, and the simultaneous recognition of capital grants (item A5), solely for the portion pertaining to the year, determined in proportion to the amortisation charge of said costs for which the grant was given

In terms of providing a better description of the company's profits, the table below outlines some profitability ratios, compared with the same ratios relating to the previous year's financial statements.

	31/12/2013	31/12/2012	31/12/2011
Net ROE	0.04	0.13	0.13
Gross ROE	0.10	0.22	0.26
ROI	0.04	0.09	0.09
ROS	0.09	0.15	0.14

The fall in profitability is essentially due to the increase in the cost of labour, up roughly € 780,000 compared to the previous year, as a result of the implementation of the company development plan, and which involved new hires in the technical, staffing and commercial fields.

Main balance sheet figures

The company's reclassified balance sheet, compared with that of the previous year, is shown below (in Euro):

	31/12/2013	31/12/2012	Change
Net intangible fixed assets	2,462,442	1,110,954	1,351,488
Net tangible fixed assets	606,110	635,381	(29,271)
Equity investments and other non-current financial assets	6,836,332	4,945,005	1,891,327
Fixed assets	9,904,884	6,691,340	3,213,544
Warehouse inventories	476,015	721,513	(245,498)
Receivables due from customers	5,819,984	5,487,533	332,451
Other receivables	6,049,728	4,261,897	1,787,831
Accrued income and prepaid expenses	169,918	216,496	(46,578)
Short-term operating assets	12,515,645	10,687,439	1,828,206
Trade payables	1,103,820	1,542,932	(439,112)

Payments on account	1,524,588	263,279	1,261,309
Tax and social security payables	917,637	441,757	475,880
Other payables	943,140	706,985	236,155
Accrued expenses and deferred income within 12 months	238,118	211,252	26,866
Short-term operating liabilities	4,727,303	3,166,205	1,561,098
Net capital for the year	7,788,342	7,521,234	267,108
Employee severance indemnity	948,598	897,804	50,794
Tax and social security payables (after 12 months)			
Accrued expenses and deferred income after 12 months	3,905,115		3,905,115
Other medium and long-term liabilities	1,673,769	2,474,417	(800,648)
Medium/long-term liabilities	6,527,482	3,372,221	(3,155,261)
Invested capital	11,165,744	10,840,353	325,391
Shareholders' equity	(5,976,806)	(5,931,461)	(45,345)
Net medium/long-term financial position	(5,172,406)	(4,641,815)	(530,591)
Net short-term financial position	(16,532)	(267,077)	250,545
Own equity and net financial debt	(11,165,744)	(10,840,353)	(325,391)

The reclassified balance sheet shows an increase in fixed assets due to the increase in intangible fixed assets, deriving from higher capitalised research and development costs and the increase in the value of the equity investment in Admantx Spa following the subscriptions of share capital effected in 2013.

Short-term assets rose considerably due to the increase in the item "Other receivables". This item was affected by the changed method of classifying grants relating to assets which, in these financial statements, were recorded for all receivables due to the company as at 31/12/2013 from the granting bodies.

Short-term liabilities differed from 2012, primarily due to the increase in the item "payments on account", which rose by € 1,261,309 compared to the previous year, represented by advances the company received from clients, relating to work in progress.

As regards medium and long-term liabilities, the most significant increase was recorded by the item accrued expenses and deferred income, an item which includes all grants relating to assets resolved in favour of the company but pertaining to future years.

In 2013, the company improved its net short-term financial position by € 250,545, simultaneously shifting debt to the medium and long-term, as shown by the increase in the net medium and long-term financial positions.

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

	31/12/2013	31/12/2012	31/12/2011
Fixed asset / equity margin	(3,928,078)	(759,879)	(1,700,855)
Fixed asset / equity ratio	0.60	0.89	0.74
Fixed assets / liabilities and equity margin	7,771,810.00	7,254,157	1,331,820
Fixed assets / liabilities and equity ratio	1.78	2.08	1.20

Capital assets and related fixed assets to equity ratio:

these two indicators are an expression of how the company manages to finance fixed assets.

The Fixed asset /equity margin and its associated ratio, which correlate the value of shareholders' equity with fixed assets (as quantified in the table above), provide us with information on the company's capacity to finance all fixed assets with its own equity.

Fixed asset/equity margin: shareholders' equity – fixed assets
 $(5,976,806 - 9,904,884) = - 3,928,078$

Fixed asset / equity ratio:
 $5,976,806/9,904,884 = 0.60$

The negative result of the fixed asset / equity margin with the correlated ratio below one, indicates that the company meets its long-term financial requirements by using third party financing, and, in particular, in our case the company avails itself of third party financing for a total of 40% of requirements.

The fixed asset / liabilities and equity margin and its related ratio also take as a reference medium/long-term liabilities, showing, in the case of Expert System Spa, that the company manages to finance its investments by availing itself of consolidated sources, i.e. shareholders' equity plus long-term debt.

Fixed asset / liabilities and equity margin:

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

<i>Net long-term financial position</i>	
D 4) AFTER 12 MONTHS	€ 4,462,615
D 5) AFTER 12 MONTHS	€ 709,791
TOTAL	€ 5,172,406

<i>Long-term LIABILITIES</i>	
B PROVISIONS FOR RISKS	€ 160,836
C EMPLOYEE SEVERANCE INDEMNITY	€ 948,598
D 6) AFTER 12 MONTHS	€ 1,512,933
E) ACCRUED EXPENSES AND DEFERRED INCOME	€ 3,905,115
TOTAL	€ 6,527,482

$(5,976,806 + 5,172,406 + 6,527,482) - 9,904,884 = 7,771,810$

Fixed assets / liabilities and equity ratio

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

$(5,976,806 + 5,172,406 + 6,527,482) / 9,904,884 = 1.78$

Main financial figures

The net financial position as at 31/12/2013, was as follows (in Euro):

	31/12/2013	31/12/2012	Change
Bank deposits	2,957,350	2,049,995	907,355
Cash at bank and in hand	1,501	1,600	(99)
Treasury shares			
Cash and cash equivalents and treasury shares	2,958,851	2,051,595	907,256
Current financial assets	8,400	13,734	(5,334)
Bonds and convertible bonds (within 12 months)			
Payables due to shareholders for loans (within 12 months)			
Payables due to banks (within 12 months)	2,692,311	2,042,635	649,676
Payables due to other lenders (within 12 months)	291,472	289,771	1,701
Advances for overseas payments			
Short-term portion of loans			
Financial receivables			
Short-term financial payables	2,983,783	2,332,406	651,377
Net short-term financial position	(16,532)	(267,077)	250,545
Bonds and convertible bonds (after 12 months)			

Payables due to shareholders for loans (after 12 months)			
Payables due to banks (after 12 months)	4,462,615	3,640,567	822,048
Payables due to other lenders (after 12 months)	709,791	1,001,248	(291,457)
Advances for overseas payments			
Long-term portion of loans			
Financial receivables			
Net medium/long-term financial position	(5,172,406)	(4,641,815)	(530,591)
Net financial position	(5,188,938)	(4,908,892)	(280,046)

For a better description of the financial situation, the following table shows some financial statement ratios, compared with the same financial statement ratios in the previous year.

	31/12/2013	31/12/2012	31/12/2011
Primary liquidity	1.95	2.19	1.06
Secondary liquidity	2.01	2.32	1.17
Debt	2.55	2.22	2.24
Rate of coverage of fixed assets	1.39	2.06	1.20

To make it easier to interpret the ratios, the following breakdown is provided:

Primary liquidity

LIQUID ASSETS:

cash and bank current account balances:

C) IV € 2,958,851

DEFERRED ASSETS:

Receivables and financial assets

C) II 1) receivables	€ 5,819,984
C) II 2) within 12 months	€ 1,243,281
C) II 4bis) within 12 months	€ 139,145
C) II 4 ter) within 12 months	€ 7,426
C II 5) within 12 months	€ 4,659,876
C III	€ 8,400
D	€ 169,918
TOTAL DEFERRED ASSETS	€ 12,048,030

CURRENT LIABILITIES:

D 4) WITHIN 12 MONTHS	€ 2,692,311
D 5) WITHIN 12 MONTHS	€ 291,472
D 6) WITHIN 12 MONTHS	€ 1,524,588
D 7) WITHIN 12 MONTHS	€ 1,103,820
D 12) WITHIN 12 MONTHS	€ 718,443
D 13) WITHIN 12 MONTHS	€ 199,194
D 14) WITHIN 12 MONTHS	€ 943,140
E ACCRUED EXPENSES AND DEFERRED INCOME – PORTION WITHIN 12 MONTHS	€ 238,118
TOTAL CURRENT LIABILITIES	€ 7,711,086

The formulae are shown below

Primary liquidity:

$(Li+Ld)/Pc - (Liquid\ assets+deferred\ assets)/Current\ liabilities)$

$(2,958,851 + 12,048,030) / 7,711,086 = 1.95$

The quick ratio stands at 1.95, highlighting an excellent balance between current assets and current liabilities

Secondary liquidity

AC (compreso magazzino)/PC – Current assets (including inventories)/Current liabilities
 $(2,958,851 + 12,048,030 + 476,015) / 7,711,086 = 2.01$

The current ratio stands at 2.01, also due to the effect of receivables for research project grants, presenting a satisfactory value.

Debt ratio

Third party financing/net capital

THIRD PARTY FINANCING	
Current liabilities (without accruals)	€ 7,472,968
MEDIUM/LONG-TERM LIABILITIES	
D 4) AFTER 12 MONTHS	€ 4,462,615
D 5) AFTER 12 MONTHS	€ 709,791
D 6) AFTER 12 MONTHS	€ 1,512,933
B) PROVISIONS FOR RISKS AND CHARGES	€ 160,836
C) EMPLOYEE SEVERANCE INDEMNITY	€ 948,598
TOTAL MEDIUM/LONG-TERM LIABILITIES	€ 7,794,773
TOTAL THIRD PARTY FINANCING	€ 15,267,741

Third party financing: = 15,267,741

Net capital = € 5,976,806

Debt ratio = $15,267,741 / 5,976,806 = 2.55$

In this case, the ratio confirms what was already envisaged in the three-year company investment and expansion plan, which makes provision for the use of debt to meet the costs of penetrating new international markets.

Rate of coverage of fixed assets

$(NC + \text{Medium/long-term liab.}) / \text{fixed assets}$

Net capital = € 5,976,806

Medium/long-term liab. = € 7,794,773

fixed assets = € 9,904,884

$(5,976,806 + 7,794,773) / 9,904,884 = 1.39$

In light of the rate of coverage of fixed assets of 1.39, the amount of own equity and consolidated payables is considered appropriate in relation to the amount of fixed assets. This translates to a less liquid situation compared to the previous year.

Information on the environment and personnel

Taking into account the company's social role, as also outlined in the document on the report on operations of the Consiglio Nazionale dei Dottori commercialisti e degli Esperti Contabili (National Institute of Chartered Accountants), it is deemed appropriate to provide the following information on the environment and on personnel.

Personnel

No workplace fatalities of personnel recorded in the company's employee register were recorded during the year.

During the year, no serious workplace accidents occurred which caused serious or very serious injuries to personnel recorded in the company's employee register.

No charges were recorded during the year, regarding occupational illnesses, against employees or former employees and cases of mobbing, for which the company was declared definitively liable. During the year,

our company made significant investments in personnel safety: in particular, in compliance with Legislative Decree 81/08, all personnel were given training 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

No environmental damage was recorded during the year, for which the company was held to be definitively at fault. No definitive sanctions or penalties were imposed on our company during the year for environmental offences or damages.

On 30/06/2008, the company obtained ISO certification 9001:2008, whose revision performed on 27/06/2011 is valid until 26/06/2014.

Investments

Investments were made in the following areas during the year:

	Fixed assets	Acquisitions during the year
Other assets		75,895

In the current year, no particularly significant investments are expected in equipment and other assets except for those relating to the normal technological adjustment of the same.

Research and development activities

Pursuant to art. 2428, par. 2, no. 1 of the Civil Code, the following information is acknowledged:

The company is constantly conducting research and development activities in the sector it operates in, software for semantic analysis. The costs incurred for these activities are partly capitalised and partly charged directly, also in the context of certain multi-year national and international research projects the company is involved in. These activities concerned the development of the Cogito linguistic platform and connected functions, in particular the Cogito platform for French (also Canadian version) and Spanish (also Latin America version); the release of the advanced product Cogito Taxonomy Studio, which integrates self-learning and cognitive computing technologies; integration of Cogito SmartContent for the on- and off-line media sector and Cogito Intelligence API, to be contextualised as an additional element of the Cloud/SAAS strategy that the company is driving forward with great determination, in support, in particular, of relations with partners that constitute a key element of the expansion strategy.

Relations with subsidiaries, associates, parent companies and sister companies

The company held the following relations during the year with subsidiaries, associates, parent companies and sister companies:

The company held the following relations with Group companies.

Company	Financial payables	Financial receivables	Trade receivables	Trade payables	Sales	Purchases
ADMANTX SPA		106,787	62,271	0	114,490	20,000
EXPERT SYSTEM USA INC		578,295	1,101,009	0	525,974	0
Total		685,082	1,163,280	0	640,464	20,000

These relations, which do not include atypical and/or unusual transactions, are regulated by normal market conditions.

In particular, relations are shown analytically below, with an indication of the reasons and interests whose evaluation affected the decision.

With the subsidiary Admantx Spa:

Costs:

1) Marketing contract: € 20,000.00

The balance sheet item concerned by this contract is "suppliers for invoices to be received" reclassified under item D)7 "Trade payables".

The income statement item concerned by this contract is "Commercial services" reclassified to item B) 7 "Service costs".

Revenues:

- 1) Lease agreement for property in Naples, Via Nuova Poggioreale, Centro Polifunzionale Inail (Inail – National Institute for Insurance against Accidents at Work - Multi-purpose centre), where the company has its registered office: annual rent of € 10,166.40;
- 2) Sub-letting agreement for local office in Modena, Via Virgilio 56/Q: annual rent of € 7,335.60

The income statement item concerned by this contract is "Property income" reclassified to item A) 5 "Other revenue and income".

3) Services contract relating to accounting, support, company economic-financial consultancy, secretary and general services:

- fee for accounting support and company consultancy - € 60 per hour
- fee for secretary activities - € 200 per month
- fee for general services (telephone, cleaning services and material, security, electricity, stationery, management software maintenance): lump-sum reimbursement (8.30%) of costs incurred by Expert System Spa;

The balance sheet item concerned by this contract is "intercompany customers" reclassified to the item C) II 2) Receivables due from subsidiaries.

The income statement item concerned by this contract is "Reimbursement of various expenses" reclassified to item A) 5 "Other revenue and income".

4) Contract for use of Cogito Core Technology License: € 17.500.00

The balance sheet item concerned by this contract is "intercompany customers" reclassified to the item C) II 2) Receivables due from subsidiaries.

The income statement item concerned by this contract is "Reimbursement of various expenses" reclassified to item A) 5 "Other revenue and income".

With the subsidiary Expert System USA Inc.:

professional service activities performed for the subsidiary, concessions of licences and granting of loans.

The balance sheet item concerned by this contract is "customers for invoices to be issued amounting to € 525,974" reclassified to the item C) II 2) "Receivables due from subsidiaries".

The income statement items concerned by this contract are:

- "Interest income from subsidiary Expert System USA Inc." reclassified to the item C) 16) d) for € 23,883
- "Intercompany activities" reclassified to the item A) 1 for a total of € 502,091

Memorandum accounts

Description	31/12/2013	31/12/2012	Changes
Risks assumed by the company	3,994,100	3,357,354	636,746
	3,994,100	3,357,354	636,746

Sureties are comprised of "other sureties to banks" for € 3,594,100. The remaining € 400,000 represent the guarantee given by Expert System Spa to the subsidiary Admantx Spa, assumed by means of a private agreement between Expert System Spa and IMI Fondi Chiusi società di gestione del risparmio Spa (IMI).

In respect of said agreement Expert System Spa undertakes to purchase from IMI, in the event the subsidiary Admantx Spa is unable to repay at the maturity dates set forth by the loan, the bond securities subscribed by IMI.

The guarantee is given for a maximum of 4 bonds with a par value of € 100,000 each for a total of € 400,000.

In relation to guarantees given and received, it should be noted that collateral was granted for € 434,000 in relation to the loan for the purchase of the property in Naples, secured by a mortgage on said property.

Information on risks and uncertainties pursuant to art. 2428, par. 2, point 6-bis of the Civil Code

The company does not use financial instruments.

Deferment of the date of the shareholders' meeting for approval of the financial statements

Pursuant to art. 2364, par. 2 of the Civil Code and as provided for by art. 35 of the Articles of Association, the Board of Directors, at the meeting on 28/03/14, resolved the deferment of the terms for approval of the financial statements for the year ended 31/12/13 within the maximum term of 180 days, owing to the special requirements related to the company's structure, such as the need to wait for approval of the financial statements of the investee Admantx Spa and for the participation in 2013 in the extraordinary reverse merger transaction with the parent company ES Srl.

Significant events after the close of the year

On 14/02/14, the Company was admitted to listing on AIM Italia – Mercato Alternativo del Capitale (Alternative Capital Market) and its shares were traded from 18/02/2014.

AIM (Alternative Investment Market) Italia is the market regulated by Borsa Italiana (Italian Stock Exchange) dedicated to the most dynamic and competitive SMEs with high growth potential in Italy. The market was created at the beginning of 2012 from an amalgamation of the AIM Italia and MAC markets, with a formula based on know-how acquired thanks, on the one hand, to 15 years of experience on the UK AIM, and, on the other, on the specific requirements of the Italian business system.

For the purpose of listing on the AIM Italia stock market, on 09/01/2014, by means of the report of the extraordinary shareholders' meeting, drafted by notary Rolando Rosa, index no. 117915 folder 18663, the following transactions were resolved:

- A) Elimination of the par value of the shares outstanding pursuant to art. 2346, par. 3 of the Civil Code.
- B) Free share capital increase for € 6,000.04, through the charging of part of the extraordinary reserve to share capital, with the issuing of 600,004 shares of no nominal value.
- C) Splitting of the outstanding shares
- D) Increase in share capital with exclusion of the option right in favour of the contribution of Admantx Spa (subsidiary) shares by IMI Fondi Chiusi società di gestione del risparmio Spa.
- E) Increase in share capital up to a maximum of € 10,000,000 with the issuing of a maximum of 6,000,000 shares.

In implementation of items A, B and C of the resolution of the extraordinary shareholders' meeting on 09/01/2014, the share capital of Expert System Spa totalled € 150,000,00, split into 15,000,000 shares of no par value.

On 05/02/2014, the company carried out, pursuant to point D above, the share capital increase with exclusion of the option right in favour of the contribution of Admantx Spa shares by IMI Fondi Chiusi società di gestione del risparmio Spa.

This transaction involved, for Expert System Spa, a share capital increase of € 13,996.80 plus an increase in the share premium reserve of € 2,505,427.20. This share capital increase was paid up through the contribution of 193,997 class B shares of the company Admantx Spa equal to a stake of around 22.754% in share capital, owned by IMI Fondi Chiusi società di gestione del risparmio Spa.

The contribution of Admantx Spa shares was made through the drafting of an appraisal in accordance with art. 2343 ter, par. 2 of the Civil Code by Mauro Zavani, listed in the Ordine dei Dottori Commercialisti ed Esperti Contabili (Association of Chartered and Qualified Accountants) of Massa Carrara, an appraisal which valued the company Admantx Spa at € 11,072,000.

Following the contribution, the company Expert System Spa issued 1,399,680 new shares of no par value and increased share capital by € 13,996.80.

As a result of the contribution of Admantx Spa shares, Expert System Spa now holds a total of 757,547 Admantx Spa shares from a total of 967,842, increasing its stake from around 66.10% to approximately 78.27%.

Expert System Spa was listed via an OPVS (Public Sale and Subscription Offer); the placement price was € 1.80 per share. On 18/02/2014, on completion of the initial public offering, the funds collected stood at € 9,849,960, € 55,500.00 of which destined for the share capital increased and € 9,794,460 earmarked for the share premium reserve; a total of 5,550,000 new shares of no par value were issued for the placement. After said subscription, resolved and paid-up share capital stood at € 219,496.80, split into 21,949,680 shares of no par value.

Business outlook

In 2014, ever-increasing attention was focused on foreign markets, especially the US market and North America in general. In this case, we are currently developing our presence in the area by hiring new commercial and sales support personnel. We will shortly open an office in Silicon Valley (California) which will give us better coverage of a strategic area in the hi-tech sector and where we'll work in partnership with other major companies.

From an international perspective, within the European domain, we expect to open a sales office in London in the second half of the year and to carry out exploratory activities for the German speaking market (Germany, Austria and Switzerland). In the Middle East, we expect to consolidate relations with our current partner and with other partners that may be identified.

We are committed to strengthening our presence on the domestic market, by attempting to operate in sectors and with parties less affected by the economic crisis which, in reality, shows no signs of letting up in our country.

Allocation of profit for the year

It is proposed that the shareholders' meeting allocate the profit for the year as follows:

Profit for the year as at 31/12/2013	Euro	225,344
5% to the legal reserve	Euro	11,267
to extraordinary reserve	Euro	214,077

We thank you for the confidence shown in us and invite you to approve the financial statements presented here.

Chairman of the Board of Directors



Marco Varone

EXPERT SYSTEM SPA

Registered office in VIA FORTUNATO ZENI 8 - 38068 ROVERETO (TN) Share capital € 219,496.80 fully paid-in

Financial statements for the year ended 31/12/2013

Balance sheet - assets	31/12/2013	31/12/2012
A) Subscribed capital, unpaid		
(of which already called)		
B) Fixed assets		
<i>I. Intangible assets</i>		
1) Start-up and expansion costs	12,031	11,239
2) Costs of research, development and advertising	2,380,534	1,050,361
3) Industrial patent and intellectual property rights	24,001	35,954
4) Concessions, licences, trademarks and similar rights	1,796	2,313
5) Goodwill	26,755	
6) Fixed assets in progress and payments on account		
7) Other	17,325	11,087
	2,462,442	1,110,954
<i>II. Tangible assets</i>		
1) Land and buildings	407,087	418,174
2) Plant and machinery	5,407	8,403
3) Industrial and commercial equipment		
4) Other assets	193,616	208,804
5) Fixed assets in progress and payments on account		
	606,110	635,381
<i>III. Financial</i>		
1) Equity investments in:		
a) subsidiaries	1,133,651	501,951
b) associates		3,500
c) parent companies		
d) other companies	9,138	9,138
	1,142,789	514,589
2) Receivables		
a) due from subsidiaries		
- within 12 months		
- after 12 months		
b) due from associates		
- within 12 months		
- after 12 months		

c) due from parent companies			
- within 12 months			
- after 12 months			
d) due from others			
- within 12 months			
- after 12 months			
3) Other securities			
4) Treasury shares (total nominal value)		1,142,789	514,589
Total fixed assets		4,211,341	2,260,924
C) Current assets			
<i>I. Inventories</i>			
1) Raw materials and consumables			
2) Work in progress and semi-finished products			
3) Contract work in progress		476,015	721,513
4) Finished products and goods for resale			
5) Payments on account			
		<u>476,015</u>	<u>721,513</u>
<i>II. Receivables</i>			
1) Due from customers			
- within 12 months	5,819,984		5,487,533
- after 12 months			
		<u>5,819,984</u>	<u>5,487,533</u>
2) Due from subsidiaries			
- within 12 months	1,243,281		1,214,095
- after 12 months	605,082		839,395
		<u>1,848,363</u>	<u>2,053,490</u>
3) Due from associates			
- within 12 months			
- after 12 months			3,500
			<u>3,500</u>
4) Due from parent companies			
- within 12 months			
- after 12 months			
4-bis) Tax receivables			
- within 12 months	139,145		511,720
- after 12 months	126,524		123,057
		<u>265,669</u>	<u>634,777</u>
4-ter) Prepaid taxes			
- within 12 months	7,426		592
- after 12 months	51,801		52,076
		<u>59,227</u>	<u>52,668</u>

		59,227	52,668
5) Due from others			
- within 12 months	4,659,876		2,535,490
- after 12 months	4,910,136		3,412,388
		9,570,012	5,947,878
		17,563,255	14,179,846
III. Current financial assets			
1) Equity investments in subsidiaries			
2) Equity investments in associates			
3) Equity investments in parent companies			
4) Other equity investments		8,400	13,734
5) Treasury shares (total nominal value)			
6) Other securities			
		8,400	13,734
IV. Cash and cash equivalents			
1) Bank and postal deposits		2,957,350	2,049,995
2) Cheques			
3) Cash at bank and in hand		1,501	1,600
		2,958,851	2,051,595
Total current assets		21,006,521	16,966,688
D) Accruals and deferrals			
- discount on loans			
- miscellaneous	169,918		216,496
		169,918	216,496
Total assets		25,387,780	19,444,108
Balance Sheet - liabilities		31/12/2013	31/12/2012
A) Shareholders' equity			
I. Share capital		144,000	144,000
II. Share premium reserve		1,468,843	1,468,843
III. Revaluation reserve			
IV. Legal reserve		28,800	28,800
V. Statutory reserves			
VI. Reserve for treasury shares in portfolio			
VII. Other reserves			
Extraordinary or optional reserve	3,592,196		3,075,585
Merger surplus reserve	376,622		376,622
Euro rounding difference	1		
Other	141,000		141,000

	4,109,819	3,593,207
VIII. Retained earnings (losses)		
IX. Profit for the year	225,344	696,611
IX. Loss for the year	()	()
Advances on dividends	()	()
Partial coverage of loss for the year		
Total shareholders' equity	5,976,806	5,931,461
B) Provisions for risks and charges		
1) Pension provisions and similar obligations	836	1,734
2) Provisions for taxes, including deferred		
3) Other	160,000	160,000
Total provisions for risks and charges	160,836	161,734
C) Employee severance indemnity	948,598	897,804
D) Payables		
1) Bonds		
- within 12 months		
- after 12 months		
2) Convertible bonds		
- within 12 months		
- after 12 months		
3) Payables due to shareholders for loans		
- within 12 months		
- after 12 months		
4) Payables due to banks		
- within 12 months	2,692,311	2,042,635
- after 12 months	4,462,615	3,640,567
	7,154,926	5,683,202
5) Payables due to other lenders		
- within 12 months	291,472	289,771
- after 12 months	709,791	1,001,248
	1,001,263	1,291,019
6) Payments on account		
- within 12 months	1,524,588	263,279
- after 12 months	1,512,933	2,312,683
	3,037,521	2,575,962
7) Trade payables		
- within 12 months	1,103,820	1,542,932
- after 12 months		
	1,103,820	1,542,932

8) Payables represented by credit instruments			
- within 12 months			
- after 12 months			
9) Payables due to subsidiaries			
- within 12 months			
- after 12 months			
10) Payables due to associates			
- within 12 months			
- after 12 months			
11) Payables due to parent companies			
- within 12 months			
- after 12 months			
12) Tax payables			
- within 12 months	718,443		262,292
- after 12 months			
		718,443	262,292
13) Payables due to social security institutions			
- within 12 months	199,194		179,465
- after 12 months			
		199,194	179,465
14) Other payables			
- within 12 months	943,140		706,985
- after 12 months			
		943,140	706,985
Total payables		14,158,307	12,241,857

E) Accruals and deferrals

- premium on loans			
- miscellaneous	4,143,233		211,252
		4,143,233	211,252

Total liabilities	25,387,780	19,444,108
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Memorandum accounts

31/12/2013

31/12/2012

1) Risks assumed by the company

Sureties			
to subsidiaries	400,000		
to associates			
to parent companies			
to subsidiaries of parent companies			
to other companies	3,594,100		3,357,354
		3,994,100	3,357,354
Endorsements			

to subsidiaries		
to associates		
to parent companies		
to subsidiaries of parent companies		
to other companies	_____	_____
Other personal guarantees		
to subsidiaries		
to associates		
to parent companies		
to subsidiaries of parent companies		
to other companies	_____	_____
Collaterals		
to subsidiaries		
to associates		
to parent companies		
to subsidiaries of parent companies		
to other companies	_____	_____
Other risks		
receivables transferred with recourse		
other	_____	_____
		3,994,100
		3,357,354
2) Commitments undertaken by the company		
3) Third party assets held by the company		
work in progress		
property held by the company under deposit or loan for use		
property held by the company under pledge or deposit		
other	_____	_____
4) Other memorandum accounts		
Total memorandum accounts		3,994,100
		3,357,354

Income statement	31/12/2013	31/12/2012
A) Value of production		
1) Sales and service revenues	10,608,164	11,519,042
2) Changes in inventories of work in progress, semi-finished and finished products		
3) Variations in contract work in progress	(245,498)	(145,301)
4) Own work capitalised	2,255,895	318,034

5) <i>Other income and revenue:</i>		
- miscellaneous	103,186	74,409
- operating grants	59,049	2,777,301
- capital grants (portions for the year)	339,080	
		<u>501,315</u>
Total value of production		13,119,876
		14,543,485

B) Costs of production

6) <i>For raw materials, consumables and goods for resale</i>		709,426	619,400
7) <i>For services</i>		5,111,348	6,532,002
8) <i>For use of third party assets</i>		468,463	516,461
9) <i>For personnel</i>			
a) Wages and salaries	3,483,234		2,919,311
b) Social security costs	989,805		839,856
c) Employee severance indemnity	274,484		218,906
d) Pensions and similar charges			
e) Other costs	21,756		10,074
		<u>4,769,279</u>	<u>3,988,147</u>
10) <i>Amortisation, depreciation and write-downs</i>			
a) Amortisation of intangible fixed assets	956,305		719,482
b) Depreciation of tangible fixed assets	105,166		139,727
c) Other write-downs of fixed assets			
d) Write-downs of receivables included under current assets and cash and cash equivalents	36,493		31,073
		<u>1,097,964</u>	<u>890,282</u>
11) <i>Changes in inventories of raw materials, consumables and goods for resale</i>			
12) <i>Provision for risks</i>			160,000
13) <i>Other provisions</i>			
14) <i>Sundry operating expenses</i>		47,757	72,225
Total costs of production		12,204,237	12,778,517
Difference between the value and costs of production (A-B)		915,639	1,764,968

C) Financial income and expenses15) *Income from equity investments:*

- from subsidiaries
- from associates
- other


16) *Other financial income:*

- a) from receivables classified as fixed assets
- from subsidiaries

- from associates			
- from parent companies			
- other			
b) from securities classified as fixed assets			
c) from securities included in current assets	998		
d) other income:			
- from subsidiaries	23,823		25,182
- from associates			
- from parent companies			
- other	26,998		29,024
		51,819	54,206
		51,819	54,206
17) Interest and other financial expenses:			
- from subsidiaries			
- from associates			
- from parent companies			
- other	392,459		351,323
		392,459	351,323
17-bis) Exchange gains and losses		(35,833)	(939)
Financial income and expenses		(376,473)	(298,056)
D) Value adjustments to financial assets			
18) Revaluations:			
a) of equity investments			
b) of non-current financial assets			
c) of securities included in current assets			
19) Write-downs:			
a) of equity investments			2,129
b) of non-current financial assets	11,307		
c) of securities included in current assets			
		11,307	2,129
Total value adjustments to financial assets		(11,307)	(2,129)
E) Extraordinary income and expenses			
20) Income:			
- capital gains from disposals			
- miscellaneous	148,597		196,326
- Euro rounding difference			1
		148,597	196,327
21) Expenses:			
- capital losses from disposals			
- previous years' taxes			
- miscellaneous	92,156		512,856
- Euro rounding difference	2		
		92,158	512,856

Total extraordinary items		56,439	(316,529)
Pre-tax result (A-B±C±D±E)		584,298	1,148,254
<i>22) Income taxes for the year – current, deferred and prepaid</i>			
a) Current taxes	365,513		504,311
b) Deferred taxes			
c) Prepaid taxes	(6,559)		(52,668)
d) income (expenses) resulting from compliance with tax consolidation / tax transparency			
		<u>358,954</u>	<u>451,643</u>
23) Profit (loss) for the year		225,344	696,611

Chairman of the Board of Directors


Marco Varone

EXPERT SYSTEM SPA

Registered office in VIA FORTUNATO ZENI 8 - 38068 ROVERETO (TN) Share capital € 219,496.80 fully paid-in

**Explanatory notes to the financial statements for the year ended
31/12/2013****Introduction**

Dear Shareholders,

these financial statements, subject to your review and your approval, highlight a profit for the year of € 225,344.

Business

The Company performs its activities in the Information Technology sector, where it is a leading developer of semantic software applications used by companies to manage information more effectively and acquire strategic knowledge from it.

All products are based on proprietary Cogito technology and offer advanced solutions for searching, organising, correlating and analysing large volumes of documents.

Through the automatic understanding of any type of text, Cogito allows companies to create value from all data and information at their disposal, increasing their competitive advantage and providing optimum support to the decision-making processes.

Significant events during the year

The following significant events occurred during the year:

In 2013, the reverse merger of the parent company ES Srl in Expert System Spa took place, by means of deed by Notary Manfredini in Modena, dated 24/05/2013, index no. 10112, folder 7524. This operation completed the Group's restructuring project, started in 2012 through the merger by incorporation of Cogito Srl, a wholly-owned subsidiary, and the transfer of the company headquarters from Modena to Rovereto (TN).

The new merger by incorporation transaction was carried out in order to simplify the operating structure of the "Gruppo Expert System" and for its administrative, technical and operational restructuring.

The reverse merger, unanimously backed by all shareholders, took place through the direct redistribution to the shareholders of the merged company ES Srl of the shares of the merging company Expert System Spa, held by ES Srl, without the execution of any share capital increase of the merging company Expert System Spa, and without any adjustments in cash. The merger act explicitly sets out that the merger will take effect from 1 January 2013 for accounting and economic purposes, with the recognition of the transactions of the merged company in the financial statements of the merging company, and the backdating of the tax effects of the merger to said date.

Significant events after the close of the financial year

On 14/02/2014, the Company was admitted to listing on AIM Italia – Mercato Alternativo del Capitale (Alternative Capital Market) and its shares were traded from 18/02/2014.

AIM (Alternative Investment Market) Italia is the market regulated by Borsa Italiana (Italian Stock Exchange) dedicated to the most dynamic and competitive SMEs with high growth potential in Italy. The market was created at the beginning of 2012 from an amalgamation of the AIM Italia and MAC markets, with a formula

based on know-how acquired thanks, on the one hand, to 15 years of experience on the UK AIM, and, on the other, on the specific requirements of the Italian business system.

For the purpose of listing on the AIM Italia stock market, on 09/01/2014, by means of the report of the extraordinary shareholders' meeting, drafted by notary Rolando Rosa, index no. 117915 folder 18663, the following transactions were resolved:

- A) Elimination of the par value of the shares outstanding pursuant to art. 2346, par. 3 of the Civil Code.
- B) Free share capital increase for € 6,000.04, through the charging of part of the extraordinary reserve to share capital, with the issuing of 600,004 shares of no par value.
- C) Splitting of the outstanding shares
- D) Increase in share capital with exclusion of the option right in favour of the contribution of Admantx Spa (subsidiary) shares by IMI Fondi Chiusi società di gestione del risparmio Spa.
- E) Increase in share capital up to a maximum of € 10,000,000 with the issuing of a maximum of 6,000,000 shares.

In implementation of items A, B and C of the resolution of the extraordinary shareholders' meeting on 09/01/2014, the share capital of Expert System Spa totalled € 150,000,00, split into 15,000,000 shares of no par value.

On 05/02/2014, the company carried out, pursuant to point D above, the share capital increase with exclusion of the option right in favour of the contribution of Admantx Spa shares by IMI Fondi Chiusi società di gestione del risparmio Spa.

This transaction involved, for Expert System Spa, a share capital increase of € 13,996.80 plus an increase in the share premium reserve of € 2,505,427.20. This share capital increase was paid up through the contribution of 193,997 class B shares of the company Admantx Spa equal to a stake of around 22.754% in share capital, owned by IMI Fondi Chiusi società di gestione del risparmio Spa.

The contribution of Admantx Spa shares was made through the drafting of an appraisal in accordance with art. 2343 ter, par. 2 of the Civil Code by Mauro Zavani, listed in the Ordine dei Dottori Commercialisti ed Esperti Contabili (Association of Chartered and Qualified Accountants) of Massa Carrara, an appraisal which valued the company Admantx Spa at € 11,072,000.

Following the contribution, the company Expert System Spa issued 1,399,680 new shares of no par value and increased share capital by € 13,996.80.

As a result of the contribution of Admantx Spa shares, Expert System Spa now holds a total of 757,547 Admantx Spa shares from a total of 967,842, increasing its stake from around 66.10% to approximately 78.27%.

Expert System Spa was listed via an OPVS ('Public Sale and Subscription Offer'); the placement price was € 1.80 per share.

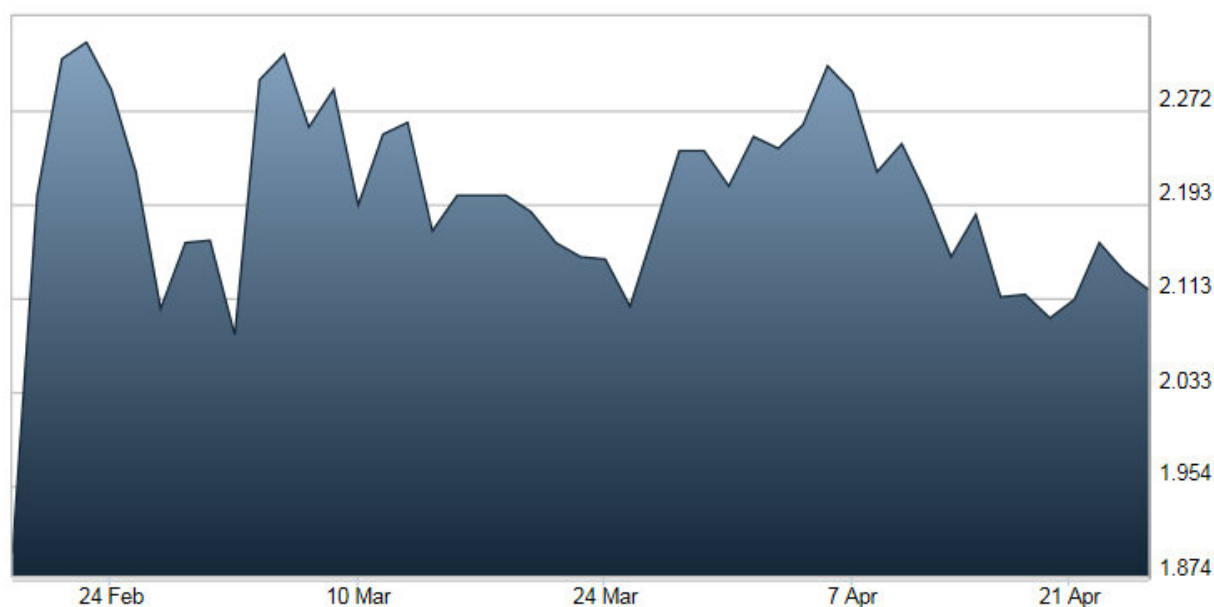
On 18/02/2014, on completion of the initial public offering, the funds collected stood at € 9,849,960, € 55,500.00 of which destined for the share capital increase and € 9,794,460 earmarked for the share premium reserve; a total of 5,550,000 new shares of no par value were issued for the placement.

After said subscription, resolved and paid-up share capital stood at € 219,496.80, split into 21,949,680 shares of no par value.

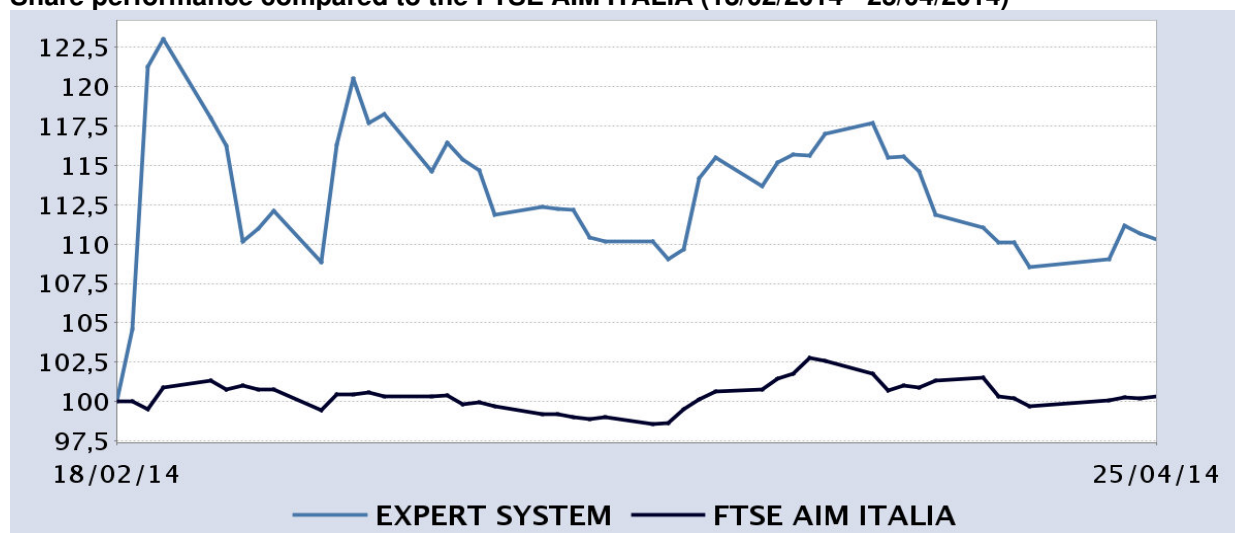
As at 25/04/2014, the performance of the Expert System share on the AIM Italia market exhibited the following characteristics:

Share capital:	219,497
Capitalisation:	46,902,076
Placement Price:	1.80 - 18/02/14
Max. (year):	2.52 - 20/02/14
Min. (year):	1.825 - 18/02/14
Reference price:	2.12 - 25/04/14
Official Price:	2.1368 - 25/04/14

Graph showing share performance from IPO to 25/04/2014



Share performance compared to the FTSE AIM ITALIA (18/02/2014 - 25/04/2014)



Drafting criteria

These financial statements conform to the provisions of articles 2424 et seq. of the Civil Code, as shown in these explanatory notes, drafted in accordance with art. 2427 of the Civil Code, which constitute, pursuant to and in accordance with, an integral part of the financial statements.

Financial statement values are stated in Euro, with the relative amounts rounded up. Any rounding differences have been indicated in the item "Euro rounding reserve", included under shareholders' equity items and "Euro rounding" in the item "extraordinary income and expenses in the income statement".

Pursuant to art. 2423, par. 5 of the Civil Code, the explanatory notes have been drafted in Euro.

As required by OIC (Italian Accounting Standards Setter) 4, for each asset and liability, the individual accounts of the companies participating in the merger have been aggregated in a single item with identical content, by applying the relevant drafting and measurement principles provided by the Civil Code. Given the backdating of the transaction to 01/01/2013 for accounting purposes, the above aggregation was also performed for income statement items.

Measurement criteria

(Ref. art. 2427, par. 1, no. 1, Civil Code)

The criteria used to draft the financial statements for the year ended 31/12/2013 are the same as those used in the previous year, particularly as regards the valuations and continued use of the same standards.

The valuation of items in the financial statements is based on the general principles of prudence and accrual accounting, in the assumption of the company as a going concern, also taking into account the economic function of the asset or liability considered.

The application of the prudence principle involved the individual valuation of the individual asset and liability items, to avoid offsetting between losses to be recognised and profits not to be recognised given unrealised.

In compliance with the accrual principle, the effect of transactions and other events has been accounted for and allocated to the year in which said transactions and events refer, and not to the one in which the associated cash flows occur (collections and payments).

Continued application of the valuation criteria over time is a key element for the purposes of comparing the company's financial statements from different years.

In particular, as regards the comparative data, the figures for the previous year relate solely to the merging company Expert System Spa, while the figures as at 31/12/13 derive from the aggregation of the individual accounts of the companies participating in the merger. In order to allow a better understanding of the accounting effects of the merger transaction, a table is attached to these explanatory notes, which shows the following in columns placed side by side:

- a) The amounts shown in the financial statements of the previous year (31/12/12) of the merging company Expert System Spa;
- b) The amounts recognised in the previous year (31/12/12) of the merged company ES Srl;
- c) The amounts booked as at 31/05/13 of the merged company ES SRL, the effective date of the merger.

The valuation of assets or liabilities, by taking into account their economic function, considering that it embodies the principle of prevalence of substance over form, mandatory where not expressly contradicted by other specific regulations governing financial statements, enables transactions to be reported according to the economic situation underlying the formal aspects.

Exceptions

(Ref. art. 2423, par. 4, of the Civil Code)

No exceptional cases were identified that required the use of the exceptions set forth under art. 2423, par. 4 of the Civil Code.

In particular, the following measurement criteria were adopted to draft the financial statements.

Fixed assets

Intangible assets

These are recorded at their historical acquisition cost and stated net of amortisation applied over the years and booked directly to the individual items.

Start-up and expansion and research & development costs with long-term benefits were recognised under assets with the consent of the Board of Statutory Auditors and are amortised over a period of 5 years.

Under research & development costs, the expenses incurred for personnel employed in research and development activities were capitalised for a total of € 2,255,895 and are amortised at rate of 20%.

Effective as of the financial statements for the year ended 31/12/2013, the company implemented the method for accounting for grants received from various bodies, aimed at financing research & development projects. Up until 31/12/2012, contributions were recognised as operating grants (item A5 of the income statement), while the remainder of research & development costs, not covered by grants received, were recognised as own work capitalised. Effective from these financial statements, the company modified the classification of these grants, reclassifying them as grants related to assets, given they are grants aimed at financing long-term investments. The reason for the change of criterion and the subsequent disclosure of

capitalisation of higher costs is justified by the expansion of the company's business with increasingly important projects, both in terms of quantity and value, also targeted at international markets, for which it is believed said disclosure provides a better representation of the activities performed by the company.

This new classification is also confirmed, as envisaged in OIC 16, and makes provision for the capitalisation of all research & development costs, under item A4 of the income statement, and the simultaneous recognition of capital grants (item A5), solely for the portion pertaining to the year, determined in proportion to the amortisation charge of said costs for which the grant was given.

Goodwill, deriving from the reverse merger of ES Srl, was recorded under assets with the consent of the Board of Statutory Auditors for an amount equal to the merger deficit and is amortised over a period of 5 years.

Industrial patent and intellectual property rights and trademarks are amortised according to an annual rate of 10%.

Software is amortised at a rate of 20%.

Improvements to third-party assets are amortised according to rates that depend on the duration of the contract.

If, regardless of the depreciation already accounted for, impairment is recorded, the fixed asset is written down accordingly. If the reasons for the write-down no longer exist in subsequent years, the original value is written back, adjusted solely for amortisation.

Tangible assets

These are booked at acquisition cost and adjusted by the corresponding accumulated depreciation.

The book value takes account of additional expenses and costs incurred in using the fixed asset, deducting trade and cash discounts of any significant amount from the cost.

Depreciation charges, booked to the income statement, were calculated on the basis of the type of use and technical-economic life of the assets, based on the residual useful life criteria, which we believe to be fully represented by the following rates, unchanged with respect to the previous year and halved in the year the asset enters use:

- buildings: 3%
- plant and machinery: 20%
- vehicles: 25%
- mopeds: 25%
- furniture and fittings: 12%
- electronic machines: 20%

If, regardless of the depreciation already accounted for, impairment is recorded, the fixed asset is written down accordingly. If the reasons for the write-down no longer exist in subsequent years, the original value is written back, adjusted solely for amortisation.

Receivables

These are stated at their presumed realisable value. The adjustment of the nominal value of receivables into line with the presumed realisable value is obtained using the appropriate bad debt provision, taking into consideration general economic and industry conditions and country risk.

Payables

These are recorded at their nominal value, amended in the event of returns or billing adjustments.

Accruals and deferrals

Accruals and deferrals were calculated on an accruals basis during the year.

For multi-year accruals and deferrals, the conditions that led to their original recognition were verified, where necessary, applying the necessary changes.

Warehouse inventories

Work in progress is recorded on the basis of the percentage of completion or state of progress criterion: costs, revenues and the job profit are recognised on the basis on the progress of production activities. For the application of this criterion the hours worked method is adopted.

Equity investments

Equity investments in subsidiaries and associates, recorded under non-current financial assets, are valued at purchase or subscription cost.

Provisions for risks and charges

These 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 could not be determined at year-end. In measuring these provisions the general principles of prudence and accrual accounting were observed, and no generic risk provisions were set up without economic justification. Contingent liabilities were recorded in the financial statements and booked to provisions given deemed likely and given that the amount can be reasonably estimated.

Employee Severance Indemnity Provision

This refers to the actual amounts accrued due to employees in compliance with law and the applicable employment contracts, in consideration of any form of continuous pay. The provision corresponds to the total of individual indemnities accrued by employees at the close of the financial year, net of any advances provided, and is equal to the amount that would have been due to employees if they had ended their employment on said date.

Income taxes

Income taxes are allocated on an accrual basis; therefore, they represent:

- the allocations for taxes paid or to be paid for the year, calculated according to the applicable rates and regulations;
- the amount of deferred or prepaid taxes in relation to the temporary differences that have arisen or been eliminated in the year;

Deferred and prepaid Ires (corporate income tax) is calculated on the temporary differences between the values of assets and liabilities determined in accordance with statutory criteria and the corresponding tax values with exclusive reference to the company.

Current, deferred and prepaid Irap (regional business tax) is calculated with exclusive reference to the company.

Revenue recognition

Revenues from product sales are recognised at the moment of the transfer of ownership, which normally corresponds to the delivery or shipment of the goods.

Financial revenues and those deriving from the provision of services are recognised on an accrual basis.

Revenues and income and costs and expenses relating to currency transactions are determined at the current exchange rate on the date the transaction is completed.

Criteria for the translation of amounts stated in foreign currency

Receivables and payables originally stated in foreign currency, recorded on the basis of exchange rates applicable on the date on which they arose, are brought into line with current exchange rates at year-end. In particular, assets and liabilities that constitute fixed assets and long-term financial receivables are recorded at the spot exchange rate at year-end. Profits and losses on the translation of receivables and payables are credited/debited to/from the income statement under item 17 bis Exchange gains and losses.

Guarantees, commitments, third-party assets and risks

Risks relating to personal guarantees or collateral granted for third-party payables were reported in the memorandum accounts for an amount equal to the guarantee given; the amount of the third-party payable secured at the reporting date, if lower than the guarantee granted, is indicated in these explanatory notes.

Employment figures

(Ref. art. 2427, par. 1, no. 15 of the Civil Code)

The average company workforce, broken down by category, underwent the following changes with respect to the previous year.

Workforce	31/12/2013	31/12/2012	Changes
Middle management	13	12	1
Employees	95	84	11
Workers	0	0	0
Other			
	108	96	12

The national labour contract applied is the 2011 one for the trade sector.

B) Fixed assets

I. Intangible fixed assets

Balance as at 31/12/2013	Balance as at 31/12/2012	Changes
2,462,442	1,110,954	1,351,488

Total changes in intangible fixed assets

(Ref. art. 2427, par. 1, no. 2 of the Civil Code)

Description of costs	Value as at 31/12/2012	Increases in the year	Decreases in the year	Amortisation in the year	Value as at 31/12/2013
Start-up and expansion	11,239	5,502		4,710	12,031
Research, development and advertising	1,050,361	2,255,894		925,721	2,380,534
Industrial patent rights	35,954		(10,787)	1,166	24,001
Concessions, licences, trademarks	2,313			517	1,796
Goodwill		33,444		6,689	26,755
Fixed assets in progress and payments on account					
Other	11,087	23,739		17,501	17,325
Rounding		1		1	
	1,110,954	2,318,580	(10,787)	956,305	2,462,442

The increase in intangible fixed assets shown in the table, as already explained in the first section of these explanatory notes, takes account of the accounting balances of the merged company ES Srl at 31/05/13.

Composition of start-up and expansion costs, research and development costs and advertising expenses

(Ref. art. 2427, par. 1, no. 3 of the Civil Code)

The breakdown of start-up and expansion costs and research and development costs, recorded with the consent of the Board of Statutory Auditors, and the reasons for their recognition, are shown below.

Start-up and expansion costs

Description of costs	Value as at 31/12/2012	Increases in the year	Decreases in the year	Amortisation in the year	Value as at 31/12/2013
Admission to trading on the stock exchange		2,080		416	1,664
Merger	11,239	3,422		4,294	10,367
	11,239	5,502		4,710	12,031

Costs capitalised under merger expenses relate, as set out in OIC 24, to notary and professional consultancy expenses incurred relating to the reverse merger transaction.

Costs capitalised under expenses for the admission to trading on the stock exchange relate to expenses for mandatory communication, publication and press circulation of information prospectuses.

Research and development costs

Description of costs	Value as at 31/12/2012	Increases in the year	Decreases in the year	Amortisation in the year	Value as at 31/12/2013
Increase in production	1,050,361	2,255,895		925,722	2,380,534
	1,050,361	2,255,895		925,722	2,380,534

The costs recorded are reasonably correlated to long-term benefit over several years, and are systematically amortised in relation to their residual useful life.

The increase realised in 2013 totalled € 2,255,895, represented by the capitalisation carried out in 2013 of costs relating to personnel employed in research and development activities.

Details are provided below on the research and development costs capitalised, broken down by relevant project:

PROJECT NAME	AMOUNT CAPITALISED
Athantor	€ 2,558.08
Cogito SEE Listening Platform	€ 12,664.05
DEEP REL	€ 567,632.68
DICET	€ 200,717.74
EUROSENTIMENT	€ 156,087.67
EU-VRI	€ 11,006.44
KEIRON	€ 52,621.34
PJ_ES_Portal	€ 18,549.25
PORTDIAL	€ 89,682.03
Promptu - Cogito francese light	€ 19,956.37
PUBLICAMENTE	€ 50,332.09
SEE Portal - 2012/2014	€ 176,998.80
Sensigrafo Spagnolo	€ 39,975.82
S-GROUPER	€ 137,986.55
SICH	€ 21,869.78
SIEX	€ 19,687.00
SINTESYS	€ 294,081.28

SNAPSHOT	€ 71,956.51
Technology - GSL Cluster 2	€ 6,492.50
Base Technology - COGITO	€ 14,925.68
Expert System Technology - Development	€ 73,329.28
Internal Technology - Cogito Intelligence	€ 75,374.09
Internal Technology - ESSEX	€ 141,410.07
Total capitalisation - 2013	€ 2,255,895.10

The costs recorded are reasonably correlated to long-term benefit over several years, and are systematically amortised in relation to their residual useful life.

Grants related to assets

The company receives grants from various bodies (European Community according to the methods of the Seventh Framework Programme, Ministry of Education, Universities and Research, Ministry of Economic Development and other institutions) aimed at financing research and development projects.

These grants are classified under grants related to assets given contributions targeted at financing long-term investments. As regards the accounting of these grants, effective from these financial statements, the method envisaged by OIC 16 was chosen, involving the recognition of said grants in proportion to the amortisation of the costs of R&D to which they refer.

The change of accounting method involved the recognition under the item "receivables for research project grants" classified under the heading "other receivables" item C.II.5, of all receivables due to the company from granting bodies as at 31/12/2013.

The items concerned by this modification were exclusively the receivables indicated above and the item deferred income.

Deferred income at 31/12/13 recorded a significant increase compared to 31/12/12 due to the deferment in the year of the portion of grants resolved in favour of the Company. For details please see the section on Deferred income.

II. Tangible fixed assets

Balance as at 31/12/2013	Balance as at 31/12/2012	Changes
606,110	635,381	(29,271)

Land and buildings

(Ref. art. 2427, par. 1, no. 2 of the Civil Code)

Description	Amount	
Historical cost	456,980	
Depreciation of previous years	(38,806)	
Balance as at 31/12/2012	418,174	of which 87,400 land
Depreciation in the year	(11,087)	
Balance as at 31/12/2013	407,087	of which 87,400 land

Based on an accurate application of accounting standard OIC 16, revised, and also following a review of the estimate of the useful life of instrumental properties, we separated the portion of the cost relating to the plots of land of the above.

The value assigned to these areas was identified on the basis of a flat-rate estimate criterion which allows the allocation of the unit cost, deemed consistent at a rate of 20% of the cost of the property net of capitalised ancillary costs and any revaluations carried out.

In relation to the value of the aforementioned areas of land, depreciation charges were no longer allocated, deeming them, on the basis of updated company estimates, to be property assets not subject to degradation and with an unlimited useful life.

Plant and machinery

(Ref. art. 2427, par. 1, no. 2 of the Civil Code)

Description	Amount
Historical cost	187,551
Depreciation of previous years	(179,148)
Balance as at 31/12/2012	8,403
Depreciation in the year	(2,996)
Balance as at 31/12/2013	5,407

Industrial and commercial equipment

(Ref. art. 2427, par. 1, no. 2 of the Civil Code)

Description	Amount
Historical cost	422
Depreciation of previous years	(422)
Balance as at 31/12/2012	0
Balance as at 31/12/2013	0

Other assets

(Ref. art. 2427, par. 1, no. 2 of the Civil Code)

Description	Amount
Historical cost	1,067,206
Depreciation of previous years	(858,402)
Balance as at 31/12/2012	208,804
Acquisitions during the year	75,895
Depreciation in the year	(91,083)
Balance as at 31/12/2013	193,616

Fixed assets in progress and payments on account

(Ref. art. 2427, par. 1, no. 2 of the Civil Code)

Description	Amount
Balance as at 31/12/2012	
Balance as at 31/12/2013	

III. Non-current financial assets

Balance as at 31/12/2013	Balance as at 31/12/2012	Changes
1,142,789	514,589	628,200

Equity investments

Description	31/12/2012	Increases	Decreases	31/12/2013
Subsidiaries	501,951	631,700		1,133,651
Associates	3,500		(3,500)	
Parent companies				
Other companies	9,138			9,138
Rounding				
	514,589	631,700	(3,500)	1,142,789

The change relating to the decrease in equity investments in associates amounting to € 3,500 is due to the full write-down of the equity investment in Semantycia S.r.l, placed into liquidation in 2013.

The equity investments in other companies are composed of the following:

- investment in Okkam Srl of € 1,000,
- Conai for € 5,
- ICT Sud for € 133
- Semantic Valley for € 1,500,
- Confidimpresa for € 5,000,
- Trentino technology district for € 1,000,
- other for € 500

Information is provided below on the equity investments held directly or indirectly through subsidiaries, associates (art. 2427, par. 1, no. 5 of the Civil Code).

Subsidiaries

Name	City or Foreign country	Share capital	Shareholder s' equity	Profit/ Loss	% held	Book value	Reserves of profits/capital subject to repayments or restrictions or deferred tax
ADMANTX SPA	Naples (Italy)	155,683	368,491	(1,549,983)	66%	1,133,650	
EXPERT SYSTEM USA INC	Delaware (USA)	0.73	(741,296)	(813,150)	100%	0.71	

Indirect subsidiaries

The subsidiary Admantx Spa in turn holds the following interest:

Name	City or Foreign country	Share capital	Shareholder s' equity	Sales and service revenues	Profit/ Loss	% held	Book value	Reserves of profits/capital subject to repayments or restrictions or deferred tax
ADMANTX INC	Connecticut (USA)	0	(1,187,854)	180,491	(606,560)	100%	0	

The changes which occurred are a result of:

Increases	Purchases	Revaluations	Amount
Subsidiaries	631,700		631,700
	631,700		631,700

Decreases	Sales	Write-downs	Amount
Associates		(3,500)	(3,500)
		(3,500)	(3,500)

The changes which occurred in the value of equity investments in subsidiaries concern the transactions relating to the share capital increase of the company Admantx Spa, of which Expert System was an investee in 2013. The extraordinary shareholders' meeting of the subsidiary Admantx Spa, on 26/07/13, resolved a share capital increase of € 15,987.43, to be paid up with premium of € 1,014,012.57 for a total of € 1,030,000.00, in which Expert invested the following amounts:

- € 6,674.36 in principal plus € 423,325.64 for premium, for a total of € 430,000.00 through the waiving of the shareholders' loan provided to the subsidiary and recorded in the financial statements for said amount;
- € 776.11 in principal plus € 49,223.89 for premium, for a total of € 50,000.00 through direct payment which was made on 29/7/2013.
- € 2,328.27 in principal plus € 147,671.73 for premium, for a total of € 150,000.00 through direct payment which was made on 30/9/2013.

Expert System Spa also recognised to Admantx Spa, through the payment of € 1,700, the reserve for future share capital increases in favour of the minority shareholder "IMI Fondi Chiusi società di gestione del risparmio Spa as manager of the Fondo Atlante Ventures Mezzogiorno".

The above-mentioned transactions involved an increase in the cost of the equity investment in Admantx Spa in the financial statements of Expert System Spa, which rose from € 501,950 booked at 31/12/12 to € 1,131,950 at 31/12/13, and the simultaneous reduction in the item receivables for loans due within 12 months allocated in the financial statements.

The equity investments recognised under fixed assets represent a long-term and strategic investment by the company.

The equity investments in subsidiaries and associates are valued, in compliance with the principle of continued application of the measurement criteria, at purchase or subscription cost.

The other equity investments are recorded at purchase or subscription cost.

The equity investments recognised at purchase cost did not suffer any write-downs due to impairment; no "write-backs" were verified.

As regards the following equity investments in subsidiaries or associates, valued at purchase cost, which have a book value higher than the corresponding portion of shareholders' equity disclosed in the last set of financial statements of the investee, the following should be noted:

- equity investment in Admantx Spa

book value of the equity investment	
in the financial statements of Expert System Spa at 31/12/13	€ 1,133,650
percentage stake of	66%
corresponding portion of shareholders' equity as per	

the last set of financial statements of the investee (31/12/13)	€ 243,204
higher book value equal to	€ 890,446

The value of the equity investment in Admantx Spa was not written down on the basis of the appraisal, carried out in accordance with art. 2343 ter, par. 2 of the Civil Code by Mauro Zavani, listed in the Ordine dei Dottori Commercialisti ed Esperti Contabili (Association of Chartered and Qualified Accountants) of Massa Carrara, an appraisal which valued the company Admantx Spa at a total of € 11,072,000. In respect of said valuation, the equity investment in Admantx Spa was not written down given below the fair value.

The financial statements used for the valuation are those for the year, as the participating company and the investee share the same financial year closing date.

As regards the equity investment in Admantx Spa, the shares held are subject to transfer restrictions governed by the applicable articles of association.

No long-term investment underwent a change of use.

There are no restrictions on long-term investments on the availability to the participating company, nor option rights or other privileges.

No non-current financial assets were recorded in the financial statements for values higher than their fair value.

C) Current assets

I. Inventories

Balance as at 31/12/2013	Balance as at 31/12/2012	Changes
476,015	721,513	(245,498)

These relate to work in progress recorded on the basis of percentage completion method: costs, revenues and the job profit are recognised on the basis on the progress of production activities. For the application of this criterion the hours worked method is adopted.

II. Receivables

Balance as at 31/12/2013	Balance as at 31/12/2012	Changes
17,563,255	14,179,846	3,383,409

The balance is broken down according to maturities (art. 2427, par. 1, no. 6 of the Civil Code)

Description	Due within 12 months	Due after 12 months	Due after 5 years	Total
Due from customers	5,819,984			5,819,984
Due from subsidiaries	1,243,281	605,082		1,848,363
Due from associates				
Due from parent companies				
For tax receivables	139,145	126,524		265,669
For prepaid taxes	7,426	51,801		59,227
Other receivables	4,659,876	4,910,136		9,570,012
Rounding				
	11,869,712	5,693,543		17,563,255

Receivables for a significant amount at 31/12/2013 are composed as follows:

Description	Amount
Receivables due from subsidiaries within 12 months	
Receivables due from Admantx Spa	142,271
Receivables due from Expert System USA Inc	1,101,010
Total	1,243,281

Description	Amount
Receivables due from subsidiaries after 12 months	
Receivables due from Admantx Spa	26,787
Receivables due from Expert System USA Inc	578,295
Total	605,082

Tax receivables at 31/12/2013, amounting to € 265,669, are broken down as follows:

Description	Amount
Tax receivables due with 12 months	
Tax authorities/withholding tax on Employee Severance Indemnity (11%)	865
IRES (corporate income tax) credits	67,045
IRAP (regional business tax) credits	51,591
Tax credits for R&D not taxable – portion within 12 months	19,644
Total	139,145

Description	Amount
Tax receivables due after 12 months	
Receivable for IRES refund request from IRAP	99,946
Tax credits for R&D not taxable – portion within 12 months	26,578
Total	126,524

Other receivables at 31/12/2013, amounting to € 9,570,012, are broken down as follows:

Description	Amount
Other receivables due within 12 months	
Receivables due from personnel	22,400
Guarantee deposits in cash	231
Sundry receivables	1,673
Advances to suppliers	65,461
Receivables for research project grants	4,570,111
Total	4,659,876

Description	Amount
Other receivables due after 12 months	
Guarantee deposits in cash	34,356
Receivables for research project grants	4,875,780
Total	4,910,136

Receivables for research project grants due within and after 12 months refer to all receivables accrued at 31/12/13 for sums that the company must collect and which it deems certain and fully recoverable by virtue of both the increasing experience acquired by the company in determining and managing the amounts that will be paid to it, and the complete reliability of the institutional granting bodies.

Prepaid taxes of € 59,227 relate to the temporary deductible differences; for a description please see the section in the last part of these explanatory notes.

The adjustment of the nominal value of receivables to the presumed realisable value was obtained through

the appropriate bad debt provision which recorded the following movements during the year:

Description	Bad debt provision pursuant to art. 2426 of the Civil Code	Bad debt provision pursuant to art. 106 Presidential Decree 917/1986	Total
Balance at 31/12/2012	277,863	0	277,863
Use in the year			
Increase in the year (provision for merged company ES Srl)	39	0	39
Provision in the year	36,493	0	36,493
Balance at 31/12/2013	314,395	0	314,395

The breakdown of receivables at 31/12/2013 by geographic area is shown in the table below (art. 2427, par. 1, no. 6 of the Civil Code). The amounts stated are inclusive of the bad debt provision.

Receivables by geographic area	Due from customers	Due from subsidiaries	Due from associates	Due from parent companies	Other receivables	Total
Italy	5,345,789	169,058			9,570,012	15,084,859
EU	9,506					9,506
Non-EU	779,084	1,679,305				2,458,389
(Bad debt provision)	(314,395)					(314,395)
Total	5,819,984	1,848,363			9,570,012	17,238,359

III. Financial assets

Balance as at 31/12/2013	Balance as at 31/12/2012	Changes
8,400	13,734	(5,334)

Description	31/12/2012	Increases	Decreases	31/12/2013
Other equity investments	13,734		5,334	8,400
	13,734		5,334	8,400

The analysis by homogeneous categories of the items "other equity investments" and "other securities" is not significant.

The amounts of unlisted securities and equity investments are not significant.

IV. Cash and cash equivalents

Balance as at 31/12/2013	Balance as at 31/12/2012	Changes
2,958,851	2,051,595	907,256

Description	31/12/2013	31/12/2012
Bank and postal deposits	2,957,350	2,049,995
Cash at bank and in hand	1,501	1,600
	2,958,851	2,051,595

The balance represents cash and cash equivalents and the existence of cash and assets at the close of the year.

D) Accruals and deferrals

Balance as at 31/12/2013	Balance as at 31/12/2012	Changes
169,918	216,496	(46,578)

They measure income and charges whose accrual is early or deferred with respect to the actual date of payment and/or of the document; they disregard the date of payment or collection of the relative income and expense, common to two or more financial years and distributable on a time basis.

Also for these items, the criteria adopted for the valuation and conversion of amounts stated in foreign currency are reported in the first part of these explanatory notes.

As at 31/12/2013, no accruals and deferrals had a duration of more than five years.

The breakdown of the item is detailed as follows (art. 2427, par. 1, no. 7, of the Civil Code).

Description	Amount
Prepaid expenses within 12 months	
MAGAZINE AND NEWSPAPER SUBSCRIPTIONS	€ 485.56
VEHICLE INSURANCE AND ROAD TAX	€ 131.84
NON-DEDUCTIBLE INSURANCE	€ 3,855.13
MISCELLANEOUS ADMINISTRATIVE	€ 143.61
COMMERCIAL SERVICES	€ 1,625.88
CAR TRAVEL EXPENSES	€ 70.00
FUEL FOR HIRED TRUCKS	€ 144.01
SOFTWARE	€ 13,890.92
INTERNET COSTS	€ 29,749.09
ORDINARY TELEPHONE EXPENSES	€ 1,862.22
PUBLIC RELATIONS	€ 1,372.95
MEMBERSHIP FEES	€ 328.77
CLEANING SERVICES	€ 40.48
JOB TECHNICAL CONSULTANCY	€ 3,309.59
SOFTWARE MAINTENANCE	€ 6,619.66
RENT AND LEASES PAYABLE	€ 4,478.90
SURETY COMMISSION	€ 21,753.30
LOAN FEES	€ 2,481.55
TRUCK RENTAL	€ 461.05
VEHICLE RENTAL	€ 3,230.90
VEHICLE RENTAL - FRINGE BENEFIT	€ 3,738.35
HARDWARE RENTAL	€ 1,177.66
BANK CHARGES AND FEES	€ 1,775.09
EXPENSES FOR TRUCK RENTAL SERVICES	€ 369.58
EXPENSES FOR VEHICLE RENTAL SERVICES	€ 1,918.34
EXPENSES FOR VEHICLE RENTAL SERVICES - FRINGE BENEFIT	€ 1,501.80
VEHICLE FUEL	€ 687.06
EXPENSES FOR VEHICLE SERVICES - FRINGE BENEFIT	€ 1,263.40
MEAL VOUCHERS	€ 7,551.56
Total	€ 116,018.25

Description	Amount
Prepaid expenses after 12 months	
SURETY COMMISSION	€ 41,997.42
LOAN FEES	€ 6,730.82
BANK CHARGES AND FEES	€ 3,515.84
Total	€ 52,244.08

Description	Amount
Accrued income within 12 months	

MAINTENANCE FEES	€ 1,656.16
Total	€ 1,656.16

Liabilities

A) Shareholders' equity

(Ref. art. 2427, par. 1, nos. 4, 7 and 7-bis of the Civil Code)

Balance as at 31/12/2013	Balance as at 31/12/2012	Changes
5,976,806	5,931,461	45,345

Description	31/12/2012	Increases	Decreases	31/12/2013
Share capital	144,000			144,000
Share premium reserve	1,468,843			1,468,843
Legal reserve	28,800			28,800
Extraordinary or optional reserve	3,075,585	516,611		3,592,196
Merger surplus reserve	376,622			376,622
Euro rounding difference		1		1
Miscellaneous other reserves	141,000			141,000
Profit (loss) for the year	696,611	225,344	(696,611)	225,344
	5,931,461	741,956	(696,611)	5,976,806

The table below shows movements in shareholders' equity

	Share capital	Legal reserve	Share premium reserve	Extraordinary reserve	Merger surplus reserve	Other reserves	Profit/loss for the year	Total
At start of previous year	144,000	28,800	1,468,843	2,569,296		141,004	581,289	4,933,232
Allocation of profit for the year							(581,289)	(581,289)
- allocation of dividends								
- other changes							(4)	(4)
- other allocations				506,289				506,289
Merger with Cogito Srl					376,622			376,622
Profit/loss for the previous year							696,611	696,611
At close of previous year	144,000	28,800	1,468,843	3,075,585	376,622	141,000	696,611	5,931,461
Allocation of profit for the year							(696,611)	(696,611)
- allocation of dividends				516,611				516,611
- other changes						1		1
Profit/loss for the current year							225,344	225,344
At close of previous year	144,000	28,800	1,468,843	3,592,196	376,622	141,001	225,344	5,976,806

At the close of the year share capital is composed as follows (art. 2427, par. 1, nos. 17 and 18 of the Civil Code).

Shares/Holdings	No.	Par value in Euro
Ordinary shares	276,923	0.52
Total	276,923	

Items of shareholders' equity are distinguished according to origin, possibility of use, distributability and use in the three previous years (art. 2427, par. 1, no. 7-bis of the Civil Code).

Type / Description	Amount	Possibility of use (*)	Available share	Uses made in 3 previous years to	Uses made in 3 previous years
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			cover losses	for other reasons
Share capital	144,000	B		
Share premium reserve	1,468,843	A, B, C	1,468,843	
Legal reserve	28,800			
Other reserves	4,109,819	A, B, C		
Total	5,751,462			
Undistributable portion				
Residual distributable portion				

(*) A: for share capital increase; B: to cover losses; C: for distribution to shareholders

In compliance with the provisions of accounting standard no. 28 on shareholders' equity, the following supplementary information is provided:

c) Earnings per share

Holders of shares in the company are due to receive € 0.8137 per share.

The calculation method used is the following: net profit/no. shares

Shareholders' equity includes the following items:

Reserves or other provisions that, in the event of distribution, do not contribute to the formation of the taxable income of shareholders regardless of the period they are established.

Reserves	Value
Share premium reserve	1,468,843

Merger surplus reserve

The merger surplus reserve of € 376,622 derives from the difference between the book value of the 100% equity investment in Cogito Srl recognised in the pre-merger financial statements of Expert System Spa and the value of reported shareholders' equity of said merged company Cogito Srl.

Following the merger by incorporation of Cogito Srl in Expert System carried out in 2012, the merging company cancelled the book value of the equity investment in Cogito Srl for a value of € 510,000 and, subsequently, recorded in its own shareholders' equity, the difference between the value of the equity investment cancelled and the value of the reported shareholders' equity of said merged company Cogito Srl, creating an appropriate reserve called "Merger surplus reserve". In fact, the cost of the equity investment cancelled, lower than the corresponding reported shareholders' equity of the merged company led to a cancellation surplus. The remaining profits are booked to the merger surplus reserve.

B) Provisions for risks and charges

(Ref. art. 2427, par. 1, no. 4 of the Civil Code)

Balance as at 31/12/2013	Balance as at 31/12/2012	Changes
160,836	161,734	(898)

Description	31/12/2012	Increases	Decreases	31/12/2013
Pension provision	1,734		898	836
Other	160,000			160,000
	161,734		898	160,836

The increases relate to allocations in the year. The decreases refer to uses in the year.

The pension provision refers to the allocation of the supplementary indemnity fund for customers accrued in 2013. The item "Other provisions", totalling € 160,000 at 31/12/2013, was composed in the previous year (2012) of € 160,000 to cover the risks of ongoing legal disputes in 2012 and still not settled as of today (art. 2427, par.1, no.7 of the Civil Code), for which the Company does not believe additional sums need to be allocated.

C) Employee severance indemnity

(Ref. art. 2427, par. 1, no. 4 of the Civil Code)

Balance as at 31/12/2013	Balance as at 31/12/2012	Changes
948,598	897,804	50,794

The change is composed as follows.

Changes	31/12/2012	Increases	Decreases	31/12/2013
Changes in TFR (Employee Severance Indemnity) in the year	897,804	274,484	223,690	948,598

The provision allocated represents the actual amount owed by the company, as at 31/12/2013, to employees in the workforce at said date, net of advances paid.

The amount of Employee Severance Indemnity relating to terminated employment contracts, whose payment expired before 31/12/2013 or will expire in the next year, was recorded under item D.14 of the balance sheet, "Other payables".

D) Payables

(Ref. art. 2427, par. 1, no. 4 of the Civil Code)

Balance as at 31/12/2013	Balance as at 31/12/2012	Changes
14,158,307	12,241,857	1,916,450

Payables are valued at their nominal value and their maturities are broken down as follows (art. 2427, par. 1, no. 6 of the Civil Code)

Description	Due within 12 months	Due after 12 months	Due after 5 years	Total
Payables due to banks	2,692,311	4,420,012	42,603	7,154,926
Payables due to other lenders	291,472	709,791		1,001,263
Payments on account	1,524,588	1,512,933		3,037,521
Trade payables	1,103,820			1,103,820
Tax payables	718,443			718,443
Payables due to social security institutions	199,194			199,194
Other payables	943,140			943,140
	7,472,968	6,685,339	42,603	14,158,307

The balance of payables due to banks at 31/12/2013, amounting to € 7,154,926, including mortgage borrowings, expresses the actual amount due in principal, interest and accessory expenses accrued and payable.

Details of payables due to banks within and after 12 months and after 5 years are shown below:

Description	Amount
Payables due to banks within 12 months	
Bank overdrafts	6,501
Advances on receivables	463,154
<i>Other payables due to banks within 12 months</i>	
Banca popolare di Milano mortgage	170,315
Banca CARIGE mortgage	113,567
Unicredit mortgage	61,679
Unicredit Medio credito	188,351
Unicredit – Cogito	233,567
Banca Popolare Emilia Romagna	524,313
Credem	134,202
Carisbo	200,000
Cassa Rurale di Rovereto	36,331
Ubi	164,401
Cariparma	227,154
Banco Desio	168,776
Total payables due to banks within 12 months	2,692,311

Description	Amount
Payables due to banks after 12 months	
Banca popolare di Milano mortgage	72,894
Banca CARIGE mortgage	391,479
Unicredit mortgage	47,177
Unicredit Medio credito	496,649
Unicredit – Cogito	766,432
Banca Popolare Emilia Romagna	370,075
Credem	116,306
Carisbo	100,000
Cassa Rurale di Rovereto	74,626
Ubi	480,304
Cariparma	972,846
Banco Desio	531,224
Total payables due to banks after 12 months	4,420,012

Description	Amount
Payables due to banks after 5 years	
Banca Carige	42,603
Total payables due to banks after 5 years	42,603

It should be noted that the CARIGE loan, taken out to purchase a property in Naples, is secured by a mortgage on said asset for an amount of € 434,000 (art. 2427, par.1, no. 6 of the Civil Code):

Description	Amount
Payables due to other lenders within 12 months	
PIA (Integrated Support Package) loan	105,196
Other loans	186,276
Total payables due to banks after 5 years	291,472

Description	Amount
Payables due to other lenders after 12 months	
PIA loan	428,627
Other loans	281,164
Total payables due to banks after 5 years	709,791

The item "Payments on account" includes the advances received from customers relating to the supply of goods and services still not carried out, amounting to € 87,744 plus advances received from clients relating to work in progress for € 2,949,777 which are detailed below by job and by expected duration of the job:

Description	Within 12 months	After 12 months	
Advances – province of Trento	1,436,843		
Advance – project Syntesis		590,937	
Advance – project Portdial		231,742	
Advance – project Eurosentiment		306,316	
Advance – co-research project Keiron		41,675	
Advance – project Sich-UE		166,243	
Advance – project EU "SIEX"		176,021	
TOTAL	1,436,843	1,512,934	2,949,777

"Trade payables", are recorded net of trade discounts; by contrast, cash discounts are recognised at the time of payment. The nominal value of these payables was adjusted due to returns and rebates (billing adjustments), consistent with the amount defined with the counterparty.

The item "Tax payables" only includes liabilities for certain and specific taxes.

The item tax payables includes VAT payables amounting to € 437,408 and payables due to the tax authorities for tax withheld at source amounting to € 281,035.

No significant changes were recorded in the balance of the item "Tax payables".

The breakdown of payables at 31/12/2013 by geographic area is shown in the table below (art. 2427, par. 1, no. 6 of the Civil Code).

Payables by geographic area	Trade payables	Due to subsidiaries	Due to associates	Due to parent companies	Other payables	Total
Italy	1,103,820				943,140	2,046,960
Total	1,103,820				943,140	2,046,960

E) Accruals and deferrals

Balance as at 31/12/2013	Balance as at 31/12/2012	Changes
4,143,233	211,252	3,931,981

Accruals and deferrals represent the adjusting entries for the year, accounted for using the accrual principle. The criteria adopted for the valuation and conversion of amounts stated in foreign currency for these items are reported in the first part of these explanatory notes.

As at 31/12/2013, no accruals and deferrals had a duration of more than five years.

The change of € 3,931,981 with respect to 31/12/13 is determined, for € 3,905,115, by the recognition of deferred income on grants relating to assets pertaining to future years; for an explanation, please refer to the relevant section in the first part of these explanatory notes.

The breakdown of the item is detailed as follows (art. 2427, par. 1, no. 7, of the Civil Code).

Description	Amount
Deferred income within 12 months	
Revenues for maintenance fees	€ 133,445
Revenues for licence sale	€ 50,000
Revenues for service provision	€ 9,475
Total within 12 months	€ 192,920

Deferred income after 12 months, concerning grants relating to assets on research projects, are detailed below with reference to the different projects financed:

Description	Amount
Deferred income after 12 months	
TENDER ISEC "SICH"	184,512
KEYRON – REGIONE LAZIO (LAZIO REGION)	70,733
"SNAPSHOT" TENDER ISEC	490,060

SIEX	148,734
SINTESYS	618,365
PORTDIAL	238,067
EUROSENTIMENT	364,778
DICET	964,554
DEEP RELATIONS	688,640
PUBLICAMENTE	54,399
S-GROUPER	82,273
Total AFTER 12 months	€ 3,905,115

Accrued expenses of € 45,198 are not detailed given they are of an insignificant amount.

Memorandum accounts

(Ref. art. 2427, par. 1, no. 9 of the Civil Code)

Description	31/12/2013	31/12/2012	Changes
Risks assumed by the company	3,994,100	3,357,354	636,746
	3,994,100	3,357,354	636,746

Sureties are comprised of "other sureties to banks" for € 3,594,100. The remaining € 400,000 represent the guarantee given by Expert System Spa to the subsidiary Admantx Spa, assumed by means of a private agreement between Expert System Spa and IMI Fondi Chiusi società di gestione del risparmio Spa (IMI).

In respect of said agreement Expert System Spa undertakes to purchase from IMI, in the event the subsidiary Admantx Spa is unable to repay at the maturity dates set forth by the loan, the bond securities subscribed by IMI.

The guarantee is given for a maximum of 4 bonds with a par value of € 100,000 each for a total of € 400,000.

Income statement

A) Value of production

Balance as at 31/12/2013	Balance as at 31/12/2012	Changes
13,119,876	14,543,485	(1,423,609)

Description	31/12/2013	31/12/2012	Changes
Sales and service revenues	10,608,164	11,519,042	(910,878)
Change in inventories of products			
Changes in contract work in progress	(245,498)	(145,301)	(100,197)
Own work capitalised	2,255,895	318,034	1,937,861
Other revenues and income	501,315	2,851,710	(2,350,395)
	13,119,876	14,543,485	(1,423,609)

The change is strictly related to the information shown in the Report on operations.

Details of capitalised costs separated by project are shown below:

Project name	Amount in Euro
Athanor	2,558.08
Cogito SEE Listening Platform	12,664.05
DEEP REL	567,632.68
DICET	200,717.74
EUROSENTIMENT	156,087.67
EU-VRI	11,006.44
KEIRON	52,621.34
PJ_ES Portal	18,549.25

PORTDIAL	89,682.03
Promptu - Cogito francese light	19,956.37
PUBLICAMENTE	50,332.09
SEE Portal - 2012/2014	176,998.80
Sensigrafo Spagnolo	39,975.82
S-GROUPER	137,986.55
SICH	21,869.78
SIEX	19,687.00
SINTESYS	294,081.28
SNAPSHOT	71,956.51
Technology - GSL Cluster 2	6,492.50
Base Technology - COGITO	14,925.68
Expert System Technology - Development	73,329.28
Internal Technology - Cogito Intelligence	75,374.09
Internal Technology - ESSEX	141,410.08
Total	2,255,895.11

The item "Other revenue and income" totalling € 501,315 includes operating grants for € 59,049 which refer to grants received for the hiring of personnel, € 339,080 for the portion pertaining to the year of grants relating to assets calculated in proportion to the amortisation of R&D costs to which they refer and various other income of € 103,186.

Revenues by business sector

(Ref. art. 2427, par. 1, no. 10 of the Civil Code)

The breakdown of revenues by business sector is not significant.

Revenues by geographic area

(Ref. art. 2427, par. 1, no. 10 of the Civil Code)

The breakdown of revenues by geographic area is not significant.

Revenues - Italy € 8,763,115

Revenues - EU € 24,400

Revenues – Non-EU € 1,820,649

B) Costs of production

Balance as at 31/12/2013	Balance as at 31/12/2012	Changes
12,204,237	12,778,517	(574,280)

Description	31/12/2013	31/12/2012	Changes
Raw materials and goods for resale	709,426	619,400	90,026
Services	5,111,348	6,532,002	(1,420,654)
Use of third-party assets	468,463	516,461	(47,998)
Salaries and wages	3,483,234	2,919,311	563,923
Social security costs	989,805	839,856	149,949
Employee severance indemnity	274,484	218,906	55,578
Pension and similar charges			
Other personnel costs	21,756	10,074	11,682
Amortisation of intangible fixed assets	956,305	719,482	236,823
Depreciation of tangible fixed assets	105,166	139,727	(34,561)
Other write-downs of fixed assets			
Write-down of receivables included in current assets	36,493	31,073	5,420
Change in inventories of raw materials			
Provision for risks		160,000	(160,000)
Other allocations			
Sundry operating expenses	47,757	72,225	(24,468)
	12,204,237	12,778,517	(574,280)

Costs for raw materials, consumables and goods for resale and Service costs

These are strictly related to the information disclosed in the relevant part of the Report on operations and to the trend in point A (Value of production) of the Income Statement.

Personnel costs

The item includes all expenses for employees, including therein merit pay increases, promotions, automatic cost-of-living increases, the cost of holidays accrued but not taken and legal provisions and collective contracts.

Depreciation of tangible fixed assets

Depreciation has been calculated on the basis of the useful life of the asset and its use in the production phase.

Write-down of receivables included in current assets and of cash and cash equivalents

The allocation to the bad debt provision was made through an accurate recognition of all receivables in the financial statements. Therefore, a total of € 36,493 was allocated, which covers doubtful receivables.

C) Financial income and expenses

	Balance as at 31/12/2013 (376,473)	Balance as at 31/12/2012 (298,056)	Changes (78,417)
Description	31/12/2013	31/12/2012	Changes
From securities recorded in current assets	998		998
Other income	50,821	54,206	(3,385)
(Interest and other financial expenses)	(392,459)	(351,323)	(41,136)
Exchange gains (losses)	(35,833)	(939)	(34,894)
	(376,473)	(298,056)	(78,417)

Other financial income

Description	Parent companies	Subsidiaries	Associates	Other	Total
Bank and postal interest				14,937	14,937
Interest on trade receivables		23,823			23,823
Other income				13,059	13,059
		23,823		27,996	51,819

Interest and other financial expenses

(Ref. art. 2427, par. 1, no. 12 of the Civil Code)

Description	Parent companies	Subsidiaries	Associates	Other	Total
Bank interest				8,484	8,484
Supplier interest				772	772
Medium-term credit interest				225,863	225,863

Financial discounts or expenses	53,937	53,937
Interest on loans	45,143	45,143
Other expenses on financial transactions	58,260	58,260
	392,459	392,459

Exchange gains (losses)

As regards total net profits in the income statement, the unrealised valuation-related component accounts for € 329, while unrealised exchange losses totalled € 27,332.

D) Value adjustments of financial assets

Balance as at 31/12/2013	Balance as at 31/12/2012	Changes
(11,307)	(2,129)	(9,178)

Write-downs

Description	31/12/2013	31/12/2012	Changes
Of equity investments		2,129	(2,129)
Of non-current financial assets	11,307		11,307
	11,307	2,129	9,178

The write-down effected as at 31/12/13 relates to the equity investment in the associate Semantycs Srl, booked for a total of € 3,500 and the related financial receivable of € 7,087.

E) Extraordinary income and expenses

(Ref. art. 2427, par. 1, no. 13 of the Civil Code)

Balance as at 31/12/2013	Balance as at 31/12/2012	Changes
56,439	(316,529)	372,968

Description	31/12/2013	Previous year	31/12/2012
Miscellaneous	148,597	Miscellaneous	196,327
Total income	148,597	Total income	196,327
Miscellaneous	(92,158)	Miscellaneous	(512,856)
Total expenses	(92,158)	Total expenses	(512,856)
	56,439		(316,529)

Extraordinary income includes, in particular, contingent assets for extra-budget items recognised in 2013 on research projects financed equal to € 81,484 and for a 2012 sale contract for a customer amounting to € 39,000.

Extraordinary expenses mainly include contingent liabilities relating to grants taxed in previous years which were not recognised for a total of € 46,576, and contingent liabilities totalling € 39,207 deriving from supplier invoices whose cost was not allocated in the previous year.

Income taxes for the year

	Balance as at 31/12/2013	Balance as at 31/12/2012	Changes
	358,954	451,643	(92,689)
Taxes	Balance as at 31/12/2013	Balance as at 31/12/2012	Changes
Current taxes:	365,513	504,311	(138,798)
IRES (corporate income tax)	181,101	276,346	(95,245)
IRAP (regional business tax)	184,412	227,965	(43,553)
Deferred taxes (prepaid)	(6,559)	(52,668)	46,109
IRES (corporate income tax)	(6,550)	(46,351)	39,801
IRAP (regional business tax)	(9)	(6,317)	6,308
	358,954	451,643	(92,689)

Taxes pertaining to the year were recorded.

A reconciliation between the tax charge in the financial statements and the theoretical tax charge is shown below:

Reconciliation between the tax charge in the financial statements and the theoretical tax charge (IRES)

Description	Value	Taxes
Pre-tax result	584,298	
Theoretical tax charge (%)	27.5	160,682
Temporary differences taxable in subsequent years:	(329)	
Temporary differences deductible in subsequent years:	27,562	
Reversal of temporary differences from previous years	(1,455)	
Differences that will not carry forward to subsequent years	277,073	
	(182,658)	
	704,491	0
ACE (Aid for Economic Growth) subsidy	45,941	
Taxable income	658,550	
Current income taxes for the year	181,101	

Calculation of taxable income for IRAP purposes

Description	Value	Taxes
Difference between the value and costs of production	5,721,411	
Costs not relevant for IRAP purposes	1,805,660	
Revenues not relevant for IRAP purposes	46,575	
Taxable income for IRAP purposes	7,480,496	
IRAP deductions	2,983,476	
	4,497,020	184,412

The tax base for IRAP purposes was determined on the basis of the wages paid to personnel employed in several regions; therefore, the rates applied differed according to the total volume of said wages.

Pursuant to art. 2427, Par. 1, no. 14 of the Civil Code, the required information on deferred and prepaid taxes is shown below.

Deferred / prepaid taxes

Prepaid taxes were recorded given there is reasonable certainty as to the existence, in the years in which the temporary deductible differences will carry forward, in respect of which prepaid taxes were recognised, of a taxable income not lower than the amount of the differences that will be cancelled.

The main temporary differences that involved the recognition of deferred and prepaid taxes are indicated in the table below, together with the associated effects.

Recognition of deferred and prepaid taxes and subsequent effects:

	Year ended 31/12/2013		Year ended 31/12/2012	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Prepaid taxes:				
4/5 revaluation appraisal			5,902	1,623
Supplementary indemnity fund for customers			1,734	545
Unrealised exchange losses			954	262
Unrealised exchange gains			-277	-76
Amortisation of trademarks			236	74
Provision for legal risks			160,000	50,240
Total			168,549	52,668
Unrealised exchange losses	27,332	7,516		
Unrealised exchange gains	329	-90		
Amortisation of trademarks	236	74		
Total	27,897	7,500		
Reversal effect				
1/5 revaluation appraisal		(406)		
Supplementary indemnity fund for customers		(544)		
Unrealised exchange losses		(67)		
Unrealised exchange gains		76		
Total		(941)		
Net deferred (prepaid) taxes		6,559		

Information on the financial instruments issued by the company

(Ref. art. 2427, par. 1, no. 19 of the Civil Code)

The company has not issued any financial instruments.

Information on the fair value of derivative financial instruments

(Ref. art. 2427-bis, par. 1, no. 1 of the Civil Code)

The company has not issued any derivative financial instruments.

Information on related party transactions

(Ref. art. 2427, par. 1, no. 22-bis of the Civil Code)

The company did not enter into any significant related party transactions. In any case, information on the contracts that the Company entered into with the subsidiaries Admantx Spa and Expert System U.S.A. Inc.

and the related party Admantx Inc is provided below, exclusively for the purposes of greater disclosure transparency, given they are contracts for an insignificant amount and carried out on an arm's length basis. With the subsidiary Admantx Spa:

Costs:

- 1) Marketing contract: € 20,000.00

The balance sheet item concerned by this contract is "suppliers for invoices to be received" reclassified under item D) 7 "Trade payables".

The income statement item concerned by this contract is "Commercial services" reclassified to item B) 7 "Service costs".

Revenues:

- 1) Lease agreement for property in Naples, Via Nuova Poggioreale, Centro Polifunzionale Inail (Inail – National Institute for Insurance against Accidents at Work - Multi-purpose centre), where the company has its registered office: annual rent of € 10,166.40;
- 2) Sub-letting agreement for local office in Modena, Via Virgilio 56/Q: annual rent of € 7,335.60

The income statement item concerned by this contract is "Property income" reclassified to item A) 5 "Other revenue and income".

- 3) Services contract relating to accounting support, company economic-financial consultancy, secretary and general services:

- fee for accounting support and company consultancy - € 60 per hour
- fee for secretary activities - € 200 per month
- fee for general services (telephone, cleaning services and material, security, electricity, stationery, management software maintenance): lump-sum reimbursement (8.30%) of costs incurred by Expert System Spa;

The balance sheet item concerned by this contract is "intercompany customers" reclassified to the item C) II 2) Receivables due from subsidiaries

The income statement item concerned by this contract is "Reimbursement of various expenses" reclassified to item A) 5 "Other revenue and income".

- 4) Contract for use of Cogito Core Technology License: € 17,500.00

The balance sheet item concerned by this contract is "intercompany customers" reclassified to the item C) II 2) Receivables due from subsidiaries.

The income statement item concerned by this contract is "Reimbursement of various expenses" reclassified to item A) 5 "Other revenue and income".

With the subsidiary Expert System USA Inc.:

professional service activities performed for the subsidiary, concessions of licences and granting of loans.

The balance sheet item concerned by this contract is "customers for invoices to be issued amounting to € 525,974" reclassified to the item C) II 2) "Receivables due from subsidiaries".

The income statement items concerned by this contract are:

- "Interest income from subsidiary Expert System USA Inc" reclassified to the item C) 16) d) for € 23,883
- "Intercompany activities" reclassified to the item A) 1 for a total of € 502,091

Information on off-balance sheet agreements

(Ref. art. 2427, par. 1, no. 22-ter of the Civil Code)

The company has no off-balance sheet agreements in place.

Information on fees due to the independent auditor

(Ref. art. 2427, par. 1, no. 16-bis of the Civil Code)

EXPERT SYSTEM SPA

Registered office in VIA FORTUNATO ZENI 8 - 38068 ROVERETO (TN) Share capital € 219,496.80 fully paid-in

Cash flow statement at 31/12/2013

Description	31/12/2013
NET OPERATING MARGIN	915,639.00
+ Amortisation/Depreciation	1,061,471.00 *
GROSS OPERATING SELF-FINANCING	1,977,110.00
- Taxes for the period	-358,954.00 *
NET OPERATING SELF-FINANCING	1,618,156.00
+ Change in operating CCN (net working capital)	1,366,503.00 **
+ Change in provision for employee severance indemnity	50,794.00 **
+ Change in other provisions	-898.00 **
CURRENT OPERATING CASH FLOW	3,034,555.00
- Purchase and sale of tangible and intangible fixed assets	-2,383,688.00 **
OPERATING CASH FLOW	650,867.00
- Purchase and sale of financial assets	-425,546.00 **
± Non-banking financial income and expenses	15,986.00 *
ORDINARY CASH FLOW	241,307.00
± Extraordinary income and expenses	56,439.00 *
CASH FLOW FOR SERVICING DEBT	297,746.00
- Repayment of debt	0.00
+ Raising of borrowings	1,181,968.00 **
- Financial charges	-392,459.00 *
CASH FLOW FOR SERVICING EQUITY	1,087,255.00
- Dividends	-179,999.00 *
CHANGE IN CASH BALANCE	907,256.00 **
cash at start of year	2,051,595.00
cash at end of year	<u>2,958,851.00</u>
change in cash	907,256.00

* = costs/revenues for the year

** = change with respect to the previous year

Chairman of the Board of Directors



Marco Varone

BDO

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Independent Auditors' Report

pursuant to art. 14 of Legislative Decree no. 39 of 27 January 2010

To the Shareholders of
Expert System S.p.A.

1. We have conducted the audit of the financial statements of Expert System S.p.A. for the year ended 31 December 2013. The Directors of Expert System S.p.A. are responsible for preparing the financial statements in compliance with the regulations that govern their preparation. Our responsibility is to express a professional judgment on the financial statements based on our audit.
2. Our audit was performed in accordance with the auditing principles issued by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Institute of Chartered Accountants) and recommended by Consob. In compliance with such principles, the audit was scheduled and performed so as to obtain all elements necessary to confirm whether the financial statements are free of material misstatements and whether, on the whole, they can be considered reliable. The audit procedure involves a sampling-based examination of elements in support of the balances and information contained in the financial statements, an assessment of the adequacy and accuracy of the accounting policies used and the fairness of estimates calculated by the Directors. We believe that the tasks completed form a reasonable basis on which to express our professional opinion.
With regard to the opinion on the previous year's financial statements, whose data are provided for comparative purposes as required by law, reference should be made to the report issued by another auditor on 4 June 2013.
3. In our opinion, the financial statements of Expert System S.p.A. as at 31 December 2013 comply with the regulations governing their preparation. They are therefore drafted with clarity and provide a true and fair view of the financial position and economic result of the Company.
4. The Directors of Expert System S.p.A. are responsible for drafting the report on operations in compliance with legal provisions. It is our job to express an opinion on the consistency of the report on operations with the financial statements, as required by law. To this end, we have carried out the procedures indicated in auditing principle 001 issued by Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Institute of Chartered Accountants) and recommended by Consob. In our opinion, the report on operations is consistent with the financial statements of Expert System S.p.A. as at 31 December 2013.

Bologna, 13 May 2014

BDO S.p.A.
[signature]
Luigi Riccetti
(Shareholder)

Bari, Bologna, Brescia, Cagliari, Florence, Genoa, Milan, Naples, Padua, Palermo, Pescara, Potenza, Rome, Turin, Verona

BDO S.p.A. – Registered office: Largo Augusto, 8 – 20122 Milan – Share capital € 100,000 fully paid in
Tax code, VAT no. and Milan Register of Companies no. 01795620150 – R.E.A. (Economic and Administrative Index) Milan 779346 – Listed in the CONSOB Special Register of Independent Auditors

BDO S.p.A., joint-stock company, is a member of BDO International Limited, a UK company limited by guarantee, and is part of the BDO international network of independent companies.

EXPERT SYSTEM S.p.A.

Rovereto (Trento), via Fortunato Zeni 8

Share capital € 219,496.80 fully paid-in

Tax code and Modena Register of Companies no. 0260970360

Listed in REA (Economic and Administrative Index) of Trento at no. 212386

**REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

To the shareholders of Expert System S.p.A.

The draft financial statements for the year ended 31 December 2013, which the Board of Directors submits for your approval, were drafted according to the provisions of articles 2423 et seq. of the Civil Code.

Activity carried out

In the year ended 31 December 2013 we monitored observance of the law and the Articles of Association and compliance of the principles of proper administration by using, in carrying out our assignment, the suggestions indicated in the Rules of Conduct of the Board of Statutory Auditors recommended by Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Institute of Chartered Accountants).

Our monitoring activity was conducted through:

- activities targeted at verifying compliance with the legal obligations and those contained in the Articles of Association
- participation in meetings of the Corporate Bodies;

- acquisition of information on the checks performed by the independent auditor.

With reference to the activities carried out in 2013, we acknowledge the following:

- we took part in the shareholders' meetings and meetings of the Boards of Directors held in compliance with the statutory, legislative and regulatory provisions that govern their functioning and, therefore, we can reasonably ensure that the associated resolutions conform to the law and to the Articles of Association and are not manifestly imprudent or hazardous, did not involve a conflict of interest and were not as such to compromise the integrity of company assets;
- we obtained information from the directors on the general performance of operations and on the business outlook, as well as on the transactions of greatest significance, owing to their size or characteristics, carried out by the company and, therefore, we can reasonably ensure that the actions undertaken comply with the law and the Articles of Association and are not manifestly imprudent or hazardous, did not involve a conflict of interest, were in keeping with the resolutions adopted by the shareholders' meeting, and were not as such to compromise the integrity of company assets;
- we did not receive from the independent auditor significant data and information which needs to be highlighted in this report;

- we acquired knowledge of and monitored the adequacy of the company's organisational structure, also by collecting information from department managers and, in this regard, we have no particular remarks to make;
- we assessed the adequacy of the administrative and accounting system and its reliability in correctly representing operating events, by obtaining information from department managers and examining company documents; also in this regard, we have no particular remarks to make;
- no complaints were received pursuant to art. 2408 of the Civil Code and no judgments required by specific legal provisions were issued;
- by means of merger deed no. 10112/7524 of 24 May 2013, of Notary Manfredini of Modena, the reverse merger of the parent company ES srl in Expert System S.p.A. was performed; the merger took place through the redistribution to ES srl shareholders of the shares of Expert System S.p.A., without the execution of any share capital increase and adjustment in cash; the merger takes effect on 1 January 2013 for tax and accounting purposes, therefore, the financial statements for the year ended 31 December 2013 also include the economic results of the merged company;
- as a result of the resolution of the Board of Directors on 10 December 2013, regarding the share capital increase through the contribution of 193,997 shares of the subsidiary AdmantX S.p.A. and a further increase up to a maximum of € 10,000,000 to service the listing on the AIM Italia market, the Board of Statutory Auditors, on 11 December 2013, pursuant to art. 2441, paragraph 6 of the Civil Code, issued a fairness opinion on the issue price of the shares with the exclusion of the option right; the aforementioned increases were resolved by the extraordinary shareholders' meeting on 9 January 2014 and the company was listed on the AIM Italia stock market on 18 February 2014.

1. Financial statements

As regards monitoring of the preparation of the financial statements, we hereby certify that:

- we verified the general approach to drafting the financial statements, general compliance with the law as regards their formation and structure and, in this regard, we have no particular remarks to make;
- pursuant to art. 2426, point 5 of the Civil Code, we expressed our approval of the recognition under balance sheet assets of start-up and expansion costs totalling € 5,502 and research and development costs of € 2,255,895;
- pursuant to art. 2426, point 6 of the Civil Code, we expressed our approval of the recognition under balance sheet assets of goodwill deriving from the reverse merger of ES S.r.l. for an amount equal to the merger deficit, i.e. € 33,444;
- as far as we are aware, the directors, in drafting the financial statements, did not depart from the legal provisions in accordance with art. 2423, paragraph 4, of the Civil Code;
- we checked that the facts and information we obtained knowledge of in carrying out our duties correspond to the financial statements and, in this regard, we have nothing to report.

2. Closing remarks

Based on the checks performed and on the information exchanged with the independent auditor and also taking into account the latter's report, issued on 13 May 2014 with a judgment without remarks, we believe that, as regards to matters within our specific competence, you can approve the financial statements for the year ended 31 December 2013, as drafted by the directors.

We thank you for the confidence shown in us and invite you to resolve accordingly.

Milan, 13 May 2014

THE STATUTORY AUDITORS

Alessandro Augusto

[signature]

Andrea Cuoghi

[signature]

Antonio Tazzioli

[signature]