

EXPERT.AI GROUP

FINANCIAL REPORT

PREPARED IN ACCORDANCE WITH IFRS ACCOUNTING STANDARDS APPROVED BY THE EUROPEAN UNION

AS AT 31 December 2022

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EXPERT.AI MANAGEMENT REPORT AS AT 31/12/2022

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I. PROFILE OF EXPERT.AI

Dear Shareholders,

This report supplements the consolidated financial statements so as to provide all additional information for a better and clearer understanding of the performance of the consolidated companies, which cannot result from the mere reading of the consolidated financial statements and the explanatory notes.

LETTER TO SHAREHOLDERS

Our deep commitment and significant investments since the beginning of our business transformation have enabled expert.ai to respond concretely to the great interest in language solutions based on artificial intelligence.

Most investments were made in 2022 to offer the best platform implementing the potential of artificial intelligence for language in any process or workflow, both on-premise and in the cloud.

During the year, we also met the demand for advanced language solutions for intelligent process automation and document processing within our key vertical markets, including insurance, financial services, healthcare and the pharmaceutical industry, gearing our go-to-market strategy towards these sectors.

We intend to pursue growth and profitability in a balanced way, while continuing to consolidate our leadership in the adoption of increasingly innovative artificial intelligence technologies that deliver real value to organisations.

Walter Lloyd Mayo III
(CEO expert.ai)

CORPORATE BODIES

Board of Directors

Chairman of the Board of Directors – Executive Chairman	STEFANO SPAGGIARI
Director - CEO	WALTER LLOYD MAYO III
Director - CTO	MARCO VARONE
Director	SARA POLATTI
Independent Director	ETTORE LEALE
Independent Director	KAREN JO CAMBRAY
Independent Director	CECILIA GARATTINI
Independent Director	STEFANO PEDRINI
Independent Director	PAOLA ALESSANDRA PARIS

Our renewed Governance (2 May 2022) confirmed the presence on the Board of Directors of:

Stefano Spaggiari - Executive Chairman - one of the founding partners of the company which, under his leadership, has become an artificial intelligence technology market;

Marco Varone - Co-founder and Chief Technology Officer - one of the world's leading experts in semantic technology applied to natural language understanding and processing;

Walt Mayo - Chief Executive Officer, accomplished manager with more than two decades of experience in sales, marketing and strategic leadership of development;

Sara Polatti - Associate and CFO at CC & Soci S.r.l., where she provides financial advice on extraordinary finance transactions in Italy and abroad, club deal organisation and structuring as well as company set up and operational;

Ettore Leale - U.S.-based executive and investor working in software and digital education. He has led Yahoo's search engine business in emerging markets, launched new digital products and opened new markets for Harvard Business School, Instill, Digital Impact and Adaptec;

Karen Jo Cambray - Chief Financial Officer with over 25 years of experience in planning and executing financial strategies for early and mid-stage growth companies, finance and operations executive with significant experience in strategic planning, scaling transactions and M&A activities;

Stefano Pedrini - Professor of Economics and Design Organization at the Polytechnic of Turin, expert in management consulting and advisory in corporate finance, management control and strategy.

It also establishment the appointment of the following Independent Directors:

Paola Alessandra Paris - Adjunct Professor of Accounting and Financial Statement Analysis, Modules 1 and 2, at the Department of Accounting, L. Bocconi University, Milan. She graduated with honours and a Gold Medal in Economics and Commerce, specialising in Corporate Finance. She is a qualified Chartered Accountant and is registered in the Milan Register, Section A. She is a statutory auditor. She is a Court-appointed expert, business section, at the Court of

Milan. She offers corporate advisory services in the ordinary course of business and in corporate valuation operations within extraordinary finance transactions.

Cecilia Garattini - She graduated in Economics at the Cattolica del Sacro Cuore University in Milan. In 2016, she became a Chartered Accountant and has been a registered statutory auditor since 2017. At Studio Associato Ferrari Cavallo in Milan, with which she collaborates, she manages clients on a daily basis, offering assistance and advice on accounting, tax and corporate matters, dealing mainly with financial holding companies. Since 2018, she has also been registered in the National List of Operators in non-financial ancillary assistance and monitoring services for the Microcredit sector.

Management Control Committee

Paola Alessandra Paris - Chair

Stefano Pedrini - Member

Cecilia Garattini - Member

Supervisory Body

Costantino di Miceli - Chair

Stefano Termanini - Member

Nicola Bortoletto - Member

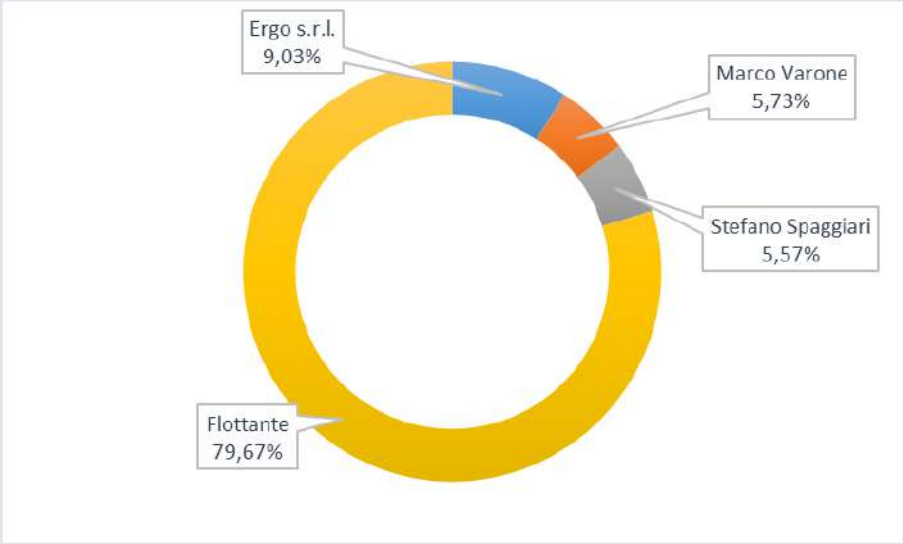
Audit Firm

BDO Italy S.p.A.

KEY SHAREHOLDERS OF PARENT COMPANY

Expert.ai S.p.A. is a company with registered office in Rovereto, in Via Fortunato Zeni 8 and with operational headquarters in Modena, in Viale Virgilio 56/Q. Its shareholders are shown in the table below.

Shareholder	**% of total share capital**
Ergo S.r.l.	9.03
Marco Varone	5.73
Stefano Spaggiari	5.57
Floating	79.67
Total	**100**

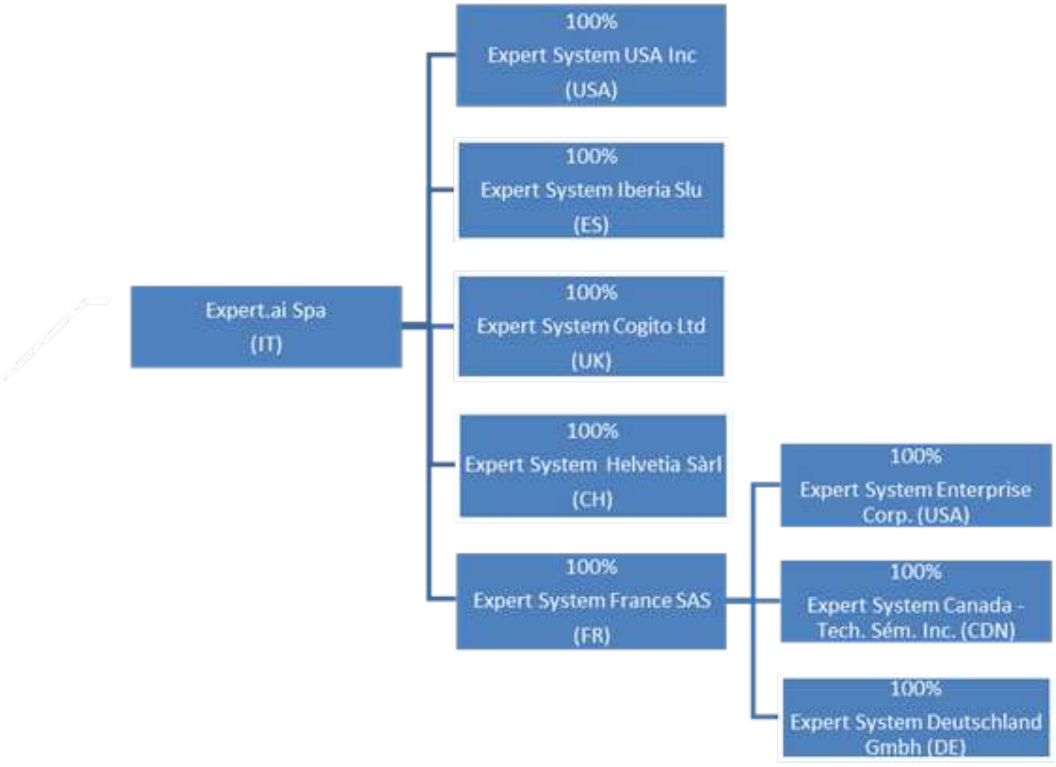


APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements as at 31/12/2022 were approved by the Board of Directors on 30/03/2023 and have been audited.

GROUP STRUCTURE

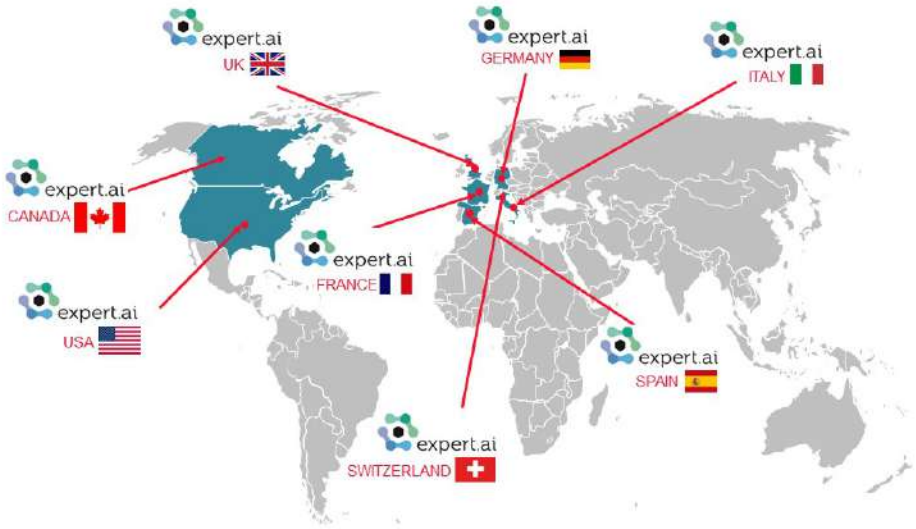
Over the last few years, the Group has consolidated its physiognomy as a company offering services to corporate and government intelligence, taking on the structure represented by the following chart:



The current corporate organisational chart has not changed substantially from that of 31/12/2021.

In October 2022, Titan Technologies and Expert.ai entered into a strategic partnership to pursue their joint commitment to bring the best artificial intelligence solutions applied to natural language to the US federal agency market. This partnership involved combining the experience and expertise of Titan Technologies, which serves government agencies, with Expert.ai's artificial intelligence technology market leadership, and integrating Expert System Usa Inc's workforce into Titan Technologies with a view to implementing a business model for Expert.ai based on indirect sales channels.

The **expert.ai** group currently has a global presence and infrastructure, with headquarters in Italy, Spain, France, Germany, UK, Switzerland, USA and Canada:



BUSINESS

Expert.ai is listed on the Euro Growth Milan (EXAI:IM) market and is a leader in artificial intelligence applied to natural language understanding and natural language processing.

The company's main objective is to **help organisations effectively make the most of the immense wealth of information at their disposal** to accelerate the automation of business processes and improve any activity based on information analysis and knowledge management. Expert.ai, in fact, has developed an artificial intelligence technology capable of simulating human reading and comprehension processes. Using a hybrid approach ('Hybrid AI'), based on a unique mix of human-like symbolic understanding and machine learning, it ensures the highest accuracy in linguistic analysis as well as the speed, flexibility and scalability needed to transform any information content into **valuable knowledge** and **immediately usable data** for making more timely and informed decisions.

Thanks to a team of professionals with solid technical and business skills, dedicated research labs and an international presence (Europe and North America), the company works with some of the world's most important private companies and government agencies, offering its experience gained in over 30 years of activity with hundreds of successful projects and implementations. Expert.ai's products and solutions improve search, categorisation and intelligence activities, innovate customer service and accelerate intelligent process automation, effectively supporting robotic process automation (RPA).

Due to the uniqueness of its technological approach and the effectiveness of its solutions, expert.ai has been acclaimed by analysts and industry experts, including Gartner and Forrester, for its ability to accurately automate the understanding of textual content and the extraction of strategic knowledge.

CUSTOMERS

Expert.ai works with some of the most important organisations and government agencies in Europe, North and South America and the Middle East. Working with a global partner network and thanks to the easy integration of its products with other technologies, expert.ai is able to respond effectively to any problems related to activities and processes that need to be **able to understand language and process textual information**.

Insurance companies, banks and companies providing financial services, public administration organisations, pharmaceutical companies, the publishing industry, etc. rely on expert.ai to understand and analyse complex documents, accelerate intelligent process automation and make faster and more informed decisions.

II. RESEARCH AND DEVELOPMENT ACTIVITIES

Significant investments in research and development, which have always been crucial to **expert.ai**'s strategy, have been and continue to be the basis of the company's success and are fundamental to maintain its competitive advantage and remain a state-of-the-art company in the field of artificial intelligence applied to the understanding of natural language.

The costs incurred for these activities have been capitalized, also within the scope of national and international multi-year research projects in which the Company has been involved. In 2020 these activities focused on the artificial intelligence platform and the products that use the platform to target the most common customer use cases.
Below are the main research and development activities in 2022.

Development of the artificial intelligence platform
The platform stands out for its integrated end-to-end and web-based environment for the implementation of thesaurus, categorisation and extraction language projects and with the integration of machine learning and deep learning technologies.
The most important activities pursued in 2022 were focused on:
- document annotation functions in the original format,
- addition of new feature extraction and machine learning algorithms,
- integration of new languages (Dutch, Portuguese, Chinese, Korean, Arabic and Russian)
- back-end refactoring to optimise scalability
- implementation of the architecture for Azure and for bare-metal deployments of Kubernetes
- automatic scalability and fault tolerance functions
- functional integration with OCR and IDP components.

Knowledge model
New knowledge models were implemented for solving specific problems and reducing the implementation time of new projects. The most important models developed are:
- contract analytics
- advanced sentiment
- advanced personal information
- behaviour and emotions
- Media Topics (review)

Hybrid approach
Further progress was made in the development and integration of symbolic and machine learning-based techniques for natural language understanding, and the automatic extraction rule generation system was improved.
Integration with open source language models was added for enhanced analysis in specific contexts of use.

Extract
The development of expert.ai Extract - a component for the analysis and recognition of the 'semantic' structure of documents for the recognition of all significant elements (titles, formatting, lists, tables of contents, headers, footers, tables, columns, highlights) and the correct reading order - was further pursued.
The following features were added:

- recognition of invoice type templates
- possibility of model tuning by end customers
- integration of external OCR components
- fusion of linguistic and positional elements

Other significant activities and new releases in 2022 were:

- release of the third version of the platform-based search engine with new scoring and summarisation features;
- restructuring and expansion of the knowledge graph for several languages (Arabic, English, Spanish and French);
- release of a new version of expert.ai Studio.

III. OPERATING PERFORMANCE

EXAI.MI SHARE PRICE

The performance of the **expert.ai** share price as of 31/12/2022 is shown below:

Market	Euronext Growth Milan
Share capital	*€ 620,895.62*
Minimum lot	*1.00*
Capitalisation	*€ 48,243,590 mln*
Closing price	*€ 0.6170*
Performance - 1 month	*-20.09%*
Performance - 1 year	*-72.28%*

Grafico Perfomance & Volumi Expert.ai



Grafico Performance Expert.ai



MAIN CORPORATE EVENTS OCCURRED IN THE YEAR

With reference to the main events that affected the **expert.ai group** in the year, the following is reported.

MAIN EVENTS OF 2022

FINANCIAL EVENTS

On **18 January 2022,** expert.ai announced the change in share capital following the exercise of the **third tranche of the 2018-2020 Stock Option Plan** and the **first tranche of the 2020-2023 Stock Option Plan**.

On **3 May 2022,** expert.ai announced the appointment of the members of the Management Control Committee, consisting of the following Independent Directors:

- Paola Alessandra Paris;
- Stefano Pedrini;
- Cecilia Garattini.

On**12 May 2022,** expert.ai communicated the free allotment of 697,100 ordinary shares of the issuer following the vesting of the **second tranche of the 2020-2023 Stock Grant Plan**, previously approved by the Shareholders' Meeting on 29 June 2020 and later amended thereby on 2 May 2022.

On **3 June 2022**, expert.ai announced that it had received notice from Invesco Ltd that it had fallen below the relevant threshold of 5% of the company's voting share capital on 26 May 2022.

On **30 November 2022**, expert.ai announced the BoD's decision to partially exercise the power granted by the Shareholders' Meeting of 15 October 2021 and to resolve a share capital increase for a total maximum amount of Euro 7,989,586.63, by issuing a maximum of 13,097,683 shares.

On **2 December 2022**, expert.ai approved the consolidated business plan for the financial years 2022B and 2024E aimed at significantly accelerating the Group's growth in the international artificial intelligence market.

On **6 December 2022**, expert.ai announced that it had notified Consob of the KID (Key Information Document) relating to the 'Pre-emption offer of Expert.ai S.p.A. ordinary shares'.

On **19 December 2022**, expert.ai announced the conclusion of the pre-emption offer period of the capital increase, registering a 60.28% subscription of new shares amounting to Euro 4,815,840.81, with major shareholders and top management among the subscribers.

On **21 December 2022**, expert.ai announced that it had notified Consob of the KID (Key Information Document) relating to the 'Expert.ai S.p.A. unenforced pre-emption rights'.

On **22 December 2022**, expert.ai announced the conclusion of the stock exchange auction of the unenforced rights (100,000 pre-emption rights were placed on the market, valid for the subscription of 25,000 newly issued shares).

On **23 December 2022**, the Company announced the end of the exercise period for the pre-emption rights acquired during the unenforced rights auction.

On **30 December 2022**, expert.ai announced the final results of the capital increase: 9,698,821 newly issued shares subscribed for a total value of Euro 5,916,280.81.

CUSTOMERS, PARTNERSHIPS AND AWARDS

On 27 January 2022, expert.ai strengthened its **business agreement with international insurance company RSA**, one of the longest-running insurance groups in the world and a leader in the UK market, to simplify and optimise claim settlement.

On **15 February 2022,** expert.ai announced a collaboration to **enhance the capabilities of the U.S. National Security Research Center at Los Alamos Laboratory.**

On **9 March 2022**, expert.ai was included in the list of the '**100 Companies That Matter in Knowledge Management**' by **KMWorld**, an American magazine specialising in the analysis of the best knowledge management technologies and applications.

On **21 March 2022**, expert.ai won the sixth **FinTech Breakthrough Awards** edition in the category '**Best Use of AI in Fintech**', dedicated to the best artificial intelligence solutions for the fintech sector.

On **26 April 2022**, expert.ai presented the **new release of the 'expert.ai Platform',** which combines symbolic understanding and machine learning to transform language into immediately usable data and knowledge.

On **4 May 2022**, expert.ai announced that its platform had won a **Silver Stevie®** in the New Artificial Intelligence & Machine Learning Product of the Year category at the 20th **American Business Awards®**, the leading business awards programme organised in the US.

On **11 May 2022 Reti** (RETI:IM), one of Italy's leading players in the IT Consulting sector, specialising in System Integration services, B Corp and a benefit company listed on Euronext Growth Milan, entered into a partnership with expert.ai to support companies in the challenges posed by digitalisation.

On **7 June 2022**, expert.ai signed a **partnership with Qlik®**, a leading multinational data analytics company. As a technology partner (Qlik Technology Partner Program), expert.ai enhances Qlik's data analysis and exploration offering, improving its artificial intelligence and natural language processing (NLP) capabilities to help companies make sense of unstructured data and draw value from all kinds of documents.

On **14 June 2022,** expert.ai announced that Marco Varone, co-founder and CTO of expert.ai, was a **Gold Winner** at the **Information Technology World Awards 2022 - Globee® Awards**, one of the most important global business awards and ranking programmes.

On **23 June 2022**, expert.ai announced that it had been included by Forrester, one of the leading independent research and analysis companies in the technology sector, in two reports dedicated to text-analysis platforms, namely '**The Forrester Wave™: Text Analytics Platforms, Q2 2022', People-Oriented and Document-Oriented**.

On **15 July 2022**, expert.ai announced that it had been confirmed in the 'KMWorld AI 50' ranking, dedicated by the US magazine KMWorld to the **top 50 companies in artificial intelligence**.

On **22 July 2022**, expert.ai announced the results of the unique 'AI vs. Human' crossword puzzle challenge, in which the artificial intelligence software WebCrow, developed by the University of Siena in collaboration with expert.ai, competed against professional crossword puzzle developers and solvers, experts in computational intelligence, data scientists, and many university students, crossword puzzle enthusiasts, or simply curious people.

On **26 July 2022**, expert.ai unveiled **new expert.ai Platform functionalities** increasing the large-scale efficiency of processes based on artificial intelligence solutions for natural language analysis with active learning, faster data labelling, ready-to-use knowledge models and automatic generation of extraction rules.

On **18 August 2022**, expert.ai announced that it had been included for the **third year in a row in Gartner's 'Hype Cycle for Natural Language Technologies 2022' report,**which supports IT leaders in evaluating the most effective application areas and ways to implement new approaches and opportunities related to natural language technologies.

On **9 September 2022**, expert.ai announced that **expert.ai Platform** had been included in the list of **'Trend-Setting Products'** 2022 by the American magazine KMWorld. For the ninth consecutive time, the company won this award dedicated to products that stand out for promoting innovation and bringing greater efficiency to companies.

On **22 September 2022**, expert.ai announced that it had signed a partnership with the **British law firm Plexus Law**, a leader in advising insurance companies.

On **26 September 2002**, expert.ai announced that it had signed a **strategic partnership with AppTek**, a global leader in artificial intelligence (AI) and machine learning (ML) technologies for automatic speech recognition (ASR), neural machine translation (NMT), natural language processing/understanding (NLP/U) and speech synthesis (TTS technologies).

On **26 September 2022**, expert.ai announced its **participation in the Big Data & AI Paris 2022 event together with the ING Banking Group** to present a talk providing insights and concrete examples of natural language processing applications adopted by ING.

On **28 September 2022**, expert.ai and **Guidewire (NYSE: GWRE)**, one of the leading platforms for the non-life insurance market, currently used by over 350 companies in more than 40 countries, announced the availability of the new expert.ai accelerator on the Guidewire Marketplace.

On **29 September 2022**, expert.ai announced that it had designed with **Altea Federation** an innovative solution for the automation and management of clinical and healthcare documents, along the lines outlined by the RRP for the restructuring of the National Health Service.

On **5 October 2022**, expert.ai announced that it had won the '**NU PropertyCasualty360 Luminaries 2022**' award for innovations in insurance.

On **6 October 2022**, expert.ai announced a new agreement with **ISACA**, the world's leading organisation for IT Governance professionals, to accelerate digital transformation and improve the search experience.

On **3 November 2022**, expert.ai announced that **Credem**, one of Italy's leading private banks - a modern bank with a 100-year tradition - had adopted expert.ai's technology to make the monitoring of emerging risks more effective and to speed up the identification of potential threats thanks to the analysis of textual data in English.

On **9 November 2022** expert.ai announced the **new release of the expert.ai Platform**, presenting its advanced functionalities to optimise knowledge models, implement new solutions for the Life Science sector, and exploit language understanding for intelligent process automation.

On **10 November 2022**, expert.ai announced a partnership with **Risk Solved Ltd**, the provider of a global risk management platform.

On **15 December 2022**, expert.ai outlined its position and approach towards responsible artificial intelligence **(Responsible AI**) to enable organisations to develop transparent (or explainable), sustainable and more efficient AI projects that are practical and always focused on people's needs.

General economic performance[1]

In its January 2023 update of the World Economic Outlook, the International Monetary Fund (IMF) described a slowing, but less gloomy economic scenario than a few months ago, revising global GDP for 2023 slightly upwards (+0.2%), compared to previous estimates, to 2.9%, while for 2024 it is forecast at 3.1%.

The main reasons lie in the surprisingly resilient demand in the US and Europe, easing energy costs and the reopening of the Chinese economy. At the same time, central bank rate hikes to counter inflation and the continuing Russian-Ukrainian conflict continue to weigh on economic activity. However, headline inflation is expected to fall from 8.8% in 2022 to 6.6% in 2023, to 4.3% in 2024, still above pre-pandemic levels.

In the US, GDP in 2023 is expected to stand at 1.4%, 0.4 percentage points above the October forecast, before falling to 1% in the following year. As far as China is concerned, growth is estimated at 5.2% (also in this case, this is an upward revision from the previous World Economic Outlook update, by 0.8 percentage points, essentially due to the fewer lockdowns imposed by the local government), before dropping to 4.5% in 2024. In the Eurozone, the Fund forecasts growth of 0.7% in 2023 and 1.6% in the following year; within this area, almost zero growth is reported for Germany, which will then reach 1.4 % in 2024. As for Italy, estimates have been revised upwards by 0.8% for 2023 (growth at 0.6%, compared to -0.2% in October 2022) and downwards by 0.4% for 2024 (growth at 0.9%). In contrast, the UK economy is shrinking, with an estimated -0.6% for 2023.

India's consistent growth is confirmed, standing at 6.1% and 6.8% for 2023 and 2024, respectively.

According to the IMF, growth will remain weak mainly due to the fight against inflation and the war in Ukraine, although, on the other hand, there has been a robust labour market, together with strong household consumption and large business investments, as well as a better-than-expected adaptation to the energy crisis by Europe.

These concerns are compounded by the pandemic in China that might dampen the recovery in the event of unforeseen negative repercussions, the sudden escalation that might be triggered by the Russian-Ukrainian conflict, and tighter global financial conditions that might worsen the sovereign debt.

In any case, the priority in most economies is to slow down inflation. According to the IMF, it is important to pay attention to the public debts of the most indebted countries due to tighter monetary conditions and lower growth, which might affect the financial stability of countries with more debt. Equally important is to accelerate vaccination against Covid-19 in China, which would protect its recovery, with positive global effects.

Finally, stronger multilateral cooperation is essential to mitigate climate change by limiting emissions and increasing green investments.

[1] Source: World Economic Outlook January 2023

The scenario of the national economy[2]

Economic activity in Italy weakened in the last quarter of last year, due to both the waning recovery in services, where value added had already regained pre-pandemic levels in the summer, and the decline in industrial production. Household spending appears to have slowed despite

the measures to support disposable income in a

high-inflation environment. The firms taking part in the Bank of Italy's surveys consider that investment conditions are still unfavourable.
There are indications of a slight rise in employment in October and November, still buoyed by the

permanent employment component thanks to the conversion of temporary positions activated in 2021. Wage growth remains subdued, partly owing to the prolonged negotiations in some service sectors, where the share of employees whose collective bargaining agreements are pending renewal is still substantial. Wage growth is expected to increase moderately in 2023.
Harmonised consumer inflation reached new highs in the autumn (12.3 per cent in December on an annual basis), still buoyed by the energy component, which continues to pass through to the prices of the other goods and services. According to estimates which include both direct and indirect effects, energy accounted for just over 70 per cent of overall inflation on average in the fourth quarter; the government's energy-related measures appear to have mitigated consumer price growth by more than 1 percentage point over the same period.
Between August and November, bank lending to the non-financial private sector slowed, reflecting weaker demand from firms for investment purposes and from households for house purchase; credit supply conditions tightened moderately. The increase in key interest rates was passed on to the cost of bank lending, broadly in line with the average increase in the euro area. Financial market conditions have improved overall since mid-October. In mid-January, the yield spread between Italian and German government bonds stood at around 185 basis points, well below the highs reached during 2022.
Preliminary data for 2022 point to a significant

reduction in the deficit and in the debt-to-GDP ratio. According to the official assessments, under the current legislation scenario, the budget law adopted by Parliament in December will increase the deficit by 1.1 percentage points of GDP in 2023; the debt-to-GDP ratio will continue to decline, albeit at a slower pace. Last November, Italy received the second tranche of the Recovery and Resilience Facility funds, worth Euro 21 billion.
The Bank of Italy's projections for the Italian economy continue to be purely indicative, given

the current environment of high uncertainty, stemming above all from the ongoing conflict in Ukraine. In the baseline scenario, the tensions associated with the conflict are assumed to remain high in the early months of this year, before easing gradually over the projection horizon. After an increase of almost 4 per cent in 2022, GDP growth is projected to weaken to 0.6 per cent this year. Growth is expected to strengthen in the following two years, thanks to an

[2] Source: Bank of Italy Economic Bulletin 1/2023

acceleration in both exports and domestic demand. Inflation, which rose to almost 9 per cent last year, is projected to decline to 6.5 per cent in 2023 and at a faster pace thereafter, reaching 2.0 per cent in 2025.
Under a scenario that assumes a permanent suspension of the supply of energy commodities

from Russia to Europe, GDP would fall in 2023 and

2024, and would grow moderately the following year; inflation would rise further this year, before declining markedly in the next two years. The scenario does not take into account any new measures to mitigate the effects of these more unfavourable developments nor the possibility of a sharp deterioration in economic activity being reflected on inflation by more than what historical precedents might suggest, thereby leading to a lower level of inflation at the end of the forecasting horizon.
Good news, on the other hand, is on the way with respect to utility bills: they will fall by 20-30% in the future thanks to the fall in gas prices, which have returned to values in line with those of December 2021 before the hikes that led to the record peak of 342 euros per MWh in August 2022.
As far as electricity is concerned, the fall in prices continues, although the effects will be felt from April on the occasion of the next ARERA (Italian Regulatory Authority for Energy, Networks and the Environment) quarterly adjustment. According to Nomisma Energia, the electricity tariff from 1 April and throughout the second quarter will in fact settle at 42.1 cents per kWh: 11 cents less than the value on 1 January 2023, a decrease of 21%. ARERA's latest adjustment, recorded at the end of December, already certified a drop in the final price of electricity, by 19.5 per cent compared to the end of September 2022, to 53.11 euro cents per kWh, including taxes.
Although the fall in the price of electricity is good news, the issue of high electricity bills should continue to be carefully monitored: the albeit marked percentage change in the cost of electricity should not lead to hasty conclusions, because the markets are still characterised by significant volatility, seasonality will affect changes in gas prices, and absolute values still remain extraordinarily high.

The Russia-Ukraine conflict

As previously commented, the ongoing Russian-Ukrainian conflict and rising geopolitical tensions have generated great uncertainty and volatility, adding even more pressure on an economic system already characterised by high inflation.
The twelve months of the Russian conflict in Ukraine have left its mark on the economy of all Eurozone countries, including Italy, which before the war was dependent on Russia for gas and on Kiev for some products, such as wheat.
Two of the biggest economic problems that Italy has had to face in recent months have certainly been inflation, which reached 12.3 per cent in December 2022 on an annual basis, and the energy crisis, as a result of which Italian households spent Euro 1,434 on their electricity bill in 2022, 108% more than in 2021, and Euro 1,459 on gas, 57% more than 12 months earlier.
The two measures are correlated, as highlighted in the previous section by the Bank of Italy, which points out that in Italy over 70% of overall inflation is attributable to the energy shock, despite the fact that energy-related government measures have mitigated consumer price dynamics by more than one percentage point.
The war has forced our country to diversify its energy supply: compared to twelve months ago, Algeria is now our first supplier, which in December brought 2,301.91 million standard cubic metres of gas to Italy (Snam data), followed by Azerbaijan, while Russia quickly dropped from 2,023 million standard cubic metres in March 2022 to only 478 in December. This value is bound to decrease further in the coming months.
The Italy-Russia route has always been one of the most travelled routes for Italian companies: according to data from the Foreign Ministry Observatory, in 2021, i.e. shortly before the start of the war, the volume of exports from Italy to Russia had reached a value of Euro 7.7 billion, 1.5% of total Italian exports. Due to both the conflict and the EU's ban

on imports and exports with Moscow, this figure has been reduced, though less than expected: in fact, according to a recent analysis by the Brussels-based Politico Europe website, Italy's export value in 2022 was Euro 4.8 billion compared to an average of Euro 6.5 billion in the previous five-year period. This is because not all Italian companies have fled Russia (in fact, only Enel and Generali have left while other nine have suspended business, but with a clause allowing them to resume assets and operations in the near future) and because Moscow has started a series of triangulations with third countries, such as Turkey, the Arab Emirates and Armenia, to circumvent the Brussels sanctions. Conversely, the absence of Russians has had a significant influence on tourism in Italy: before 2022, Moscow was the tenth market in terms of number of arrivals and even the eighth in terms of total number of presences (5,819,444, still down from the peak of almost 8 million in 2013). To date, this volume seems to have reduced though not completely, for a small number of tourists still arrived last year, having circumvented the visa problem by leaving from EU countries or third countries.

Different problems have affected the route between Rome and Kiev. Ukraine is in fact one of the world's leading producers of wheat, maize, barley and corn. Before the war, our country imported 15% of the maize needed for animal feed, a total of 785 million kilos, precisely from Ukraine, second only to Hungary. This inevitably has also affected the prices of soya, which grows in the same fields: it is no coincidence, therefore, that cereal prices shot up by 7% at the start of the conflict. This situation has also affected wheat, although to a lesser degree: in fact, before the conflict, Rome imported just 2.5% of durum wheat and 5% of soft wheat from Kiev, for a total of 122 million kilos. The situation, which has seen Ukrainian ports blocked for months, has caused some problems for the Italian industrial chain, though rising product prices are due also to other factors, such as global warming and rising energy prices. It should not be forgotten, however, that the ranking of wheat imports to Italy sees other countries ahead of Ukraine, such as France (19.9%), Canada (14.4%) and Hungary (13%).

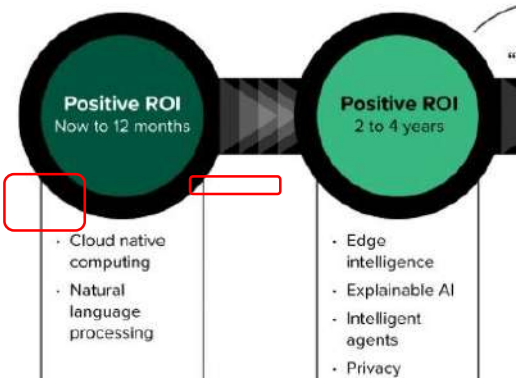
The deterioration of relations between the West, Russia and China might have further repercussions on the stability of international balances and relations, which have already become rather precarious since early 2022, on economic growth, due to the increase in energy prices, and on trade relations, which might be restricted as a result of further sanctions imposed on Russia by Western countries and the possible escalation that might develop.

An escalation of the war in Ukraine remains a major source of vulnerability, particularly for Europe and low-income countries.

According to estimates by the International Data Corporation - IDC[3], global spending on artificial intelligence (AI) will reach $154 billion in 2023, a 26.9% increase compared to the amount spent in 2022, with a compound annual growth rate (CAGR) of 27.0% for the period 2022-2026 and a projected spending on AI-focused systems of $300 billion in 2026.

In this market scenario, platforms and products for natural language understanding and natural language processing are progressively influencing strategic choices, investments and business plans. According to Gartner, technologies[4] have made remarkable progress, continuing to stimulate attention to increasingly innovative and effective solutions. In particular, natural language processing (NLP) has reached greater maturity, optimising even very complex business processes such as the handling of complaints and claims, automated email processing and robotic process automation.

The trend is also confirmed by Forrester, which, in its 'Top Emerging Technologies'[5] report, identifies the technologies with the highest added value, indicating NLP as a technology capable of ensuring profitability in the shortest period (see ROI, image below).



Interest in natural language technologies is also stimulated by the possibility of exploiting increasingly powerful, scalable and accessible computational capabilities and by advances in the field of generative AI (in particular OpenAI's GPT), which have further brought natural language processing to the fore. These capabilities, coupled with the digitisation of linguistic data, the volumes of which continue to grow exponentially, have directed attention towards increasingly innovative and sophisticated solutions, highlighting the limitations of 'pure' machine learning and deep learning approaches, as in the case of GPT models, and the advantages that can be obtained, instead, by combining different artificial intelligence approaches.

[3] Worldwide Spending on AI-Centric Systems Forecast to Reach $154 Billion in 2023, According to IDC - 7 March 2023 Worldwide Spending on AI-Centric Systems Forecast to Reach $154 Billion in 2023, According to IDC

[4] 'Hype Cycle for Natural Language Technologies, 2022' Gartner - Bern Elliot, Adrian Lee - 11 July 2022. Expert.ai, listed by Gartner for 3 years in a row in the 'Hype Cycle for NLT' report, is a 'Sample Vendor' in several categories, three of which (including ontologies and knowledge graphs, and automatic text synthesis) are in the fast-rising 'Slope of Enlightenment' phase Expert.ai in the Gartner® Hype Cycle™ 2022 report on natural language technologies - expert.ai | expert.ai

[5] 'Show Me The Value (Of Emerging Technology)', Brian Hopkins, VP, Emerging Tech Portfolio - 19 September 2022 https://www.forrester.com/blogs/show-me-the-value-of-emerging-technology/?ref_search=3482760_1663661866998

According to many leading experts in the field, in fact, 'We need to depart from the "let's throw more data at the problem" approach often taken by AI today, pointing more towards approaches based on curation, metadata, and semantic reconciliation. In other words, the focus is shifting away from machine learning and there is a move towards a knowledge-based symbolic AI approach'[6], with more and more being heard about **hybrid artificial** intelligence (Hybrid AI).

Gartner[7] defines Composite or Hybrid AI as follows: 'hybrid artificial intelligence combines different artificial intelligence technologies to make the learning process more effective, expand knowledge representations and a wider range of business problems in a more effective manner'. In fact, according to Gartner[8], 'By 2024, 70% of organisations relying solely on machine learning applications for artificial intelligence projects will spend more money than those exploiting composite AI techniques'. And according to Forrester[9], 'To have it all without giving anything up, you need a flexible NLP solution that can be easily adapted to future needs, is accurate and ready to use, requires only moderate support and can continuously learn and improve on its own. Basically, an NLP solution based on hybrid artificial intelligence'.

The aim is to combine different artificial intelligence approaches, compensating for the weaknesses of each approach with a combined use of different technologies (such as semantics, natural language understanding, machine learning and/or deep learning), thus ensuring not only greater efficiency of systems but also the possibility of moving towards **responsible artificial intelligence** (Responsible AI).

Responsible AI is indicated by Gartner, together with Hybrid AI, as one of the innovations that are indispensable for evolution[10], highlighting the interest on the part of companies (or real need, e.g. in highly regulated sectors or particularly sensitive contexts) to be able to understand the decisions taken by artificial intelligence algorithms. In fact, reference is made to 'explainable artificial intelligence' (the behaviour of algorithms is transparent, easily understandable, therefore clear, explainable and reliable), as a first step towards intelligent systems that can ensure greater accountability.

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[6] Andrew Ng predicts the next 10 years in AI, VentureBeat' - 21 March 2022, *https://venturebeat.com/ai/andrew-ng-predicts-the-next-10-years-in-ai/*

[7] 'Innovation Insight for Composite AI', Gartner - Pieter den Hamer, Erick Brethenoux, Leinar Ramos - 10 January 2022. https://www.gartner.com/en/documents/4010110

[8] 'Innovation Insight for Composite AI', Gartner - Pieter den Hamer, Erick Brethenoux, Leinar Ramos - 10 January 2022. https://www.gartner.com/en/documents/4010110

[9] Hybrid AI Delivers Best Results for NLP Applications, Forrester Research - 22 November 2022, https://www.forrester.com/report/hybrid-ai-delivers-best-results-for-nlp-applications/RES178429

[10] 'What's New in Artificial Intelligence from the 2022 Gartner Hype Cycle', 15 September 2022 https://www.gartner.com/en/articles/what-s-new-in-artificial-intelligence-from-the-2022-gartner-hype-cycle

OPERATING PERFORMANCE OF THE GROUP

The consolidated financial report as at 31 December 2022 includes the consolidated figures of the subsidiaries included in the scope of consolidation, as well as those of the parent company Expert.ai S.p.A.

In order to provide a better picture of the performance and results of operations, the tables below show an Added Value reclassification of the Income Statement, a reclassification of the Balance Sheet by functional area and on a financial basis and the most significant financial statement ratios.

Main economic data

The consolidated financial statements as at 31 December 2022, which include the consolidated figures of the subsidiaries included in the scope of consolidation, as well as those of the parent company Expert.ai S.p.A., show what follows (figures in Euro):

Expert Ai Group			Main economic data	Expert.AI S.p.a.		
FY 2021	FY 2022	CHANGE		FY 2021	FY 2022	CHANGE
39,648,926	40,541,810	2%	VALUE OF PRODUCTION	31,364,202	32,015,363	2%
(9,476,876)	(14,375,843)	(52%)	EBITDA	2,341,138	(2,594,333)	<(100%)
(17,226,068)	(23,076,644)	(34%)	Operating result	(3,132,174)	(9,303,076)	<(100%)
(15,723,624)	(23,780,422)	(51%)	Net result for the year	(2,938,453)	(17,048,407)	<(100%)

The reclassified income statement of the **expert.ai Group** is as follows (in Euro).

Consolidated Income Statement	31/12/2022	31/12/2021	Change
Revenues from sales	28,451,514	28,451,724	(210)
Other income	3,206,327	2,639,657	566,670
Change in inventories	14,560	(10,700)	25,260
Total Revenues	**31,672,401**	**31,080,681**	**591,720**
Increase in fixed assets for internal work	8,869,409	8,568,245	301,164
Value of operating production	**40,541,810**	**39,648,926**	**892,884**
External operating costs	(20,029,825)	(16,556,564)	(3,473,261)
Added value	**20,511,985**	**23,092,362**	**(2,580,377)**
Personnel costs	(34,887,828)	(32,569,238)	(2,318,590)
Gross operating margin (EBITDA)	**(14,375,843)**	**(9,476,876)**	**(4,898,967)**
Amortisation/depreciation and provisions	(8,700,801)	(7,749,192)	(951,609)
Operating result (EBIT)	**(23,076,644)**	**(17,226,068)**	**(5,850,576)**
Result of the financial area	(1,187,549)	1,581,025	(2,768,574)
Result before taxes	**(24,264,193)**	**(15,645,043)**	**(8,619,150)**
Income taxes	483,771	(78,581)	562,352
Net result	**(23,780,422)**	**(15,723,624)**	**(8,056,798)**

Sales revenues were in line with last year's figure, despite the complex macroeconomic scenario.

The value of production is also substantially in line with the previous year.

Total Revenues (net of Other income) are broken down by type as follows:

Description	31/12/2022	%	31/12/2021	%	Change
Recurring licences	15,071,643	53%	14,115,400	50%	956,243
Maintenance	3,391,486	12%	3,510,466	12%	-118,980
Perpetual licences	532,549	2%	1,639,991	6%	-1,107,442
Professional services	8,457,885	30%	8,466,274	30%	-8,389
Hosting	1,012,511	3%	708,893	2%	303,618
Total	**28,466,074**		**28,441,024**		**25,050**

Recurring licences increased by 7% compared to 2021.

The recurring revenue component (temporary licences, maintenance and hosting) now accounts for 68% of the total.

Perpetual licences are now residual.

The Value of Production shows no major changes compared to last year; the increase in fixed assets for internal work, represented by investments in research and development, which amounted to Euro 8.9 million as at 31 December 2022, are substantially in line with 31 December 2021 (Euro 8.6 million), demonstrating the significance of these investments in expert.ai's policy, which is always focused on developing its technology.

EBITDA was negative by Euro 14.4 million (negative by Euro 9.5 million as at 31 December 2021).

2022 was the peak year for the technological and commercial investments of the Company's three-year transformation programme, which will now return to a physiological level to support business development.

On the technological front, all the activities to bring the new platform up to speed were accelerated in order to make it available as soon as possible to meet an expected increase in market demand.

The income Statement was adversely affected, on the research and development front, by a number of non-capitalisable expenses, which will not be repeated in the future as they relate to costs for external consultants with very specific and necessary one-off skills and costs for hosting services that were optimised after a few months of trial. All of this, however, enabled the company to fully deploy a revolutionary new hybrid artificial intelligence platform that places the company among the top 7 companies in the world for AI Text Analytics, according to research by Forrester Research (source: The Forrester Wave, 22 June 2022).

The ability of expert.ai's platform to combine different artificial intelligence approaches (hybrid AI) by combining knowledge-based technologies with machine learning, deep learning and large language models allows the strengths of both to be exploited and makes process supervision possible. As a confirmation of the effectiveness of this approach conceived in 2020 at the beginning of the technology repositioning project, it was thus possible, for example, to quickly integrate OpenAI's GPT language model, which has been in the news for a few months, into the expert.ai Platform.

On the commercial front, new communication campaigns and promotional activities were tested to better understand which sectors are most receptive and how to engage new customers. Significant expenses were therefore incurred to test various channels and sales support tools, which will, however, be significantly reduced in the future by retaining only those that gave the best feedback, also thanks to the focusing of our offering and our Go-to-Market strategy to ensure shorter sales cycles and thus increase sales productivity.

Commercial and communication expenses incurred in the North American market allowed the company to establish itself in the US during 2022, where revenues almost doubled and now account for about 30% of total turnover. Local branches recorded an increase of Euro 4 million (+87%), while the absolute growth in revenues from US customers amounted to Euro 2.2 million (+37%). These revenues were achieved with highly prestigious customers, in a naturally very competitive environment against major local competitors, including top companies in global Big Tech.

EBIT was negative by Euro 23.1 million, against amortisation of intangible assets for Euro 8.5 million, mainly relating to capitalised development costs, the amortisation of which amounts to Euro 7,106 thousand.
The negative result from financial operations (Euro 2 million) decreased compared to 31 December 2021 (positive in the amount of Euro 1.6 million), largely due to differences on unrealised exchange gains, which were higher last year.
Net result posted a Euro 23.8 million loss (Euro 15.7 million as at 31 December 2021).

The company's income situation is further specified by the profitability ratios set out in the table below:

Profitability ratios	31/12/2022	31/12/2021
Net ROE	(1.36)	(0.49)
Gross ROE	(139)	(0.49)
ROI	(0.69)	(0.55)
ROS	(0.81)	(0.61)

Main balance sheet data

The **expert.ai Group**'s reclassified balance sheet compared with that as at 31/12/2021 is as follows (in Euro):

Consolidated Balance Sheet	31/12/2022	31/12/2021	Change
Net intangible fixed assets	20,307,822	18,341,591	1,966,231
Net rights of use	1,728,077	2,453,906	(725,829)
Net tangible fixed assets	825,387	893,037	(67,650)
Equity investments and other financial fixed assets	13,137,483	7,943,233	5,194,250
Fixed capital	**35,998,769**	**29,631,767**	**6,367,002**
Short-term financial assets			0
Inventories	14,560	0	14,560
Receivables from customers	18,136,474	20,866,081	(2,729,607)
Other receivables	7,011,175	5,739,988	1,271,187
Accrued income and prepaid expenses	1,594,700	319,903	1,274,797
Short-term operating assets	**26,756,909**	**26,925,972**	**(169,063)**
Payables to suppliers	(6,543,906)	(3,299,892)	(3,244,014)
Advances	(904,747)	(722,607)	(182,140)
Tax and social security payables	(1,909,787)	(2,148,411)	238,624
Other payables	(5,290,729)	(4,890,569)	(400,160)
Accrued expenses and deferred income	(6,452,238)	(4,389,549)	(2,062,689)
Short-term operating liabilities	**(21,101,407)**	**(15,451,028)**	**(5,650,379)**
Net working capital	**5,655,502**	**11,474,944**	**(5,819,442)**
Severance pay	(3,794,957)	(4,168,802)	373,845
Accrued expenses and deferred income due after 12 months	(3,143,791)	(4,088,251)	944,460
Other medium and long-term liabilities	(1,375,330)	(1,551,470)	176,140
Medium-term liabilities	**(8,314,078)**	**(9,808,523)**	**1,494,445**
CAPITAL EMPLOYED	**33,340,193**	**31,298,188**	**2,042,005**
Shareholders' Equity	(17,492,121)	(31,966,280)	14,474,159
Medium- and long-term net financial payable	(19,270,530)	(21,342,458)	2,071,928
Short-term net financial payable	3,422,458	22,010,550	(18,588,092)
EQUITY AND NET FINANCIAL PAYABLE	**(33,340,193)**	**(31,298,188)**	**(2,042,005)**

Fixed assets amounting to Euro 35,998,769 (Euro 29,631,767 as at 31 December 2021) increased by Euro 6,367,002. This increase is mainly due to the combined effect of:

- changes in intangible fixed assets deriving from the increase in the capitalisation of research and development costs;
- changes in receivables for invoices to be issued and contributions on multi-year projects.

Looking at **current assets**, there was a decrease of Euro 169,063 mainly due to the combined effect of the decrease in trade receivables for Euro 2,729,607 and the increase in other receivables for Euro 1,271,187 (item mainly consisting of receivables for contributions to funded projects and VAT receivables) and prepaid expenses in the amount of Euro 1,274,797.

Short-term operating liabilities were characterised by an increase of Euro 5,650,379, mainly due to the increase in payables to suppliers in the amount ofEuro 3,244,014 and deferred income in the amount of Euro 2,006,143, relating to contributions to funded projects.

Therefore, **net working capital** is Euro 5,819,442 lower than the previous year. In any case, the positive value of net working capital makes it possible to report substantially balanced current operations, in which short-term assets are compared with short-term liabilities.

Medium- and long-term liabilities decreased by Euro 1,494,445 due to the decrease in accrued expenses and deferred income due after 12 months for Euro 944,460, in particular for deferred income on contributions received for funded projects and the decrease in employee severance pay for Euro 373,845.

To better describe the equity balance of the company, the table below shows some financial statement ratios relating to both (i) the methods of financing medium/long-term investments and (ii) the composition of the sources of funding, compared with the same ratios for the consolidated financial statements as at 31/12/2021.

Fixed asset financing ratios	**31/12/2022**	**31/12/2021**
Fixed asset to equity capital margin	(18,506,648)	2,334,513
Fixed asset to equity capital ratio	0.49	1.08
Fixed asset to equity capital and medium-long term debt margin	5,934,169	29,397,244
Fixed asset to equity capital and medium-long term debt ratio	1.16	1.99

Financing structure ratios	**31/12/2022**	**31/12/2021**
Liabilities within 12 months (A)	23,267,480	19,601,400
Liabilities after 12 months (B)	24,440,817	27,062,730
Equity (C)	17,492,121	31,966,280
Total debt ratio (A+B)/C	**2.73**	**1.46**

The fixed asset to equity capital margin and related fixed assets coverage ratio are indicators that show how the company funds its fixed assets.

	31/12/2022	**31/12/2021**
Shareholders' Equity (A)	**17,492,121**	**31,966,280**
Net intangible fixed assets	20,307,822	18,341,591
Net rights of use	1,728,077	2,453,906
Net tangible fixed assets	825,387	893,037
Equity investments and other financial fixed assets	13,137,483	7,943,233
Fixed capital (B)	**35,998,769**	**29,631,767**
Fixed asset to equity capital margin (A- B)	**(18,506,648)**	**2,334,513**
Fixed asset to equity capital ratio (A/ B)	**0.49**	**1.08**

The **negative result of the fixed asset to equity capital margin**, with the corresponding ratio lower than the unit, is mainly related to the erosion of Shareholders' Equity due to the loss carried forward from the previous year.

The fixed asset to equity capital and medium-long term debt margin and its ratio refer, instead, also to medium-long term liabilities (as quantified in the table below).

	31/12/2022	31/12/2021
Shareholders' Equity (A)	17,492,121	31,966,280
Net financial position in the medium and long term (B)	19,270,530	21,342,459
Other medium and long-term liabilities (C)	1,375,330	1,551,470
Severance pay (D)	3,794,957	4,168,802
Fixed capital (E)	35,998,769	29,631,767
Fixed asset to equity capital and medium-long term debt margin (A + B + C + D-E)	**5,934,169**	**29,397,244**
Fixed asset to equity capital and medium-long term debt ratio (A + B + C + D)/E	**1.16**	**1.99**

The **positive result of the fixed asset to equity capital and medium-long term debt margin,** with the corresponding ratio higher than the unit, shows that durable financing sources, taking into account third-party capital contributions, cover long-term investments, indicating a good correlation between sources and medium and long-term investments.

Main financial data

The Group's Net Financial Position (or net financial payable) is determined as the result of current and non-current financial payables less cash and cash equivalents and current financial assets, as well as non-current financial assets related to derivatives. It also includes financial liabilities relating to short-term and/or long-term leases and non-interest-bearing debts that have a significant implicit or explicit financing component (e.g. payables to suppliers with a maturity of more than 12 months), and any other non-interest-bearing loans (as defined by the 'Guidelines on disclosure requirements under the Prospectus Regulation' published by ESMA on 4 March 2021 with document 'ESMA32-382-1138' and incorporated by CONSOB in its communication 5/21 of 29 April 2021).

The Group's **Net Financial Position** is shown below:

Consolidated Net Financial Payable	31/12/2022	31/12/2021	Change
A - Cash	12,024,125	30,533,999	(18,509,874)
B - Cash equivalents			0
C- Other current financial assets	16,644	16,472	172
D- Liquidity (A + B + C)	12,040,769	30,550,471	(18,509,702)
E - Current financial payable (including debt instruments but excluding the current portion of non-current financial debt	3,530,191	3,036,847	493,344
F - Current portion of non-current financial payable	5,088,120	5,503,074	(414,954)
G - Current financial payable (E + F)	8,618,311	8,539,921	78,390
H - Net current financial payable (D-G)	3,422,458	22,010,550	(18,588,092)
I - Non-current financial payable (excluding current portion and debt instruments)			
J - Debt instruments	4,113,600	6,022,700	(1,909,100)
K - Trade payables and other non-current payables	-	-	-
L - Non-current financial payable (I+J+K)	19,270,530	21,342,458	(2,071,928)
M - Net financial payable (H-L)	**(15,848,072)**	**668,092**	**(16,516,164)**

FORESEEABLE EVOLUTION OF MANAGEMENT

In a complex and constantly changing macroeconomic scenario, expert.ai is continuing on the path of business growth and transformation. At the same time, it has taken measures to increase productivity and optimise operations, in line with the business plan presented on 27 January 2023, which envisages a return to positive EBITDA in the financial year 2023 and cash generation from operations from 2024.

As early as the second half of 2022, initiatives were launched to optimise all operational areas, aiming at a return to profitability in the context of sustainable growth. The peak of investments for the implementation of the new platform, reached in the financial year 2022, allowed for the development of a more open and flexible environment that will allow for a reduction in customisation services, thanks also to the various market verticalisations that have already been implemented.

The Go-to-Market strategy for the North American market was also refined and optimised to achieve significant cost optimisations on this front as well.

More specifically, the following initiatives have already been implemented since the second half of 2022:

- Termination of several contracts related to one-off technology consultancy and commercial and communication activities with low ROI. Optimisation of general and administrative expenses deemed unnecessary or redundant (e.g. office rental costs in the light of the new flexible and partly remote working model); these initiatives will lead to savings on an annual basis estimated at around Euro 4 million;
- streamlining the workforce of the entire group according to a new organisational model that provides for the dismissal of staff who are no longer functional for the group, reorganising and optimising the workload of each department; these initiatives will lead to savings on an annual basis estimated at around Euro 10 million;
- launch for Expert.ai SpA alone of a solidarity contract, as described in more detail in the section on significant events occurred after the end of the period; this procedure should lead to cost savings of approximately Euro 3 million for the financial year 2023.

Along with cost optimisation and forms of work flexibility currently being implemented, the company intends to pursue business volume growth in the most receptive markets (Italian and American) and in the highest potential sectors (insurance, banking, healthcare and pharmaceuticals) where interest in more 'intelligent', sophisticated and innovative natural language solutions is growing and new interesting opportunities are opening up.

The strong public interest in generative AI tools has, in fact, brought the knowledge management and utilisation sector in which the company operates into the limelight. Just recently, for instance, expert.ai announced the integration of OpenAI's GPT models: a concrete example of the benefits of its platform's open architecture, which allows for the simultaneous use of multiple technologies within the same environment, offering the opportunity to choose and combine different artificial intelligence approaches (hybrid AI) to create value from any business document.

TREASURY SHARES

As of 31 December 2022, the Parent Company Expert.ai S.p.A. did not hold any treasury shares, as it did not hold any as of 31 December 2021, nor were any traded during the year.

IV. ENVIRONMENT, PERSONNEL AND RISKS

ENVIRONMENT

During the half-year period, no damage was caused to the environment for which expert-ai was definitively found guilty. During the half-year period, no definitive sanctions or penalties were imposed on the company for environmental offences or damages.

On 04/01/2023, Expert.ai started a new ISO 9001:2015 certification cycle aligned with the ISO\IEC 27001:2013 model, already held by the company, creating an integrated model called Information Security and Quality Management System (ISQMS).

The current ISO 9001:2015 certificate is valid until 26/06/2026.

PERSONNEL

The use and formalisation of the Agile Work tool ensured, despite the prolonged pandemic situation related to COVID-19, the continuation of all work activities without any difficulty. The company continued to make dedicated investments in personnel training and development initiatives. Using different types of training (asynchronous distance training, webinars and face-to-face sessions), the company focused on developing both technical and behavioural skills. *Ad hoc* courses were also offered to managers, focusing on leadership and effective management of work teams. The parent company expert.ai S.p.A. also made investments, as usual, in occupational health and safety in compliance with Italian Legislative Decree 81/08, training all employees (including supervisors) in the safety of workers, and providing new courses and refresher courses for occupational safety representatives, first aid and fire-fighting personnel. Specific attention was paid to Privacy and Data Protection, Cyber Security (of particular importance given the business sector in which Expert.ai is active) and the Organisational Model relating to Legislative Decree 231/01. For all these topics, both introductory courses for new employees and refresher courses for existing employees were organised, accompanied by the corresponding learning tests.

During the year, there were no fatal work injuries involving personnel entered in the employee ledger, no serious occupational accidents resulting in serious or very serious injuries to existing personnel and no charges for occupational illnesses involving employees or former employees and no mobbing cases.

In May 2022 the parent company expert.ai S.p.a. updated the 'Expert.ai Spa Protocol' drafted in May 2020 to implement the measures established by the Prime Minister's Decree of 11 March 2020. The document, taking into account the various measures of the Government as well as the measures issued by the Ministry of Health, contains guidelines to help combat and contain the spread of the COVID-19 virus in the workplace. The aim of the Protocol is to provide operational guidance aimed at increasing the effectiveness of precautionary measures. The protocol therefore contains measures that follow the logic of precaution and follow and implement the requirements of Parliament and the indications of the Health Authority. The Protocol is applied within the company to protect the health of people who personally prefer to work in the office.

The parent company expert.ai S.p.a. continues to support the purchasing power of workers and personal and family well-being by implementing the Welfare Plan.

The parent company Expert.Ai S.p.A., which is committed to achieving a significant cost-cutting objective due to the situation which has been extensively discussed in the Management Report, to which reference should be made, signed a 'defensive' solidarity agreement (pursuant to Article 21, paragraph 5 and Article 22, paragraph 3 of Legislative Decree No. 148 of 14 September 2015) lasting 12 months, and it is likely that it will be reduced to 6 months.

The maximum agreed % reduction in working time is 45%, with an estimated cost saving of around Euro 3 million during 2023.

DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS EXPOSED

General risks: regarding the risks arising from the current conflict, reference should be made to the information

provided above in the point regarding the 'National economic scenario', in the commentary on 'General economic performance' and in the Notes to the Financial Statements, commenting on point 22-quater of art. 2427 of the Italian Civil Code.

Risks related to the time taken to collect trade receivables: **Expert.ai**'s business is characterised by customer payment terms which cannot always be determined in advance and which can sometimes reach several months, also in relation to the type of work and the general economic situation. Any extensions of customer payment terms may require Expert.ai S.p.A and its subsidiaries to finance their working capital needs. This is significant also in view of the relevance of trade receivables due from public customers. It may take longer to collect these receivables, with such time being more difficult to predict than in case of receivables from private customers.

Risks associated with internationalisation: **Expert.ai** is pursuing its internationalisation process in the hope that an increasingly significant part of its revenues will be generated by sales outside the domestic market, in Europe and on the American market, which is a strategic area to be monitored both on the public and private front. In this regard, **Expert.ai** might be exposed to risks that are typically associated with operating internationally, including those related to changes in local economic, political, fiscal and regulatory conditions, as well as risks related to the complexity of doing business in geographically remote areas, in addition to risks related to currency exchange rate fluctuations in the case of countries outside the Eurozone. Unfavourable developments in these areas might have negative effects on the Company's business and growth prospects as well as on its economic, equity and financial position.

The table below shows the exchange rates used to convert the financial statements of subsidiaries:

Currency	Exchange rate as at 31/12/2022	Average exchange rate in 2022
USD-US Dollar	1.0666	1.0530
CHF - Swiss Franc	0.9847	1.0047
GBP - pound sterling	0.8869	0.8528
CAD - Canadian dollar	1.4440	1.3695

Risks associated with related party transactions: **Expert.ai** has concluded, and may continue to conclude commercial and financial transactions with related parties as part of its business. The main transactions with related parties carried out by the company mainly concern commercial transactions such as the purchase and sale of licenses, maintenance fees, technical and/or commercial consulting services, administrative service contracts and lease agreements. Contracts of a financial nature, on the other hand, mainly concern loans granted by Expert.ai S.p.A. to Group companies. In particular, last March Expert.ai adopted an intercompany financing plan which provides for the parent company's grant of loans to its subsidiaries for a total amount such as to allow the latter to obtain the necessary financial resources to meet their respective spending and investment commitments. The intercompany financing plan offers subsidiaries a simplified way of obtaining financial resources on the market which, on the whole, facilitates the execution of the group's strategic plan. All transactions have been concluded on an arm's length basis.

Risks related to claiming intellectual property rights: In order to protect the company's value against competitors, the Company registered the trademarks "Expert System" and "COGITO" several years ago. Following the rebranding of the Company, the application for registration of the two new trademarks "**expert.ai**" and "Nlops" was filed in 2020: the procedure has already been completed in Europe and the trademarks are therefore registered at European level, while the US Office is finishing its checks, as the bureaucratic process in the United States requires different times. In

addition, the core part of the COGITO software has been patented in the United States of America. By distinguishing the company and its products, registered trademarks assume a central value for the strategy of focusing and differentiating offerings, for brand recognition and for the protection of the company's assets. Just as brands are key factors in the identification of value by customers and the market, so the website domain conveys the corporate identity on the Internet. In this respect, in 2020 the Company was able to purchase and secure a high quality and visible Internet domain - www.expert.ai – which perfectly mirrors the name of the new brand and whose extension emphasises its link with Artificial Intelligence.

Interest rate risk: the interest rate risk management policy pursues the objective of limiting this volatility primarily through the identification of a balanced mix of fixed-rate and floating-rate loans and also through the use of hedging derivatives that limit interest rate fluctuations, while derivatives or similar instruments are not used and held for mere trading purposes.

Administrative liability: Italian Legislative Decree no. 231 of 8 June 2001 has introduced into the Italian legal system the administrative liability of legal persons, companies and associations, including those without legal personality (entities). The decree establishes that no administrative liability can be ascribed to companies where they have effective and efficient organisational and management models that can prevent crimes by persons with top management positions in the Company.

Expert.ai S.p.A. has drawn up an Organisational and Management Model and a Code of Ethics also to reflect the Company's broader business policy, which is expressed in interventions and initiatives aimed at raising awareness, both among all its personnel (from management to employees) and all external collaborators and partners, as to the company's transparent and correct management, in compliance with current legal regulations as well as the fundamental principles of business ethics in the pursuit of the corporate purpose. Within this framework, Expert.ai S.p.A. intends to pursue, through the adoption of the Organisational and Management Model provided for by Italian Legislative Decree 231/2001, the objective of making its existing set of rules and controls suitable also to prevent the crimes indicated in the decree itself.

The Organisational and Management Model and the Code of Ethics were approved by the Board of Directors of Expert.ai S.p.A. on 21 December 2016.

The adoption of the model refers exclusively to the parent company Expert.ai S.p.A. since the legal system considers the group as a whole only from an economic perspective. The group is not an entity and therefore cannot be considered a direct centre for the attribution of liability for a crime; and thus cannot be classified as one of the subjects indicated in Art. 1 of decree 231.

The Code of Ethics, on the other hand, is applicable to Group companies as it expresses the general principles of corporate and business ethics that the Group recognises as its own and which are to be complied with by all its employees, managers and directors. Therefore, the Code of Ethics has a different scope than the Organisational and Management Model, since the Model meets specific requirements contained in the Decree, whereas the ethical principles contained in the Code of Ethics are the basic rules of conduct for the legitimate pursuit of company activities.

The Organisational and Management Model has been developed around concrete situations that characterise the company's operations, i.e. all the company's actual activities and functions and therefore the real risks of crime that can be envisaged in relation to them.

For each function in which a potential risk has been identified as existing, one or more decisional and management protocols have been defined containing the rules to be followed in carrying out the activity. The protocols are inspired

by the rule of making the various stages of the decision-making process documented and verifiable, so that the motivation that guided the decision can be traced.

In particular, suitable procedures have been defined to prevent the following offences: offences against the P.A. and its assets; cyber crimes and unlawful data processing; organised crimes; forgery and crimes against industry and commerce; corporate crimes; crimes for the purpose of terrorism or subversion of the democratic order; crimes against the individual; market abuse; offences committed in violation of the rules on the protection of occupational health and safety; money laundering and receiving stolen goods; copyright infringement offences; the crime of making false statements to the judicial authorities; environmental crimes; employment of personnel without a legal residence permit.

The exemption from administrative liability as governed by Art. 6, paragraph 1, of Italian Legislative Decree 231/2001 requires, as an element of fundamental importance, the establishment of a Supervisory Body within the company, with autonomous powers of action and control, which has the task of supervising the operation of and compliance with the Model and verifying that the Board of Directors updates the Model itself.

The Supervisory Body of Expert.ai S.p.A. is made up of three members, one internal and two external members. All its members are individuals with proven skills and professionalism. The presence of the internal member ensures that the SB has immediate and in-depth knowledge of the entity's structure and the organisation of its activities in the light of its actual corporate function.

This solution is deemed the most suitable, based on the characteristics of its organisational structure, to ensure the effectiveness of the controls for which the Supervisory Body is institutionally responsible and meets the requirements of the recently approved Confindustria Guidelines.

In order to ensure the necessary stability and continuity of action for the aforementioned Body, its members hold this role for a period of 3 years from the date of their actual appointment.

The appointment of the Supervisory Body, as well as its possible revocation, is the responsibility of management, which provides therefor in full compliance with the law, also on the basis of the provisions of the Confindustria Guidelines.

USE OF FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments solely to hedge its exposure to the interest rate risk, thereby stabilizing the flow of interest paid mainly on medium and long-term debt, and does not hold any speculative financial instruments.

Derivatives, recognised at fair value, are classified as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the hedge is highly effective. For a detailed analysis of the fair value and information on the extent and nature of each category of derivative financial instruments implemented by the company, broken down by class, taking into consideration aspects such as the characteristics of the instruments themselves and the purposes of their use, reference should be made to the explanatory notes to the consolidated financial statements, in the point on 'Derivative financial instruments'.

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IFRS consolidated financial statements as at 31/12/2022

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IAS/IFRS consolidated financial statements as at 31/12/2022

Financial Statements

Balance Sheet - Assets

In Euro	31/12/2022	31/12/2021
Intangible fixed assets	20,307,822	18,341,591
Rights of use	1,728,077	2,453,906
Tangible fixed assets	825,387	893,037
Other non-current assets	9,700,442	4,800,118
Equity investments and securities	544,374	60,777
Deferred tax assets and other tax receivables	2,892,667	3,082,338
Total non-current assets	**35,998,769**	**29,631,767**
Inventories	14,560	0
Trade receivables and other receivables	20,023,651	23,274,543
Current tax receivables	5,123,998	3,331,526
Other current assets	1,594,700	319,903
Current financial assets	16,644	16,472
Cash and cash equivalents	12,024,125	30,533,999
Total current assets	**38,797,678**	**57,476,443**
Total assets	**74,796,447**	**87,108,210**

Balance Sheet - Liabilities

Share capital	620,896	523,907
Legal reserve	101,554	101,554
Other reserves	86,752,718	77,877,356
Undivided profit (loss)	(46,202,625)	(30,812,913)
Net profit (loss) for the year	(23,780,422)	(15,723,624)
Group Shareholders' Equity	**17,492,121**	**31,966,280**
Minority interest in shareholders' equity		0
Shareholders' Equity	**17,492,121**	**31,966,280**
Non-current financial payables	19,270,530	21,342,458
Provisions for risks and charges	19,342	64,362
Other non-current payables	3,143,791	4,088,251
Employee benefits	3,794,957	4,168,802
Provisions for deferred taxes	1,355,988	1,487,108
Total non-current liabilities	**27,584,608**	**31,150,981**
Trade payables and other payables	13,536,213	9,874,229
Current financial payables	8,618,311	8,539,921
Current tax payables	1,112,956	1,187,250
Other current liabilities	6,452,238	4,389,549
Total current liabilities	**29,719,718**	**23,990,949**
Total liabilities	**74,796,447**	**87,108,210**

Income Statement

In Euro	**31/12/2022**	**31/12/2021**
Revenues from sales and services	28,451,514	28,451,724
Change in inventories	14,560	(10,700)
Other revenues	12,075,736	11,207,902
Total Revenues	**40,541,810**	**39,648,926**
Consumption of materials	2,371,209	1,942,217
Costs for services	14,468,820	12,253,236
Cost for the use of third party assets	2,985,277	1,826,830
Personnel costs	34,887,828	32,569,238
Other provisions and other costs	204,519	534,281
EBITDA	**(14,375,843)**	**(9,476,876)**
Amortisation and depreciation	8,700,801	7,749,192
Write-downs of fixed assets		0
Operating result	**(23,076,644)**	**(17,226,068)**
Financial charges	1,504,787	1,016,884
Financial income	317,238	2,597,909
Result before taxes	**(24,264,193)**	**(15,645,043)**
Income taxes	(483,771)	78,581
Net result for the year	**(23,780,422)**	**(15,723,624)**
Result attributable to minority interests		0
Net result attributable to the group	**(23,780,422)**	**(15,723,624)**

Earnings per share	**31/12/2022**	**31/12/2021**
Base	(0.42)	(0.30)
Diluted	(0.42)	(0.30)

Total Income Statement

Other income statement components include income and expense items (including reclassification adjustments) that are not recognised in profit (loss) for the period as required or permitted by other IFRSs.

TOTAL INCOME STATEMENT	31/12/2022	31/12/2021
Net result for the year	(23,780,422)	(15,723,624)
Exchange rate changes	493,782	(1,582,989)
Change in severance pay reserve pursuant to IAS 19	602,672	(393,791)
Change in derivative instruments reserve	473,597	142,326
Comprehensive net result for the year	(22,210,370)	(17,558,078)
In Euro	**31/12/2022**	**31/12/2021**
Net result for the year	**(23,780,422)**	**(15,723,624)**
Other total comprehensive profit /(loss) that will not be subsequently reclassified to profit/(loss) for the year:		
Actuarial profits (losses) on defined benefit plans	792,989	(518,146)
Tax effect related to Other profit/(loss) that will not be subsequently reclassified to profit/(loss) for the year	(190,317)	124,355
Total other comprehensive profit/(loss) that will not be subsequently reclassified to profit/(loss) for the period, net of tax effect	**602,672**	**(393,791)**
Other comprehensive profit that will be subsequently reclassified to profit/(loss) for the year:		
Exchange rate differences on conversion of foreign operations	493,782	(1,582,989)
Change in cash flow hedge reserve	473,597	142,326
Tax effect related to Other profit/(loss) that will be subsequently reclassified to profit/(loss) for the year	(113,663)	(34,158)
Total other comprehensive profit/(loss) that will be subsequently reclassified to profit/(loss) for the year, net of tax effect	**853,716**	**(1,474,821)**
Total other components of the total income statement, net of tax effects:	**(22,324,034)**	**(17,592,236)**

Cash Flow Statement

A. Cash flows from operating activities (indirect method)	31/12/2022	31/12/2021
Profit (loss) for the year	(23,780,422)	(15,723,624)
Income taxes	(483,771)	78,581
Financial charges (Income]	1,187,549	(1,581,025)
Amortisation and depreciation	8,700,801	7,749,192
EBITDA	**(14,375,843)**	**(9,476,876)**
Changes in net working capital		
Decrease/(Increase) in inventory	(14,560)	10,700
Decrease/(Increase) in receivables from customers and other receivables	3,250,892	(851,043)
Increase/(Decrease) in payables to suppliers and other payables	2,717,524	2,662,764
Decrease/(Increase) in other current assets	(1,274,797)	87,318
Increase/(Decrease) in other current liabilities	2,062,689	15,139
Net tax liabilities paid	(1,382,995)	197,705
Total changes in net working capital	**5,358,753**	**2,122,583**
Increase/(Decrease) in provisions for risks and charges	(45,020)	30,416
Increase/(Decrease) in deferred taxes	58,551	(662,256)
Increase/(Decrease) in employee benefits	(373,845)	800,607
Total other changes in operating activities	**(360,314)**	**168,767**
Cash flow from operating activities (A)	(9,377,404)	(7,185,526)
Tangible fixed assets and rights of use		
(Investments]	(555,011)	(1,337,917)
Divestments	805,344	487,567
Intangible fixed assets		
(Investments)	(9,326,475)	(8,943,404)
Divestments	-	-
Financial fixed assets		
(Investments]	-	-
Divestments	-	-
Decrease/(Increase) in investments and other non-current assets	(6,181,332)	(3,841,828)
Cash flow from investing activities (B)	(15,257,474)	(13,635,582)
Loan capital		
Increase/(Decrease) in financial payables	(1,993,538)	(4,968,269)
Decrease/(Increase) in current financial assets	(172)	(148)
Financial charges (Income)	(1,187,549)	1,581,025
Equity		
Capital increase against payment	5,916,281	1,043,725
Stock options and stock grants	1,486,019	1,575,510
Employee benefits	602,672	(393,791)
Other changes in shareholders' equity	1,301,291	(1,461,336)
Cash flow from financing activities (C)	6,125,004	(2,623,284)
Increase (decrease) in cash and cash equivalents (A ± B ± C)	(18,509,874)	(23,444,392)
Cash and cash equivalents at the beginning of the year	30,533,999	53,978,391
Cash and cash equivalents at year end	12,024,125	30,533,999
Increase (decrease) in cash and cash equivalents	(18,509,874)	(23,444,392)

Statement of Changes in Shareholders' Equity from 1 January 2022 to 31 December 2022

	Share capital	Legal reserve	Share premium	Cash flow hedge reserve	FTA Reserve	IFRS 2 reserve	IAS 19 reserve	Other reserves	Undistributed profits (losses)	Net profit (loss) for the year	Shareholders' Equity
BALANCES AS AT 1 JANUARY 2021	**507,769**	**80,032**	**70,157,817**	**(168,818)**	**(443,567)**	**3,429,577**	**(344,854)**	**6,012,705**	**(24,643,170)**	**(7,661,696)**	**46,925,796**
Allocation of result		21,522						-	(7,683,218)	7,661,696	0.00
Dividends								-			-
Share capital increase against payment (including stock option)			1,027,588			(1,903,617)		1,903,617;			1,027,588
Free share capital increase (Stock grant)	16,138					(1,525,960)		1,525,960;			16,138
Changes from own shares								-			-
Change in area/extraordinary operations								-			-
Change in loss coverage operations				142,326				-			142,326
Change in actuarial profits/losses on severance pay							(393,791)	-			(393,791)
Result for the year								-		(15,723,624)	(15,723,624)
Other changes						1,575,510		(3,117,137)	1,513,474		(28,153)
BALANCES AS AT 31 December 2021	**523,907**	**101,554**	**71,185,405**	**(26,492)**	**(443,567)**	**1,575,510**	**(738,645)**	**6,325,145**	**(30,812,913)**	**(15,723,624)**	**31,966,280**
BALANCES AS AT 01 January 2022	**523,907**	**101,554**	**71,185,405**	**(26,492)**	**(443,567)**	**1,575,510**	**(738,645)**	**6,325,145**	**(30,812,913)**	**(15,723,624)**	**31,966,280**
Allocation of result		-	-	-	-	-	-	-	(15,723,624)	15,723,624	-
Dividends											-
Share capital increase for subscription of newly-issued shares	96,988		5,819,293					-			5,916,280.81
Share capital increase against payment (including stock option)								-			-
Free share capital increase (Stock grant)								-			-
Changes from own shares								-			-
Change in area/extraordinary operations								-			-
Change in cash flow hedging transactions				473,597				-			473,597
Change in actuarial profits/losses on severance pay							602,672	-			602,672
Result for the year								-		(23,780,422)	(23,780,422)
Other changes						1,486,019		493,782	333,912		2,313,714
BALANCES AS AT 31 December 2022	620,896	101,554	77,004,697	447,105	(443,567)	3,061,529	(135,973)	6,818,928	(46,202,625)	(23,780,422)	17,492,122

EXPLANATORY NOTES

GENERAL INFORMATION

Expert System S.p.A. changed its company name to Expert.ai S.p.A. by resolution of the shareholders' meeting of 29 April 2021, filed with the Chamber of Commerce on 11 May 2021.

Expert.ai is the brand of Expert S.p.A., an innovative company in the artificial intelligence (AI) technology market, founded in Modena in 1989, today an AI platform company based on a Group of over 300 professionals with solid technical and business skills, dedicated research laboratories and an international presence with subsidiaries and offices in Europe and North America.

Main industrial activities of the Group

The company's main goal represents one of the most fascinating challenges in computational science: to develop artificial intelligence technology capable of understanding language with a human-like approach. The advent of the digital age and the explosion of information has in fact accelerated the need to focus on more advanced technological solutions, capable of increasing human capabilities and intelligence by simplifying the reading and understanding of all textual content expressed in natural language (documents, research, web news, emails, customer interactions, etc.) in order to extract the elements of interest, on which to carry out further research, provide more appropriate answers, make more informed and timely decisions.

In this scenario, Expert.ai has consolidated its position as a global market leader with its artificial intelligence platform for natural language analysis and processing. Its customers span all major markets: Banking and Insurance, Publishing and Media, Defence and Intelligence, Health and Pharmaceuticals, Energy, etc.

FINANCIAL STATEMENTS

With regard to the methods of presenting the financial statements, the 'current/non-current' distinction has been adopted for the Balance Sheet, while the step-by-step format with the classification of costs by nature has been adopted for the Total Income Statement and the indirect method for the Cash Flow Statement. It should also be noted that the Group has applied the provisions of Consob Resolution No. 15519 of 27 July 2006 concerning financial statement formats. The Consolidated Financial Statements for the year ended 31 December 2022 have been prepared in accordance with IAS 1 and IAS 7 and consist of:

- Balance Sheet, which is presented by showing current and non-current assets and current and non-current liabilities separately (as is usually done by industrial and commercial entities), with a description in the notes for each asset and liability item of the amounts expected to be settled or recovered within or beyond 12 months from the date of the financial statements;
- Income Statement, the form of analysis of which is the nature of cost method;
- Total Income Statement;
- Statement of Changes in Shareholders' Equity;
- Cash Flow Statement, for which the indirect method has been used.

The Consolidated Financial Statements and the Explanatory Notes to the Consolidated Financial Statements have been drawn up in Euros.

PRESENTATION CURRENCY

These financial statements are expressed in Euros, which is the currency of the main economic environment in which the Group operates. Foreign companies are included in the Consolidated Financial Statements in accordance with the principles indicated in the following notes.
When specific cases so require, the monetary unit applied is expressly indicated, if different from the Euro.

BASIS OF PREPARATION AND ONGOING CONCERN PRINCIPLE

The Consolidated Financial Statements of the Expert.ai Group have been prepared in compliance with the IFRS, these meaning all the 'International Financial Reporting Standards", all the 'International Accounting Standards' (IAS), all the interpretations of the 'International Financial Reporting Interpretations Committee' (IFRIC), previously known as the 'Standing Interpretations Committee' (SIC) which, as at the closing date of the Consolidated Financial Statements, have been endorsed by the European Union in accordance with the procedure set out in Regulation (EC) no. 1606/2002 of the European Parliament and the European Council of 19 July 2002 and pursuant to Legislative Decree no. 38/2005.

The legal audit of the Consolidated Financial Statements was entrusted to BDO Italia S.p.A., the company responsible for the legal audit of the accounts of the Parent Company and the main Group companies.

IFRS have been applied consistently to all periods discussed in this document. The Consolidated Financial Statements have been prepared on a going concern basis, in that the Directors have verified that there are no financial, operational or other indicators that may point to critical issues regarding the Group's ability to meet its obligations in the foreseeable future and, in particular, over the 12 months following the closing date, based on the estimated cash flows available as of the date of approval of the financial statements. In particular, the Group's solid balance sheet and cash and cash equivalents at the end of the year ensure financial autonomy to support operational needs and development programmes.

31 March 2022 marked the date of the end of the public health emergency following the Covid pandemic; the much hoped-for gradual return to 'normality' can rightly be considered to have been fully achieved in the second half of 2022. The *Istituto Superiore di Sanità* (Italian Health Office) has recently declared Covid-19 to be an endemic virus, in light of the cases recorded in the period from 13 February to 12 March 2023.
As for the ongoing conflict in Ukraine, based on the information currently known as to the possible evolution of the scenarios of the conflict and the international sanctions adopted (on 25 February 2023 the European Union, one year after the Russian invasion, adopted the tenth package of sanctions against Russia), it is believed that the evolution of the scenarios and the sanctions imposed, albeit not entailing a risk for business continuity or any change in the values of the 2022 financial statements, will continue to cause strong tension, especially in the energy market, despite the government's interventions aimed at reducing Italy's dependence on Russian energy sources and the impact on the energy bills of companies and households. As regards revenues, it should be noted that the Company did not provide its services to customers located in Russia, Belarus and Ukraine in 2022. It will, however, be the responsibility of the directors to constantly monitor the situation and assess the responses with due care so that any negative effects are contained as far as possible.
In any case, inflation remains a central issue for 2023. Please refer to the Management Report; in any case, the priority for the current year in most economies will be to slow down inflation.

The Consolidated Financial Statements have been prepared on the basis of the conventional criterion of historical cost, with the exception of the valuation of financial assets and liabilities, where application of the fair value

standard is required.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE AS FROM 1 JANUARY 2022 AND APPLICABLE BY THE GROUP

The following is a description of the amendments, improvements and interpretations applied to the financial statements for the years ended after 31 December 2021 and which became effective on or after 1 January 2022. Standards, amendments and interpretations which, by their nature, cannot be adopted by the Company are excluded from the list.

On 14 May 2020, the IASB issued amendments, implemented by the European Commission on 13 January 2021 and 28 June 2021 with EU Regulations No.s 2021/25 and 2021/1080, to the following standards:

- IFRS 9 Financial Instruments;
- IFRS 3 Business combinations;
- IAS 16 Property, Plant and Equipment;
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

All changes are effective as from 1 January 2022. The adoption of this amendment had no impact on the Group's consolidated financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE AND NOT YET ADOPTED IN ADVANCE BY THE GROUP

As required by IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors - below are the new standards and new accounting interpretations, as well as the amendments to the most significant standards and interpretations already applicable, not yet in force or not yet endorsed by the European Union (EU), which may be applied in the future to the financial statements.
For all newly issued standards, as well as for revisions and amendments to existing standards, the Group is assessing any impacts, which cannot currently be reasonably estimated, resulting from their future application.

Amendments to IAS 1 'Classification of Liabilities as Current or Non-current-Deferral of Effective Date'
On 15 July 2020, the IASB issued amendments to IAS 1 'Classification of Liabilities as Current or Non-current-Deferral of Effective Date' designed to postpone by one year the effective date of the amendments to IAS 1 'Presentation of Financial Statements: Classification of Liabilities as Current or Non-current' (hereinafter amendments to IAS 1), issued by the IASB on 23 January 2020. The amendments to IAS 1 are effective for fiscal years beginning on or after 1 January 2023.

RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS EXPOSED

With regard to the risks and uncertainties to which the Group is exposed, please refer to the specific chapter in the Management Report.

REFERENCE DATE

The consolidated financial statements refer to the date of 31/12/2022.

SECTOR INFORMATION

The company does not present the information required under IFRS 8, as it does not have operating sectors identified in accordance with paragraphs 5 to 10 of that standard.

SCOPE OF CONSOLIDATION

The consolidated financial statements as at 31/12/2022 of the Group include the financial statements of Expert.ai S.p.A. and its foreign subsidiaries, which are consolidated using the line-by-line method.

SCOPE OF CONSOLIDATION AS AT 31/12/2022

Company name	*Registered office*	*CURRENCY*	*% shareholding*
Expert.ai S.p.A.	Rovereto, Italy	EUR	Parent Company
Expert System USA Inc	Rockville (USA)	USD	100% Expert.ai S.p.A..
Expert System Iberia Slu	Madrid (ESP)	EUR	100% Expert.ai S.p.A..
Expert System Cogito Ltd	London (UK)	GBP	100% Expert.ai S.p.A..
Expert System Helvetia Sàrl	Geneva (CH)	CHF	100% Expert.ai S.p.A..
Expert System France S.A.S.	Paris (FRA)	EUR	100% Expert.ai S.p.A..
Expert System Enterprise Corp.	Rockville (USA)	USD	100% Expert System France S.A.S.
Expert System Canada - Tech. Sém. Inc.	Montreal (CAN)	CAD	100% Expert System France S.A.S.
Expert System Deutschland Gmbh	Bad Homburg vdH (GER)	EUR	100% Expert System France S.A.S.

PRINCIPLES OF CONSOLIDATION AND CONVERSION

The consolidated financial statements of the Expert.ai Group include the financial statements of the parent company Expert.ai S.p.A. and of the companies controlled thereby (subsidiaries) drawn up as at 31/12/2022.

All Group companies have produced the data and information required to prepare the Consolidated Financial Statements in accordance with IFRS.

Subsidiaries

The Consolidated Financial Statements include the financial statements of all controlled companies. The group controls an entity when the group is exposed, or has the right, to the variability of results arising from that entity and can influence those results by exercising power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date control is acquired until such control ceases to exist. Costs incurred in the acquisition process are expensed in the period in which they are incurred. Receivables and payables, as well as costs and revenues arising from transactions between companies included in the scope of consolidation are fully eliminated; capital losses and gains arising from transfers of fixed assets between consolidated companies, losses and gains arising from transactions between consolidated companies relating to the sale of goods that are held as inventory by the acquiring company, write-downs and reversals of impairment losses of investments in consolidated companies, as well as intercompany dividends, are also eliminated. The minority interest in capital and reserves in subsidiaries and the minority interest in the Profit or Loss for the year of consolidated subsidiaries, if any, are separately identified. Minority interests in losses that exceed the

interest in the capital of the investee company are allocated to minority interests in shareholders' equity.
Changes in ownership interests in subsidiaries that do not result in the acquisition or loss of control are posted to changes in shareholders' equity. The difference between the price paid and the portion of shareholders' equity acquired is recorded as an offsetting entry to the Group's shareholder equity as the Profits/Losses arising from the sale of shares to minority shareholders.
When the Group loses control of a subsidiary, the fair value of the residual interest (investment) held at the date of loss of control is remeasured by recognising any resulting difference as a Profit or Loss in the Statement of Profit/(Loss) attributable to the parent company. This value will also correspond to the initial recognition value of the said remaining investment as an investment in an associated company, joint venture or financial asset. Finally, the Group will account for all amounts previously recognised in other total income statement components with respect to that subsidiary, similar to what would be required if the parent had directly disposed of the related assets or liabilities. This could result in the reclassification of such Profits or Losses from Shareholders' Equity to Profit/(Loss) for the year. The financial statements of subsidiaries are adjusted in order to bring them into line with the accounting standards adopted by the Group. The closing date of subsidiaries is aligned with that of the Parent Company; if this is not the case, the subsidiaries prepare special balance sheets for use by the Parent Company.

Associated companies

Associated companies are those over which significant influence is exercised, which is presumed to exist when the shareholding is between 20% and 50% of the voting rights. Investments in associated companies are initially recorded at cost and subsequently valued using the Shareholders' Equity method described below. The book value of these investments is in line with the Shareholders' Equity adjusted, where necessary, to reflect the application of IFRS and includes the recognition of the higher values attributed to assets and liabilities and any goodwill identified at the time of acquisition. The financial statements of the companies valued with the Shareholders' Equity method are also adjusted to bring them into line with the accounting standards adopted by the Group.
Profits or losses pertaining to the Group are accounted for from the date on which the significant influence begins and until the date on which it ceases. If, as a result of losses, the Company valued using this method shows a negative Shareholders' Equity, the book value of the equity investment is cancelled and any surplus pertaining to the Group, where the latter has undertaken to meet the legal or implicit obligations of the investee company, or otherwise to cover its losses, is recorded in a specific provision; changes in the equity of companies accounted for by using the Shareholders' Equity method that are not reflected in the Income Statement are posted directly as an adjustment to Shareholders' Equity reserves. Unrealised Profits and Losses generated by transactions between the Parent Company/Subsidiaries and the investee company valued by using the Shareholders' Equity method are eliminated in proportion to the value of the Group's holding in the investee company; unrealised losses are eliminated, except where they represent impairment.

Business combinations

In accordance with the provisions of IFRS 3 Business Combinations, business combinations whereby control of an entity is acquired are recognised according to the acquisition method. The acquisition cost is represented by the fair value at the acquisition date of the assets sold, liabilities assumed and equity instruments issued. The identifiable assets acquired, liabilities and contingent liabilities assumed are recorded at their fair value at the date of acquisition, except for deferred tax assets and liabilities, assets and liabilities for employee benefits and assets held for sale which are recorded in accordance with the relevant accounting standards. The difference between the cost of acquisition and the fair value of the assets and liabilities acquired, if positive, is recorded under intangible assets as goodwill, or, if negative, after having verified that the fair values of the assets and liabilities acquired and the cost of

acquisition have been correctly measured, is recorded directly in the Income Statement, as income. Incidental transaction costs are recognised in the Income Statement as they are incurred. The acquisition cost also includes contingent consideration, which is recognised at fair value at the date of acquisition of control. Subsequent changes in fair value are recognised in the Income Statement or the Total Income Statement if the contingent consideration is a financial asset or liability. Contingent consideration classified as Shareholders' Equity is not recalculated and the subsequent settlement is recorded directly in Shareholders' Equity. If the business combinations with which control is acquired take place in stages, the Group recalculates the interest it previously held in the acquiree at the respective fair value at the acquisition date and recognises any resulting Profit or Loss in the Income Statement. Acquisitions of minority interests relating to entities for which control already exists or the sale of minority interests that do not entail loss of control are considered transactions relating to Shareholders' Equity; therefore, any difference between the cost of the acquisition/sale and the related fraction of Shareholders' Equity acquired/sold is posted as an adjustment to Group Shareholders' Equity.

In the event of the acquisition of non-total controlling shareholdings, goodwill is recorded only for the portion attributable to the Parent Company. The value of minority shareholdings is determined in proportion to the minority interests held in the acquiree's identifiable net assets. Ancillary charges associated with the acquisition are recognised in the Income Statement at the date the services are rendered.

Transactions eliminated in the consolidation process

In preparing the consolidated financial statements, all significant balances and transactions between Group companies are eliminated, as are unrealised profits and losses on intercompany transactions. Realised profits and losses generated on transactions with associated or jointly controlled companies are eliminated in proportion to the value of the Group's interest in those companies.

Conversion of financial statements in foreign currency

When translating financial statements denominated in foreign currency, balance sheet items are converted at year-end exchange rates, whilst income statement items are converted at the average exchange rate for the year. Shareholders' equity items are converted into euros at the exchange rate in force on the respective date of formation, or at the average exchange rate for the period if the items are formed more than once during the year. Any differences between the result for the year, deriving from conversion at average exchange rates, and that resulting from conversion at year-end exchange rates, as well as the effects on other shareholders' equity items of fluctuations between historical exchange rates and year-end rates, are recorded in shareholders' equity under the 'Conversion reserve' item. The rates applied when converting the financial statements of companies located outside the euro area are shown below.

Currency	Exchange rate as at 31/12/2022	Average exchange rate in 2022	Exchange rate as at 31/12/2021	Average exchange rate in 2021
USD - US Dollar	1.0666	1.0530	1.1326	1.1827
CHF - Swiss Franc	0.9847	1.0047	1.0331	1.0811
GBP - pound sterling	0.8869	0.8528	0.8403	0.8596
CAD - Canadian dollar	1.4440	1.3695	1.4393	1.4826

VALUATION CRITERIA

The accounting standards and valuation criteria adopted in preparing the Consolidated Financial Statements are shown below:

Intangible fixed assets

Intangible assets consist of non-monetary items that are identifiable and have no physical substance, are controllable and capable of generating future economic benefits. These items are recorded at purchase and/or production cost, including directly attributable expenses for preparing the asset for use, net of accumulated amortisation and any impairment losses. Any interest expense accrued during and in connection with the development of intangible assets is capitalised as an increase of the asset itself. Items that meet the definition of 'assets acquired in a business combination' are only accounted for separately if their fair value can be reliably determined. Intangible assets are subject to amortisation except when they have an indefinite useful life. Amortisation begins when the asset is available for use and is systematically allocated in relation to the residual possibility of use of the same, i.e. on the basis of the estimated useful life.

Costs incurred for intangible assets after purchase are only capitalised if they increase the future economic benefits of the intangible asset to which they refer. All other costs are charged to the Income Statement in the period in which they are incurred. Intangible fixed assets include those with a finite useful life or other intangible fixed assets, the valuation criteria for which are described in the following paragraphs.

Goodwill

Goodwill arising from the acquisition of a subsidiary or other business combinations represents the excess of the acquisition cost over the Group's share of the fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill is not amortised, but is tested for impairment annually, or more frequently if specific events or changed circumstances indicate that it may be impaired. Reversals of impairment losses are not permitted in the case of a previous write-down for impairment. After initial recognition, goodwill is measured at cost, less any accumulated impairment losses.

Upon the transfer of control of the previously acquired business, the gain or loss on disposal takes into account the corresponding residual value of the previously recognised goodwill.

Research and development costs

Research costs are charged to the Income Statement in the period in which they are incurred.

Costs for the development of new products and processes are capitalised and recognised as intangible assets only if all of the following conditions are met:

- the project is clearly identified and the costs associated with it are reliably identifiable and measurable;
- the technical feasibility of the project is demonstrated;
- the intention to complete the project and sell the intangible assets generated by the project is demonstrated;
- there is a potential market or, in the case of internal use, the usefulness of the intangible asset is demonstrated;
- the technical and financial resources necessary to complete the project are available.
- they are amortised over the period in which expected future revenues arise from the same project. The useful life is established as 5 years.

Patents and Intellectual Property

The amortisation of industrial patents and intellectual property rights is calculated using the straight-line method, so as to allocate the cost incurred for the acquisition of the right over the shorter of the period of expected use and the

duration of the related contracts, starting from the time at which the right acquired becomes exercisable. Software license costs are amortised using the straight-line method over the 10-year period.

Concessions, licences and trademarks

Concessions, licences and similar rights deriving from an acquisition are recorded at their fair value at the date of acquisition and are systematically amortised taking into account the shorter of the period of expected use and the period of ownership of the right. The amortisation period is 10 years.

Other intangible fixed assets

This item includes costs that qualify for capitalisation and have not been included in the above categories.

Rights of use

The accounting standard defines a single model for recognising leases, eliminating the distinction between operating and finance leases, and providing for the recognition of an asset for the right to use the asset and a liability for the lease. A contract is, or contains, a lease if, in exchange for consideration, it grants the right to control the use of a specified asset for a period of time. Assets for the right to use leased goods are initially measured at cost, and subsequently amortised over the term of the lease defined during the analysis phase, taking into account reasonably exercisable options to extend or terminate the lease. The cost of right of use assets includes the initially recognised value of the lease liability, the initial direct costs incurred, an estimate of any restoration costs to be incurred at the end of the lease term, and lease-related prepayments made at the first transition date net of any lease incentives received.

The related liabilities for leased assets are initially measured at the present value of the payments due for fixed rentals to be paid at the date the lease agreement is signed and for the price of exercising the purchase and redemption option if reasonably exercisable, discounted using the implicit interest rate of the lease, if determinable, or the marginal financing rate at that date. Liabilities for leased assets are subsequently increased by interest accruing on such liabilities and decreased in correlation with lease payments. Liabilities for leased assets are in any case restated to take into account any changes to the payments due for the lease, adjusting the asset consisting of the right of use by the same amount. However, if the book value of the asset consisting of the right of use is zero and there is a further reduction in the valuation of the lease liability, this difference is recognised in the profit (loss) for the year. In the case of intervening changes in the lease, such changes are accounted for as a separate lease when rights of use are added to one or more underlying assets and the lease consideration increases by an amount reflecting the stand-alone price for the increase in the scope of the lease. In connection with changes that are not accounted for as a separate lease, the lease liability is restated by discounting the revised lease payments due using a revised discount rate, based on the new lease term. These adjustments to liabilities are accounted for by making a corresponding change to the asset consisting of the usage right, recording any profit or loss related to the partial or total termination of the contract in the income statement. No assets are recorded for rights of use in relation to: i) short-term leases; ii) leases where the underlying asset is of low value. Payments due under these types of leases are recognised as operating expenses on a straight-line basis. The income statement, under operating costs, shows amortisation of the right of use asset and, in the financial section, interest expense accrued on the lease liability, if not capitalized. The income statement also includes: i) payments related to short-term, low-value leases, as permitted under simplified rules; and ii) variable lease payments, which are not included in the determination of the lease liability (e.g., payments based on the use of the leased asset). The Group's rights of use relate to leased properties and motor vehicles.

The company has chosen to show them in the financial statements separately from other tangible fixed assets. The amortisation period corresponds to the duration of the respective contracts, also taking into account reasonably probable renewals.

Tangible fixed assets

Fixed assets, shown net of accumulated depreciation, are recorded at purchase or production cost, with the exception of assets whose value has been revalued on the basis of legal provisions. Cost includes ancillary charges and costs directly attributable to the asset. Fixed assets, with the exception of land, are systematically depreciated each year on a straight-line basis at economic-technical rates determined in relation to the residual possibility of use of the assets; in the event of a permanent impairment of value, irrespective of the depreciation already recorded, the fixed asset is written down accordingly. Ordinary maintenance costs are charged in full to the Income Statement. Maintenance costs of an incremental nature are allocated to the assets to which they refer and depreciated in relation to the residual possibility of use of the same. Assets under construction and advances to suppliers are recorded under assets on the basis of the cost incurred, including directly attributable expenses.
The depreciation rates applied are as follows:

CATEGORY	%
Buildings	3.0%
Specific installations	20.0%
Electronic office machines	20.0%
Office furniture and furnishings	12.0%
Mobile phones	20.0%
Motorcycles	25.0%
Other fixed assets	12.0%

Leasehold improvements, which include the costs incurred for the modernisation and extraordinary maintenance of buildings not owned by the Company (and which are nevertheless instrumental to the Group's activities) are depreciated on the basis of the duration of the lease contract, including any periods of renewal, or the useful life of the asset, if this is shorter. The cost of extraordinary maintenance is included in the book value of an asset when it is likely that the Company will obtain future economic benefits in excess of those originally determined. Such maintenance is depreciated over the remaining useful life of the related asset. All other maintenance costs are recognised in the Income Statement in the period in which they are incurred.

Impairment of non-financial assets

At each reference date of the financial statements, tangible and intangible assets are analysed in order to identify any indicators of impairment. In the presence of such indicators, the recoverable value of the said assets is estimated, allocating any write-down compared to the related book value to the Income Statement. An intangible asset with an indefinite useful life, such as goodwill, is not amortised but is subject to an impairment test every year or more frequently, whenever there is an indication that the asset may be impaired. The recoverable value of an asset is the higher of its fair value, less costs to sell it, and its value in use, this meaning the current value of the future cash flows estimated for this asset. For an asset that does not generate largely independent cash flows, the realisable value is determined in relation to the cash generating unit to which that asset belongs. In determining the value in use, the expected future cash flows are discounted using a discount rate that reflects the current market valuation of the cost of money, in relation to the period of the investment and the specific risks of the asset. The value in use is

determined net of the tax effect, applying a post-tax discount rate, as this method produces values that are substantially equivalent to those that can be obtained by discounting pre-tax cash flows at a pre-tax discount rate. An impairment loss is recognised in the Income Statement when the book value of the asset is greater than its recoverable amount. If the conditions for a previous write-down no longer apply, the book value of the asset, excluding goodwill, is reinstated and charged to the Income Statement, within the limits of the net book value that the asset in question would have had if the write-down had not been carried out and amortisation had been applied.

Equity investments in other companies and other securities

Investments in companies other than subsidiaries, associated companies and joint ventures (generally with an ownership of less than 20%) fall into the category of financial assets measured at fair value, which normally corresponds, on initial recognition, to the transaction price including directly attributable transaction costs. Subsequent changes in fair value are recorded in the Income Statement (FVPL) or, if the option provided for in the standard is exercised, in the Total Income Statement (FVOCI) under the item 'Reserve for instruments at FVOCI". For investments valued at FVOCI, impairment losses are never recognised in the Income Statement as are accumulated gains or losses when the investment is sold; only dividends distributed by the investee are recognised in the Income Statement when:

- the Group's right to receive payment of the dividend arises;
- it is likely that the Group will obtain the economic benefits arising from the dividend;
- the amount of the dividend can be reliably estimated.

If the fair value cannot be reliably determined, equity investments and securities are valued at cost, adjusted if necessary for any impairment losses. The related dividends are posted among financial income when the right to receive them is established, which generally coincides with the Shareholders' Meeting resolution.

Determination of recoverable value

In case of indicators, events or changes in circumstances that lead to the assumption of impairment losses, the standard requires intangible, tangible and financial assets to undergo impairment testing, in order to ensure that assets are not entered in the financial statements at a value higher than their recoverable value. As already mentioned, this test should be carried out at least once a year for fixed assets with an indefinite useful life. The recoverable value of assets corresponds to the higher of Fair Value, net of selling costs, and value in use. In order to determine value in use, estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the value of money and the risks associated with the Group's operations, as well as the cash flows deriving from disposal of the asset at the end of its useful life. If an independent cash flow for a single asset cannot be estimated, the cash generating unit to which the asset belongs and to which it is possible to associate future independent cash flows is identified.

Reversals of impairment losses

A reversal of an impairment loss on a financial asset carried at amortised cost should be recognised when the subsequent increase in recoverable amount can be objectively attributed to an event that occurred after an impairment loss was recognised. In the case of other non-financial assets, a reversal of an impairment loss takes place if there is an indication that the loss in value no longer exists and there has been a change in the valuations used to determine the recoverable value. A reversal of an impairment loss must be recognised immediately in the Income Statement by adjusting the book value of the asset to its recoverable amount. The latter must not exceed the book value that would have been determined, net of amortisation and depreciation, if no impairment loss had been recognised in previous years. Goodwill cannot be reversed.

Trade receivables and other receivables

Receivables are initially recorded at estimated realisable value, i.e. at face value less allowances for doubtful accounts that reflect estimated losses on receivables. Receivables are written down when there is an objective indication that the receivable is likely to be uncollectable and on the basis of historical experience and statistical data, applying an expected loss approach. Receivables are regularly reviewed for maturity and seasonality in order to prevent adjustments for unexpected losses. Any medium- and long-term receivables that include an implicit interest component are discounted using an appropriate market rate. This item includes accruals and deferrals relating to portions of costs and income that are common to two or more financial years, the amount of which varies over time, in application of the accruals principle.

Inventories

Inventories are carried at the lower of purchase or production cost and net realisable value represented by the amount the company expects to obtain from their sale in the ordinary course of business, less costs to sell. The cost of inventories of raw, ancillary and consumable materials as well as finished goods and goods for sale is determined by applying the weighted average cost method. Production cost includes raw materials, direct labour costs and other production costs (based on normal operating capacity). Financial charges are not included in the valuation of inventories. Materials that are slow-moving or otherwise no longer reusable or saleable in the normal operating cycle are appropriately written down to align their value with their net realisable value.

Work in process on long-term contracts

The recognition of assets or liabilities for work in process on long-term contracts (hereinafter also referred to as 'contracts') depends on the method by which control is transferred to the customer of the good or service: in the case where this occurs gradually as the good is constructed or the services are rendered, the assets are recognised at the value of the agreed contractual payments, according to the method of hours worked, taking into account the stage of progress achieved and the expected contractual risks; where, instead, control is transferred at the time of the final delivery of the good or the completion of the provision of all the services promised, the assets are recognised at purchase cost.

A contract is recognised as a single asset if it identifies a single contractual obligation, i.e. if the promise is to transfer a single good/service to the customer or a series of substantially equal goods/services transferred to the customer over a period of time in the same manner. If different contractual obligations are identified within the contract, they are recognised in the accounts as separate assets derived from the same contract with the customer. Contractual changes are recognised as a new contract if they include new separate goods or services and the price of the contractual change represents the stand-alone selling price charged for additional goods and services; otherwise the additional good is accounted for as a single contract together with the original contract. Work progress is measured by referring to the contract hours used at the date of the financial statements in relation to the total

estimated working hours for the contract. If the completion of a contract is expected to result in a loss in terms of the industrial margin, this is recognised in its entirety in the financial year in which it becomes reasonably foreseeable. Assets for work in process on long-term contracts are stated considering costs incurred plus recognised margins, net of related liabilities, i.e. Work progress billings and any expected losses. This analysis is carried out contract by contract. If the differential is positive, the imbalance is classified as an asset in the item 'work in process on long-term contracts'; if, on the other hand, the differential is negative, the imbalance is classified as a liability.

Financial assets

The Group classifies financial assets according to the following categories:

- financial assets valued at amortised cost;
- assets at fair value through Other Components of the Total Income Statement (FVOCI);
- assets at fair value through profit or loss for the year (FVTPL).

Given the immateriality of the financial assets in the Consolidated Financial Statements, the directors have opted to recognise them at cost, which is substantially not dissimilar to fair value.

Cash and cash equivalents

Cash and cash equivalents include cash balances and demand deposits and all highly liquid investments purchased with an original maturity of three months or less. Securities included in cash and cash equivalents are recorded at fair value.

Employee benefits

The cost related to benefits provided to employees is determined using the Projected Unit Credit Method by performing actuarial valuations at the end of each financial year. Defined-benefit plans also include severance pay (TFR) due to employees of the Group's Italian companies pursuant to article 2120 of the Italian Civil Code, accrued prior to the reform of severance pay in 2007, in that it is similar to defined-benefit plans. The amount recorded in the financial statements is subject to actuarial calculation according to the projected unit credit method, using for discounting purposes an interest rate that reflects the market yield on securities with maturities consistent with the expected maturity of the obligation. The calculation concerns severance pay accrued for work already carried out and incorporates, for Italian subsidiaries which in 2007 had fewer than 50 employees, assumptions regarding future salary increases. Any actuarial gains or losses are recorded directly in the 'Valuation reserves' included in shareholders' equity, with immediate recognition in the Total Income Statement.

Share-based incentive plans

Certain employees of the Group, the Directors and certain consultants receive part of their remuneration in the form of share-based payments, so employees perform services in exchange for shares ("equity-settled transactions"). The cost of equity-settled transactions is determined by the fair value at the grant date, using an appropriate valuation method, as explained in Note 38.

This cost is recognised under personnel costs over the period in which the conditions relating to the achievement of targets and/or the provision of the service are met, with a corresponding increase in shareholders' equity. The cumulative costs recognised in respect of these transactions at the end of each financial year up to the vesting date are commensurate with the maturity of the vesting period and the best estimate of the number of equity instruments that will actually vest.

Service or performance conditions are not taken into account when determining the fair value of the plan at the grant date. However, the probability that these conditions will be met is taken into account when defining the best

estimate of the number of capital instruments that will vest. Market conditions are reflected in the fair value at the grant date. Any other plan-related condition that does not result in a service obligation is not considered a vesting condition. Non-vesting conditions are reflected in the fair value of the plan and result in the immediate recognition of the cost of the plan unless there are also service or performance conditions.

No expense is recognised for rights that do not vest because performance and/or service conditions are not met. When rights include a market condition or a non-vesting condition, they shall be treated as if they had vested, regardless of whether the market conditions or other non-vesting conditions to which they are subject are met, provided that all other performance and/or service conditions are met.

If the terms of the plan are changed, the minimum cost to be recognised is the fair value at the grant date in the absence of the plan change, assuming the original terms of the plan are met. In addition, a cost is recognised for any change that results in an increase in the total fair value of the payment plan, or is otherwise favourable to employees; such cost is measured by reference to the date of change. When a plan is cancelled by the entity or the counterparty, any remaining element of the fair value of the plan is immediately reversed to profit or loss.

Provisions for risks and charges

Provisions for risks and charges are recorded in respect of losses and charges of a determinate nature, whose existence is certain or likely, but whose amount and/or date of occurrence cannot be precisely determined. Recognition is only made when a current obligation exists for a future outflow of economic resources as a result of past events and it is likely that such outflow will be required to settle the obligation. This amount represents the best estimate of the expense required to settle the obligation. When the financial effect of time is significant and the payment dates of the obligations can be reliably estimated, the funds are measured at the present value of the expected expense using a rate that reflects market conditions, the change in the cost of money over time, and the specific risk associated with the obligation. The increase in the value of the fund caused by changes in the cost of money over time is recorded as interest expense. Risks for which the occurrence of a liability is only possible are indicated in the specific section on commitments and risks for which no provision is made.

Derivative financial instruments

The derivative instruments arranged by the Group are designed to cover exposure to the interest rate risk associated primarily with loans. On the date the contract is entered into, derivative instruments are initially recognised at fair value and, if the derivative instruments cannot be classified as hedging instruments, changes in fair value recognised subsequent to initial recognition are treated as an operating or financial component of the result for the year in relation to the nature of the instrument. If, on the other hand, the derivatives meet the requirements to be classified as hedging instruments, the subsequent changes in fair value are accounted for by following the specific criteria indicated below.

For each derivative financial instrument identified as a hedging instrument, its relationship to the hedged item is documented, including risk management objectives, the hedging strategy and the assessment of hedge effectiveness. The effectiveness of each hedge is tested both at the time of inception of each derivative instrument and during its life. Generally, a hedge is considered to be highly 'effective' if, both at its inception and during its life, changes in the fair value in the case of a fair value hedge or in the expected future cash flows in the case of a cash flow hedge of the hedged item are substantially offset by changes in the fair value of the hedging instrument. When the hedge concerns changes in the fair value of assets or liabilities recorded in the financial statements (fair value hedge), both the changes in the fair value of the hedging instrument and the changes in the hedged item are posted to the Income Statement. In the case of a hedge aimed at neutralizing the risk of changes in future cash flows deriving from the future execution of transactions that are expected to be highly likely at the reference date of the financial

statements (cash flow hedge), the changes in the fair value of the derivative instrument posted subsequent to initial recognition are accounted for, limited only to the effective portion, among the components of Total Income and Loss. When the economic effects arising from the hedged item become apparent, the reserve is reversed to the Income Statement among operating components. If the hedge is not perfectly effective, the change in fair value of the hedging instrument, referring to the ineffective portion of the hedge, is immediately posted to the Income Statement. If, during the life of a derivative instrument, the expected transaction for which the hedge was activated is no longer expected to take place, the portion of the 'reserves' item relating to this instrument is immediately reversed to the Income Statement for the financial year. On the other hand, if the derivative instrument is sold or no longer qualifies as an effective hedging instrument, the part of the 'reserves' item representing the changes in fair value of the instrument, recorded up to that moment, is maintained as a component of Total Income and Loss and is reversed to the Income Statement in accordance with the classification criterion described above, at the same time as occurrence of the economic effects of the transaction originally covered by the hedge. The fair value of instruments listed on public markets is determined with reference to year-end prices. The fair value of unlisted instruments is measured with reference to financial valuation techniques: in particular, the fair value of interest rate swaps is measured by discounting expected cash flows.

Financial assets and liabilities valued at fair value are classified in the three hierarchical levels described below, based on the relevance of the information (input) used to determine fair value. Specifically:

- Level 1: financial assets and liabilities whose fair value is determined based on listed prices (unmodified) on active markets for identical assets or liabilities;
- Level 2: financial assets and liabilities whose fair value is determined on the basis of inputs other than the listed prices referred to in Level 1 but which are observable directly or indirectly (such as primarily: market exchange rates at the reference date, expected rate differentials between the currencies involved and volatility of the reference markets, interest rates and commodity prices);
- Level 3: financial assets and liabilities whose fair value is determined based on inputs that are not based on observable market data.

Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired and the company has essentially transferred all risks and benefits relative to the instrument and the corresponding control.

Financial payables

Financial liabilities, including financial payables, trade payables, other payables and other liabilities, other than derivatives, are initially recognised at fair value and subsequently measured at amortised cost, net of any principal repayments already made. Payables and other liabilities are classified as current liabilities unless the Group has a contractual right to settle its obligations at least beyond twelve months from the date of the financial statements. Financial liabilities are eliminated when they are settled, i.e., when the obligation specified in the contract is fulfilled, cancelled or expired.

Bank overdrafts and loans

Loans are initially measured at cost, which approximates their fair value, net of transaction costs. Subsequently, they are recorded at amortised cost, with any difference between cost and the repayment value over the duration of the loan being charged to the Income Statement using the effective interest rate method. Loans are classified as current liabilities unless the Group has the unconditional right to defer settlement of such liability for at least twelve months after the date of the financial statements.

Trade payables and other payables

Trade and other payables are measured at initial recognition, at fair value, normally equal to nominal value, net of discounts, returns or billing adjustments, and are subsequently measured at amortised cost.

Capital contributions and operating grants

Any government grants are recognised in the financial statements when there is reasonable assurance that the Company will comply with all conditions for receipt of the grants and that the grants will be received. The Group has opted to present any capital contributions in the financial statements using the deferred income method and recognised on a systematic basis over the useful life of the asset. Any operating grants are reported under other revenues.

Revenues

Revenues are accounted for by applying a 5-step model:

1. Identification of the customer contract;
2. Identification of performance obligations ("P.O.s");
3. Determination of transaction consideration;
4. Allocation of consideration to the various P.O.s;
5. Revenue recognition when entity meets P.O.

Revenues are recorded net of returns, discounts, allowances and bonuses, as well as taxes directly related to the sale of goods and the provision of services. Revenues from sales are recognised when the company has transferred the significant risks and benefits associated with ownership of the asset and collection of the related receivable is reasonably certain.

Revenues from contracts with customers are recognised based on the temporal transfer of control of the goods and/or services to the customer. In the event that the transfer of control takes place as the asset is constructed or the services are rendered, revenues are recorded 'over time", that is, with the gradual progress of the activities; on the other hand, in the event that the transfer of control does not take place as the asset is constructed or the services are rendered, revenues are recorded 'at a point in time", that is, at the time of final delivery of the asset or upon completion of service supply. In order to assess the progress of 'over time' contracts, the Group applies the criterion of the percentage of progress assessed on the basis of hours accrued. When it is likely that total whole-life contract costs will exceed total corresponding whole-life revenues, the potential loss is recognised immediately in the Income Statement.

The company records revenues from standard licences, both perpetual and time-limited (almost all cases) upon delivery and testing, 'at a point in time". Only in the (residual) case of customised orders is the revenue recognised 'over time' on the basis of service progress, the company being entitled to collect the consideration for the services completed on the date.

Maintenance revenues are recognised 'over time' on the basis of the duration of the contract if the contract with the customer specifies a fixed maintenance fee, while they are recognised 'over time' on the basis of service progress if the contract specifies the expected hours of maintenance.

Dividends

Dividends received from investee companies are recognised in the Income Statement when:

- the Group's right to receive payment of the dividend arises;
- it is likely that the Group will obtain the economic benefits arising from the dividend;

- the amount of the dividend can be reliably estimated.

Costs

Costs and expenses are accounted for on an accrual basis.

Financial income and charges

These include all the financial items posted to the Income Statement for the period, including interest expense accrued on financial payables calculated using the effective interest method (primarily current account overdrafts, medium/long-term loans), foreign exchange gains and losses, and the portion of interest expense deriving from the accounting treatment of assets held under finance leases.

Interest income and expenses are charged to the Income Statement for the period in which they are realised/incurred.

Taxes

Income taxes for the period include current taxes and deferred taxes. Income taxes for the financial year are posted to the Income Statement; however, when they refer to items posted directly to Shareholders' Equity, they are accounted for in this latter item.

Other non-income related taxes, such as property taxes, are included in operating expenses.

Current taxes on taxable income for the year represent the tax charge determined using the tax rates in effect at the reference date of the financial statements, and any adjustments to tax liabilities calculated in prior years.

Deferred taxes are recorded for all temporary differences existing at the reference date between the book values of assets and liabilities entered in the financial statements and the corresponding values used to determine taxable income for tax purposes.

Deferred taxes refer to:

(i) temporary differences between the taxable base of an asset or liability and its book value in the financial statements;

(ii) positive income components recognised in the year in question and in past years, but taxable in subsequent years;

(iii) receivables for prepaid taxes are recorded in the financial statements;

(iv) for all deductible temporary differences, if it is likely that taxable income will be realised in respect of which the deductible temporary difference can be used, unless the deferred tax asset arises from the initial measurement of an asset or liability in a transaction other than a business combination which, at the date of the transaction, affects neither accounting result nor taxable income (tax loss);

(v) for the carryforward of unused tax losses and unused tax receivables, if it is likely that taxable income will be realised in respect of which the tax loss or tax receivable can be used.

Receivables for prepaid taxes and deferred tax liabilities are determined on the basis of the tax rates expected to apply to changes in income in the years in which the temporary differences will reverse, based on tax rates and tax laws in force or substantially in force at the reference date of the financial statements.

The effect of the change in tax rates on the aforesaid taxes is posted to the Income Statement in the year in which such change takes place. Receivables for prepaid taxes and deferred tax liabilities are only offset when they refer to taxes levied by the same tax authorities.

Use of estimates

The preparation of the financial statements requires Directors to apply principles and methods that, in certain circumstances, are based on difficult and subjective assessments of estimates based on historical experience and

assumptions that are from time to time considered reasonable and realistic depending on the relevant circumstances. The application of these estimates and assumptions influences the amounts reported in the financial statements, such as the Consolidated Balance Sheet, the Total Income Statement, the Statement of Changes in Shareholders' Equity and the Cash Flow Statement, as well as the information provided. The final results of the financial statement items for which the above-mentioned estimates and assumptions are used may differ from those shown in the financial statements that reflect the effects of the estimated event, due to the uncertainty that characterises the assumptions and the conditions on which estimates are based. With regard to the business sectors in which the Group operates, the items most impacted by the use of estimates and valuations and for which a change in the conditions underlying the assumptions used might have a significant impact on the consolidated financial data, are briefly described below.

Impairment of assets

The Group's tangible and intangible assets are subject to impairment testing on at least an annual basis if they have an indefinite life or more often in case of events that indicate that the book value cannot be recovered. The write-down is determined by comparing the book value with the related recoverable value, represented by the greater of fair value, net of disposal charges, and value in use determined by discounting to present value the expected cash flows deriving from use of the asset, net of disposal charges. Expected cash flows are quantified in light of the information available at the time of the estimate on the basis of subjective opinions on the trend of future variables (prices, costs, growth rates of demand, production profiles) and are discounted using a rate that takes account of the risk pertaining to the asset concerned. Goodwill and other intangible assets with an indefinite useful life are not subject to amortisation; the recoverability of their book value is checked at least annually and otherwise when events occur that imply a reduction in value. With reference to goodwill, the verification is carried out at the level of the smallest aggregate (cash generating unit 'CGU") on the basis of which Management assesses, directly or indirectly, the return on the investment that includes goodwill itself. When the book value of the cash generating unit, including the goodwill attributed to it, is higher than the recoverable value, the difference is subject to impairment that is first attributed to goodwill up to its amount; any excess of the impairment over goodwill is attributed pro-rata to the book value of the assets making up the cash generating unit.

Business Combination transactions

Recognition of Business Combination transactions involves allocating to the assets and liabilities of the acquired company the difference between the purchase cost and the net book value of the net assets acquired. For most assets and liabilities, the difference is allocated by recognising assets and liabilities at their fair value. The unallocated portion, if positive, is recorded under goodwill, if negative it is charged to the Income Statement. In the allocation process, Management makes use of available information and, for the most significant Business Combinations, of external evaluations.

Medium/long-term share-based incentive plans

Any medium/long-term share-based incentive plans envisage that, at the end of each accounting period, the estimated number of rights that will accrue until maturity is updated. The change in the estimate is posted as an adjustment to a Shareholders' Equity reserve, created specifically for incentive plans, with a corresponding entry in 'Personnel costs".

Basic or diluted earnings per share

Basic earnings per share are calculated by dividing the profit or loss for the year attributable to shareholders holding Ordinary Shares by the weighted average number of Ordinary Shares outstanding during the year.

The calculation of diluted earnings per share is consistent with the calculation of basic earnings per share, but takes into account all potential dilutive ordinary shares outstanding during the year, i.e:

- profit for the year attributable to ordinary shares is increased by the amount, net of tax, of dividends and interest recognised during the year in respect of potential dilutive ordinary shares and adjusted for any other changes in income or expense resulting from the conversion of potential dilutive ordinary shares;
- the weighted average number of ordinary shares outstanding is increased by the weighted average number of additional ordinary shares that would be outstanding if all potential dilutive ordinary shares were converted.

Subsequent events

For events occurring after the date of the financial statements, the Group analyses business events occurring after such date in order to verify whether, given the conditions identified by IAS 10, they should be used to adjust the amounts recognised in the financial statements or to recognise elements not previously recognised.

OTHER INFORMATION

Cash Flow Statement

The Cash Flow Statement has been prepared using the indirect method. Cash and cash equivalents included in the Cash Flow Statement include the balance sheet balances of that item as of the reference date. Other cash equivalents represent short-term, highly liquid financial resources that are readily convertible to cash and are exposed to an insignificant risk of change in value. Therefore, a financial resource is usually classified as cash equivalent when it is short term, i.e., three months or less from the date of purchase.

Overdrafts are usually part of financing activities unless they are repayable on demand and are an integral part of a Company's cash or cash equivalent management, in which case they are classified as a reduction of cash equivalents.

Foreign currency cash flows are translated at the average exchange rate for the period. Income and expenses related to interest, dividends received, and income taxes are included in cash flows from operations.

The cash flow statement shows separately the cash flows deriving from operating, investing and financing activities:

- cash flow from operating activities: cash flows from operating activities are primarily linked to income-generating activities and are reported by the Group using the indirect method. According to this method, profit for the year is adjusted for the effects of items that did not involve any disbursements during the period, i.e. did not generate cash (non-monetary transactions);
- cash flow from investing activities: investing activities are shown separately because they are, among other things, indicative of investments/disinvestments made with the aim of obtaining future revenues and positive cash flows;
- cash flow from financing activities: financing activities consist of flows that entail changes in the amount and composition of Shareholders' Equity and loans obtained.

1. Intangible fixed assets

Intangible fixed amount to Euro 20,307,822 (Euro 18,341,591 in the previous year), showing the following changes:

Description	Development costs	Industrial rights and patents	Concessions, licences and trademarks	Goodwill	Intangible fixed assets in process	Other intangible fixed assets	Total
01/01/2021	**12,174,363**	**362,859**	**175,167**	**3,421,599**	**0**	**105,588**	**16,239,576**
Increases for purchases	8,568,245	53,609	0	0	2,800	127,300	8,751,954
Decreases	0	0	0	0	0	0	0
Other changes	(623,930)	(5,002)	(160,986)	0	0	0	(798,918)
Amortisation for the period	(5,694,394)	(127,975)	(651)	0	0	(37,001)	(5,860,021)
31/12/2021	**14,424,284**	**283,491**	**13,530**	**3,421,599**	**2,800**	**195,887**	**18,341,591**
Increases for purchases	8,869,409	401,511	0	0	0	23,322	9,294,242
Decreases	0	0	0	0	0	0	0
Other changes	31,576	657	0	0	0	0	32,233
Amortisation for the period	(7,106,470)	(211,611)	(497)	0	0	(41,666)	(7,360,244)
31/12/2022	**16,218,799**	**474,048**	**13,033**	**3,421,599**	**2,800**	**177,543**	**20,307,822**

HISTORICAL COST	Development costs	Industrial rights and patents	Concessions, licences and trademarks	Goodwill	Intangible fixed assets in process	Other intangible fixed assets	Total
01/01/2021	**46,798,215**	**1,673,624**	**2,005,329**	**3,421,599**	**0**	**131,985**	**54,030,752**
Increases for purchases	8,568,245	53,609	0	0	2,800	127,300	8,751,954
Decreases	0	(140,190)	0	0	0	0	(140,190)
Other changes	144,144	2,189	(1,101,833)	0	0	0	(955,500)
31/12/2021	**55,510,604**	**1,589,232**	**903,496**	**3,421,599**	**2,800**	**259,285**	**61,687,016**
Increases for purchases	8,869,409	401,511	0	0	0	23,322	9,294,242
Decreases	0	0	0	0	0	0	0
Other changes	115,821	1,290	53,964	0	0	0	171,075
31/12/2022	**64,495,834**	**1,992,033**	**957,460**	**3,421,599**	**2,800**	**282,607**	**71,152333**

ACCUMULATED AMORTISATION	Development costs	Industrial rights and patents	Concessions, licences and trademarks	Goodwill	Intangible fixed assets in process	Other intangible fixed assets	Total
01/01/2021	**34,623,852**	**1,310,765**	**1,830,162**	**0**	**0**	**26,397**	**37,791,176**
Amortisation	5,694,394	127,975	651	0	0	37,001	5,860,021
Decreases	0	0	0	0	0	0	0
Other changes	768,074	(132,999)	(940,845)	0	0	0	(305,772)
31/12/2021	**41,086,320**	**1,305,741**	**889,966**	**0**	**0**	**63,398**	**43,345,425**
Depreciation	7,106,470	211,611	497	0	0	41,666	7,360,244
Decreases	0	0	0	0	0	0	0
Other changes	84,245	633	53,964	0	0	0	138,842
31/12/2022	**48,277,035**	**1,517,985**	**944,427**	**0**	**0**	**105,064**	**50,844,511**

Development costs are almost entirely referable to the parent company Expert.ai S.p.A. to which most of 'Research and Development activities' can be attributed. The costs entered are reasonably related to a useful life of several years and are systematically amortised in relation to their useful life. The costs incurred for these activities have been capitalized, also within the scope of national and international multi-year research projects in which the Company has been involved. In 2020 these activities focused on the artificial intelligence platform and the products that use the platform to target the most common customer use cases.

Goodwill recorded in the financial statements corresponds to the residual part, not yet amortised at the transition date (1 January 2019) according to previously adopted OIC accounting standards. In detail, goodwill refers to:

- For Euro 320,020, to the subsidiary Expert System Iberia S.L.U. following acquisition of the company branch of the company Isoco at the time of incorporation of Expert System Iberia S.L.U. and the consolidation of this company in the Group;
- For Euro 3,101,577, to the subsidiary Expert System France S.A.S. (formerly Temis) following acquisition of the French group.

The above goodwill was tested for impairment as of 31 December 2022. No write-downs were necessary.
Pursuant to IAS 36, the recoverable value of goodwill recorded in the financial statements is estimated by using the 'Discounted Cash Flow' model in the 'unlevered' version, which involves estimating future cash flows and applying an appropriate discount rate to determine the value in use of an asset. These flows are projected beyond the explicit horizon covered by the plan according to the terminal value method, using growth rates ("g rates") in line with those expected for the markets in which single CGUs operate. For the purpose of impairment testing, the Group uses projections of future cash flows based on the best information available at the time of the estimate, which can be inferred from forecast data for periods subsequent to the respective reference dates. This information is based on forecasts prepared by management of the subsidiaries as of 31 December 2022.
The growth rates used to estimate cash flows beyond the explicit forecast periods are determined in light of market data, and in particular using the average inflation expected over the cash flow reference period.
Expected future cash flows are discounted using WACC (Weighted Average Cost of Capital) with reference to the weighted average cost of capital for the individual sectors to which the CGUs refer and are adjusted, where necessary, to take account of the specific country risk premium/discount.
The WACCs used for discounting purposes are post-tax rates applied consistently to the reference flows.
It should also be noted that the cash flow projections reflect the current conditions of the CGUs being valued and that the WACC and g rate values are consistent with Management's expectations in relation to the expected performance of the reference markets.
It should be pointed out that, for the purposes of the impairment test, the group as a whole is considered as a single cash-generating unit, since the individual companies do not meet the definition of *'the smallest identifiable group of assets that generates incoming cash flows that are largely independent of the incoming cash flows generated by other activities or groups of assets having functional autonomy"*.

CGU 31.12.2022	goodwill value	recoverable amount	WACC	g rate	cash flow period
Expert System France/Iberia	3,421,597	value in use	10.5%	1.50%	3 years

Tests were performed based on cash flows inferred from forecasts prepared by management of the subsidiary for the period 2023-2025, based on expected growth.

No impairment loss was found during the impairment test as the recoverable amount is higher than the book value of the CGU.

On the basis of the assumptions described above, the Enterprise Value of the entire group was calculated, quantified as Euro 80.6 million with respect to a net invested capital of Euro 33.1 million.

By varying the WACC and g by +1% and -1%, respectively, the Enterprise Value varies between Euro 62.4 million (WACC 11.5%, g 0.5%) and Euro 109.4 million (WACC 9.5%, g 2.5%).

2. Tangible fixed assets

Tangible fixed amount to Euro 825,387(Euro 893,037 in the previous year), showing the following changes:

Description	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other goods	Total
01/01/2021	**329,475**	**10,970**	**0**	**378,766**	**719,211**
Increases for purchases		5,000	506	377,607	383,113
Decreases				(15,302)	(15,302)
Other changes	0	0	(506)	18,979	18,473
Depreciation for the period	(11,087)	(3,534)		(197,837)	(212,458)
31/12/2021	**318,388**	**12,436**	**0**	**562,213**	**893,037**
Increases for purchases		39,876		127,268	167,144
Decreases				(17,577)	(17,577)
Other changes	(1)	0	0	3,366	3,365
Depreciation for the period	(11,087)	(7,542)		(201,953)	(220,582)
31/12/2022	**307,300**	**44,770**	**0**	**473,317**	**825,387**

HISTORICAL COST	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other goods	Total
01/01/2021	**456,980**	**231,061**	**1,558**	**2,632,791**	**3,322,390**
Increases for purchases	0	5,000	506	377,607	383,113
Sales	0	0	0	(188,263)	(188,263)
Other changes	0	0	0	41,006	41,006
31/12/2021	**456,980**	**236,061**	**2,064**	**2,863,141**	**3,558,246**
Increases for purchases	0	39,876	0	127,268	167,144
Sales	0	0	0	(63,432)	(63,432)
Other changes	0	0	(27)	19,973	19,946
31/12/2022	**456,980**	**275,937**	**2,037**	**2,946,950**	**3,681,904**

ACCUMULATED DEPRECIATION	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other goods	Total
01/01/2021	**127,505**	**220,091**	**1558**	**2,254,025**	**2,603,179**
Depreciation for the period	11,087	3,534	0	197,837	212,458
Sales	0	0	0	(172,961)	(172,961)
Other changes	0	0	506	22,027	22,533
31/12/2021	**138,592**	**223,625**	**2,064**	**2,300,928**	**2,665,209**
Depreciation for the period	11,087	7,542	0	201,953	220,582
Sales	0	0	0	(45,855)	(45,855)
Other changes	1	0	(27)	16,607	16,581
31/12/2022	**149,680**	**231,167**	**2,037**	**2,473,633**	**2,856,517**

The item 'Other' includes residual values not classifiable in the previous items; specifically this item consists of:

- Office furniture for Euro 92,836
- Electronic office machines for Euro 359,477

- Cell phones for Euro 3,742
- Local installations for Euro 2,214

3. Rights of use

Rights of use refer to assets that are leased or rented. These rights refer in particular to properties rented by the Group and leased company cars.

Net value	
01/01/2021	**1,517,575**
Purchases	1,915,012
Depreciation	(826,182)
Other changes	(152,499)
31/12/2021	**2,453,906**
Purchases	364,543
Depreciation	(1,110,331)
Other changes	19,958
31/12/2022	**1,728,077**

Rights of use - HISTORICAL COST	
01/01/2021	**2,848,868**
Purchases	1,915,012
Depreciation	0
Other changes	(152,499)
31/12/2021	**4,611,381**
Purchases	448,496
Depreciation	
Other changes	(63,994)
31/12/2022	**4,995,883**

Rights of use - DEPRECIATION	
01/01/2021	**1,331,293**
Purchases	
Depreciation	826,182
Other changes	
31/12/2021	**2,157,475**
Purchases	
Depreciation	1,110,331
Other changes	
31/12/2022	**3,267,806**

In particular, these rights of use refer to the following companies:

Company	Real Estate	Vehicles
EXPERT SYSTEM ENTERPRISE CORP	193,050	-
EXPERT SYSTEM FRANCE S.A.S.	15,101	-
EXPERT SYSTEM USA INC	-	-
EXPERT SYSTEM IBERIA S.L.U.	54,148	29,450
EXPERT SYSTEM COGITO LTD	19,359	-
EXPERT.AI S.p.A.	915,042	501,926
Total	**1,196,701**	**531,376**

4. Equity Investments and Securities

Equity investments and Securities amount to Euro 544,374 (Euro 60,777 in the previous period).

The composition of and changes in individual items are represented as follows:

Description	31/12/2022	31/12/2021	Change
Equity investments	**70,777**	**60,777**	**10,000**
Equity investments in Buzzoole Holding Limited	50,000	50,000	0
Equity investment in Datum Consortium	3,572	3,572	0
Equity investments in other companies	17,205	7,205	10,000
Securities	**473,597**	**0**	**473,597**
Other securities	473,597	0	473,597
Total	**544,374**	**60,777**	**483,597**

Equity investments not included in the scope of consolidation amount to Euro 544,374 (Euro 60,777 in the previous period). The item 'Other Securities' of Euro 473,597 represents the positive fair value of derivative instruments, finalised by the Group, to hedge its interest rate risk exposure mainly related to loans.

5. Other non-current assets

Other non-current assets amount to Euro 9,700,442 (Euro 4,800,118 in the previous period).

The composition of and changes in individual items are represented as follows:

Description	31/12/2022	31/12/2021	Change
Prepaid expenses over 12 months	0	48,196	(48,196)
Other prepaid expenses over 5 years	100,296	0	100,296
Miscellaneous security deposits over 12 months	131,600	129,298	2,302
EXTRA-EEC customers for invoices to be issued > 12 months	2,511,845	789,199	1,722,646
CEE customers for invoices to be issued > 12 months	637,200	993,920	(356,720)
National customers for invoices to be issued > 12 months	2,575,887	563,875	2,012,012
Receivables for grants for research projects over 12 months	3,743,614	2,275,630	1,467,984
Total	**9,700,442**	**4,800,118**	**4,900,324**

The increase in receivables for invoices to be issued > 12 months is mainly attributable to the conclusion of a higher number of contracts for multi-year licences with longer invoicing schedules.
Non-current receivables for grants on research projects are detailed in the table below.

Description	Expert.AI S.p.a.	Expert System Iberia Slu	Expert System France Sas	Total
2021	**1,826,302**	**408,421**	**40,907**	**2,275,630**
2022	3,539,643	192,821	11,150	3,743,614
Total	5,365,945	601,242	52,057	6,019,244

Most of the contributions on research projects beyond 12 months are attributable to Expert.ai S.p.A.; specifically the most significant contributions are:

- MIUR (Ministry of Education, University and Research) for Euro 434,374
- MISE (Ministry for Economic Development) for Euro 844,373
- Emilia-Romagna Region for Euro 1,528,779
- European Commission for Euro 438,638.

6. Non-current tax receivables

Non-current tax receivables amount to Euro 2,892,667 (Euro 3,082,338 in the previous year).

The composition of and changes in individual items are represented as follows:

Description	31/12/2022	31/12/2021	Change
Deferred tax assets after 12 months	2,892,667	3,082,338	(189,671)
Total	2,892,667	3,082,338	(189,671)

Deferred tax assets are mostly attributable to Expert System Iberia S.l.u. and derive from prior year losses. In addition, there are prepaid taxes amounting to Euro 945,505 due to the consolidation of Expert System France S.A.S. Deferred tax assets relating to the IFRS transition are also recorded, the major effects of which derive from the adjustment of severance pay in accordance with IAS 19 (Euro 204,811).

7. Inventories

Inventories included in current assets amount to Euro 14,560 (Euro 0 in the previous year).

The composition of and changes in individual items are represented as follows:

Description	31/12/2022	31/12/2021	Change
Work in process on long-term contracts	14,560	0	14,560
Total	14,560	0	14,560

8. Trade receivables and other receivables

Trade receivables and other current receivables amount to Euro 20,023,651 (Euro 23,274,543 in the previous year).

This item is detailed in the table below:

Description	31/12/2022	31/12/2021	Change
Trade receivables	18,413,046	21,173,505	(2,760,459)
Bad debt provision	(276,572)	(307,424)	30,852
Receivables from others	1,887,177	2,408,462	(521,285)
Total	20,023,651	23,274,543	(3,250,892)

Changes in the bad debt provision during the year are as follows:

Description	31/12/2022	Used	Provision	31/12/2022
Bad debt provision	307,424	(30,852)1		276,572

The bad debt provision was adjusted in line with the best estimate of the credit risk and expected losses at the end of the financial year, also relying on an analysis of each past due item.

The breakdown of trade receivables by geographical area is shown in the following table:

Geographical area	31/12/2022	31/12/2021	Change

Italy	8,126,265	10,700,342	(2,574,077)
EEC countries	2,844,390	2,940,998	(96,608)
USA	5,027,716	4,609,726	417,990
Rest of the world	2,414,675	2,922,439	(507,764)
Total	18,413,046	21,173,505	(2,760,459)

The following table shows the receivables classified by seniority.

	31/12/2022	31/12/2021	Change
Current receivables (not past due)	14,841,837	17,110,619	(2,268,782)
Expired up to 30 days	911,219	1,800,997	(889,778)
Expired up to 60 days	334,562	223,038	111,524
Expired up to 90 days	481,976	258,725	223,251
Expired over 90 days	1,843,452	1,780,126	63,326
Total	18,413,046	21,173,505	(2,760,459)

Other receivables are detailed in the following table.

Description	31/12/2022	31/12/2021	Change
Advances	52,426	54,670	(2,244)
Miscellaneous security deposits within 12 months	436,300	476,958	(40,658)
Sundry receivables	1,398,451	1,876,834	(478,383)
Total	1,887,177	2,408,462	(521,285)

Sundry receivables include grants related to development projects falling due within 12 months, which are broken down by company as follows:

Description	Expert.AI S.p.a.	Expert System Iberia Slu	Expert System France Sas	Total
2021	**923,150**	**51,280**	**114,069**	**1,088,499**
2022	1,114,618	134,877	0	1,249,495
Total	2,037,768	186,157	114,069	2,337,994

Most of the contributions on research projects within 12 months are attributable to Expert.ai S.p.A.; specifically the most significant contributions are:

- European Commission for Euro 879,178.

9. Current tax receivables

Current tax receivables amount to Euro 5,123,998 (Euro 3,331,526 in the previous year).

The composition of and changes in individual items are represented as follows:

Description	31/12/2022	31/12/2021	Change
Tax receivables	4,105,239	2,666,142	1,439,097
Prepaid tax receivables	1,018,759	665,384	353,375
Total	5,123,998	3,331,526	1,792,472

A breakdown of tax receivables is provided below:

Description	31/12/2022	31/12/2021	Change
VAT receivable	300,473	191,903	108,570
Due from tax authorities for withholdings	170	618	(448)
IRAP [Regional Tax on Production] receivable	69,064	69,064	0
Non-taxable R&D tax receivables	2,974,487	2,119,984	854,503
Decree Law 66/14 bonus receivables	11,568	37,254	(25,686)
Treasury for VAT settlement	703,630	202,102	501,528

IRES [Corporate Income Tax] receivable	31,633	31,003	630
VAT credit to be offset	14,214	14,214	0
Total	4,105,239	2,666,142	1,439,097

10. Other current assets

Other current assets consist of accrued income and prepaid expenses amounting to Euro 1,594,700 (Euro 319,903 in the previous year).

The composition of and changes in individual items are represented as follows:

Description	31/12/2022	31/12/2021	Change
Current prepaid expenses	1,594,700	319,903	1,274,797
Total	1,594,700	319,903	1,274,797

The most significant cost items (including the non-current portion) are shown below:

- Insurance for Euro 132,778;
- Software purchases for Euro 692,959;
- Commissions for Euro 99,317;
- Technical consultancy for Euro 292,347.

11. Current financial assets

Details of current financial assets are shown in the table below.

Description	31/12/2022	31/12/2021	Change
Equity investments in Eurofidi	8,400	8,400	0
Other securities	8,122	7,950	172
Certificates of Deposit	122	122	0
Total	16,644	16,472	172

The item 'other securities' includes Euro 8,122 in securities held by Expert System Deutschland GMBH as amounts intended for temporary investments.

12. Cash and cash equivalents

Cash and cash equivalents included in current assets amount to Euro 12,024,125 (Euro 30,533,999 in the previous year).

The composition of and changes in individual items are represented as follows:

Description	31/12/2022	31/12/2021	Change
Bank and postal deposits	12,022,454	30,531,997	(18,509,543)
Cash on hand	1,671	2,002	(331)
Total	12,024,125	30,533,999	(18,509,874)

13. Shareholders' Equity

The following tables show the reconciliations of the parent company's shareholders' equity and consolidated shareholders' equity as at 31 December 2022.

Descriptions	Shareholders' Equity 31/12/2022	Result 31/12/22
Expert.ai SPA	**68,722,002**	**(17,048,407)**
Elimination of the book values of subsidiaries	(63,673,674)	7,000,000
Shareholders Equity of subsidiaries	9,001,330	(13,809,575)
Adjustments to the sale of fixed assets	(50,409)	16,291
Other adjustments	71,273	61,268
Suspension of goodwill amortisation	3,421,599	
Total adjustments	(51,229,881)	(6,732,016)
Expert.ai Group	**17,492,121**	**(23,780,422)**

Description	31/12/2022	31/12/2021	Change
Share capital	620,896	523,907	-
Share premium	77,004,697	71,185,405	-
Legal reserve	101,554	101,554	-
Cash flow hedge reserve	447,105	-26,492	473,597
FTA Reserve	-443,567	-443,567	-
IFRS 2 reserve	3,061,529	1,575,510	1,486,019
IAS 19 reserve	-135,973	-738,645	602,672
Other reserves	6,818,928	6,325,145	493,783
Undivided profit (loss)	-46,202,625	-30,812,913	-15,389,712
Net profit (loss) for the year	-23,780,422	-15,723,624	-8,056,798
Group Shareholders' Equity	17,492,122	31,966,280	-14,474,158
Minority interest in capital/reserve	-	-	-
Minority interest result	-	-	-
Total	17,492,122	31,966,280	-14,474,158

With regard to changes in shareholders' equity and the breakdown of individual reserves, reference should also be made to the statement of changes in shareholders' equity.

The Reserve for stock options and stock grants refers to the stock option plan approved by the Parent Company in favour of employees (including executives with strategic responsibilities), directors of **Expert.ai** and its subsidiaries. The amount recorded refers to the estimated fair value of the equity instruments granted.

The conversion reserve is generated by converting the financial statements of foreign subsidiaries expressed in currencies other than the euro.

The cash flow hedge reserve includes the fair value of derivatives used by the Parent Company to hedge its interest rate exposure until the underlying hedged item is recognised in the income statement. When this condition is met, it is reversed to the income statement, offsetting the effects generated by the economic manifestation of the hedged transaction.

The actuarial valuation reserve is generated by the recognition of actuarial gains and losses in the total income statement;.

In terms of changes, the following events had an impact, in addition to the result for the year, the effect of exchange

rate differences on foreign subsidiaries and the change in the provision for risks on derivatives.

Changes in capital and number of shares

The shares of Expert.ai S.p.A. as of 31 December 2022 have no par value and are fully paid up. There are no shares issued that are not fully paid.

On 30/11/2022, in accordance with the resolution of the Board of Directors concerning the share capital increase, for consideration, in divisible form, through the issue of ordinary shares, with no indication of their express par value, to be offered on a pre-emption basis to the shareholders in partial execution of the proxy granted also pursuant to Art. 2443 c.c. to the Board of Directors, by the Shareholders' Meeting of Expert.ai S.p.A. on 15 October 2021 (index no. 126305/24347), 9,698,821 new shares were issued as a result of the shareholders' subscriptions, offered as part of the capital increase for a maximum of 13,097,683 newly-issued shares.

Shares at the beginning of the financial year totalled 52,390,741. Due to the events described in the Management Report, 9,698,821 shares were subscribed during the year, resulting in a total of 62,089,562 shares at the end of the year, as shown in the summary table.

number of shares 31/12/2021	**52390741**
Shares subscribed for capital increase	9,698,821
number of shares 31/12/2022	**62,089,562**

14. Provisions for risks and charges

The provisions for risks and charges are recorded under liabilities for a total of Euro 19,342 (Euro 64,362 in the previous year).

The composition of and changes in individual items are represented as follows:

Description	31/12/2022	Used	Provision	Other changes	31/12/2022
Provision for customer allowances	4,341			0	4,341
Provision for legal disputes	60,020	(45,020)		0	15,000
Other funds	1	0	0	0	1
Total	64,362	(45,020)	0	0	19,342

These are established to cover losses or payables whose existence is certain or likely, but whose amount or date of occurrence could not be determined at year-end.

The general criteria of prudence and accrual are respected in the valuation of these provisions and no generic risk provisions without economic justification are established.

The increases relate to provisions for the year. The decreases relate to uses during the year.

Contingent liabilities are recognised in the financial statements and included under provisions since they are considered likely and the amount of the related charge can be reasonably estimated.

15. Other non-current payables

Other non-current payables are recorded under liabilities for a total of Euro 3,143,791 (Euro 4,088,251 in the previous year).

The composition of the individual items is represented as follows:

Description	31/12/2022	31/12/2021	Change
Accrued expenses and deferred income after 12 months	3,143,791	4,088,251	(944,460)

Total	3,143,791	4,088,251	(944,460)

There are no advances on contributions beyond 12 months.

Prepaid expenses mainly refer to grants for research and development projects.

16. Post-employment benefits

Employee severance pay is recorded under liabilities for a total of Euro 3,794,957 (Euro 4,168,802 in the previous year).

The composition of and changes in individual items are represented as follows:

Description	31/12/2021	Used	Provision	Other changes	31/12/2022
Post-termination benefits	4,168,802	(1,317,962)	944,117	0	3,794,957
Total	4,168,802	(1,317,962)	944,117		3,794,957

This item represents the actual debt accrued toward employees in accordance with the law and the employment contracts in force, considering all forms of remuneration of an ongoing nature.

The provision corresponds to the total individual indemnities accrued in favour of employees at the financial statements date, net of advances paid, and is equal to what would have been payable to employees if the employment relationship had terminated on that date.

Severance pay, which is a deferred payment plan in favour of all employees of the company Expert.ai S.p.A., amounts to a defined benefit plan, since the company's obligation does not end with the payment of contributions accrued on the liquidated salaries, rather continues until the end of the employment relationship.

For these types of plans, the standard requires that the amount accrued must be projected into the future in order to determine the amount to be paid at the time of termination of employment, using an actuarial valuation that takes into account the rate of staff turnover, the foreseeable evolution of salary trends and any other factors. This method does not apply to those employees whose severance pay is paid into occupational pension funds, since in this case a defined contribution pension plan is involved.
It should be remembered that as from 1 January 2013, following the amendment to IAS 19, the corridor method can no longer be used; therefore, the component represented by actuarial profits/losses is allocated to a specific shareholders' equity reserve.

As of 1 January 2007, the Finance Act and related implementing decrees introduced significant changes in the rules governing severance pay, including the choice left to workers as to the use of their accruing severance pay. In particular, the new severance pay flows may be channelled by the worker into chosen pension forms or kept within the company (in which case the latter will pay severance pay contributions to a treasury account set up at INPS [National Social Security Office[).

17. Provisions for deferred taxes

The provisions for deferred taxes are recorded under liabilities for a total of Euro 1,355,988 (Euro 1,487,108 in the previous year).

The composition of and changes in individual items are represented as follows:

Description	31/12/2021	Used	Provision	Other changes	31/12/2022
Provision for deferred taxes	527,153	(143,212)	0	5,788	389,729
Other deferred taxes	959,955		6,304	0	966,259
Total	1,487,108	(143,212)	6,304	5,788	1,355,988

At the end of the financial year, the item 'Other deferred taxes' is attributable to taxes resulting from the consolidation of Expert System France S.A.S and taxes attributable to Expert.ai S.p.A.

18. Current and non-current financial liabilities

The following table provides details of both current and non-current financial liabilities:

Description	31/12/2022	31/12/2021	Change
Banks for ordinary accounts	66,195	65,633	562
Banks for advances (subject to clearance operations, advance on contracts/invoices/currency)	594,151	1,094	593,057
Bank debt for current accounts and advances	**660,346**	**66,727**	**593,619**
Mortgage loans (<12 months)	5,088,120	5,373,245	(285,125)
Mortgage loans (>12 months)	13,196,930	12,684,185	512,745
Bank debt for interest accrued	80,544	38,524	42,020
Bank debt for mortgages and loans	**18,365,594**	**18,095,954**	**269,640**
Payables to other current lenders	145,946	210,621	(64,675)
Payables to other non-current lenders	885,147	1,031,093	(145,946)
Payables to other lenders	**1,031,093**	**1,241,714**	**(210,621)**
Non-current bonds	4,113,600	6,022,700	(1,909,100)
Current bonds	1,909,100	1,909,100	0
Bonds	**6,022,700**	**7,931,800**	**(1,909,100)**
Payables for IFRS 16 (< 12 months)	726,624	934,073	(207,449)
Payables for IFRS 16 (> 12 months)	1,055,992	1,585,619	(529,627)
Payables for IFRS 16	**1,782,616**	**2,519,692**	**(737,076)**
Payables for derivative liabilities < 12 months	7,631	7,631	0
Payables for derivative liabilities > 12 months	18,861	18,861	0
Payables for derivative liabilities	**26,492**	**26,492**	**0**
Total	**27,888,841**	**29,882,379**	**(1,993,538)**
Of which due within 1 year	8,618,311	8,539,921	78,390
Of which due between 1 and 5 years	18,570,525	21,013,957	(2,443,432)
Of which due beyond 5 years	700,005	328,501	371,504

The company enforced the option not to use the amortised cost method and not to discount payables.

The accounting policies adopted by the company are as follows:

- non-discounting and non-application of the amortised cost standard for payables maturing within 12 months;
- non-discounting of payables since the effective interest rate is not significantly different from the market interest rate;
- non-application of the amortised cost standard since the relevant transaction costs, commissions and any other difference between initial value and the value at maturity are of little significance.

Therefore, payables are stated at their nominal value.

Bank debt for current accounts and advances

These payables include current account balances and advances granted by credit institutions to the Group.
Advances primarily represent the use of short-term lines of credit to finance working capital.

Bank debt for mortgages and loans to other lenders

During the first half of the year, the company's exposure to the banking system and other lenders did not change significantly compared to the previous year.

Bonds

The item 'Bonds' consists of the bond issued by Expert.ai S.p.A.

The debt for bonds corresponds to the total amount of principal outstanding as at 31/12/2022, according to the repayment schedule.
The balance of the debt for bonds, amounting to Euro 6,022,700, is due:

- for Euro 2,272,700, to the issue of a bond loan reserved for professional investors, fully subscribed by Fondo Strategico Trentino-Alto Adige managed by Finint Investments SGR S.p.A. The main terms and conditions of the Bond are set out below:

Amount	Nominal Euro 5,000,000.00
Date of issue	31/07/2015
Maturity	31/12/2024, bond repayment date
Issue price	Equal to 100% of the nominal value of each bond
Interest rate	Gross fixed rate of 4% per annum with half-yearly payment from January 2016 onwards
Bond structure	Amortising with 4 years of pre-amortisation

- for Euro 3,750,000, to the issue of a non-convertible bond, fully subscribed by Unicredit S.p.A.. The main terms and conditions of the Bond are set out below:

Amount	Nominal Euro 5,000,000.00
Date of issue	02/08/2019
Maturity	02/08/2026, bond repayment date
Issue price	Equal to 100% of the nominal value of each bond
Interest rate	Nominal floating rate equal to Euribor 3M + 225bb with quarterly payments from November 2019 onwards
Bond structure	Amortising with 2 years of pre-amortisation

Payables for IFRS 16

They represent the effects of the application of the IFRS 16-'Leases' accounting standard, applied as of 1 January

2019.

Financial liabilities	01/01/2022	Refunds	Increases	31/12/2022
Expert System Enterprise Corp	390,349	(172,908)	0	217,441
Expert System France Sas	395,829	(88,265)	0	15,964
Expert System Iberia Slu	175,850	(88,265)	0	87,586
Expert System Cogito LTD	20,882	(1,098)	0	19,783
Expert.AI S.p.a.	2,519,692	(171,616)	76,677	1,441,842
Total	**2,519,692**	**(813,752)**	**76,677**	**1,782,616**

For all group companies, the amount of residual debt is reconstructed mainly on the basis of the lease contracts for the properties in use.

Derivative financial instruments

The parent company Expert.ai S.p.A. uses derivative financial instruments solely to hedge its exposure to the interest rate risk on loans, thereby stabilizing the flow of interest paid mainly on medium and long-term debt, and does not hold any speculative financial instruments. Derivatives, recognised at fair value, are classified as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the hedge is highly effective. Changes in fair value are reported in the total income statement in a dedicated line.
Please refer to Appendix A to the financial statements for details of derivative instruments.

19. Trade payables and other payables

Trade payables and other payables are recorded under current liabilities for a total of Euro 13,536,213 (Euro 9,874,229 in the previous year).

The composition of the individual items is represented as follows:

Description	31/12/2022	31/12/2021	Change
Advances	904,747	722,607	182,140
Payables to suppliers	6,543,906	3,299,892	3,244,014
Due to social security and welfare institutions	796,831	961,161	(164,330)
Other payables	5,290,729	4,890,569	400,160
Total	13,536,213	9,874,229	3,661,984

The breakdown of current payables to suppliers by geographical area is shown in the following table:

Geographical area	31/12/2022	31/12/2021	Change
Italy	5,449,102	2,837,797	2,611,305
EEC countries	358,332	167,761	190,571
USA	557,661	225,843	331,818
Rest of the world	172,046	68,491	103,555
Total	6,543,906	3,299,892	3,244,014

A breakdown of the item 'Other payables' is provided below:

Description	31/12/2022	31/12/2021	Change
Payables to personnel	810,002	847,130	(37,128)
Payables to collaborators	8,382	23,830	(15,448)
Payables to collaborators	(2,825)	18,009	(20,834)
Payables to trade unions	66	62	4
Customers for credit notes to be issued	69,819	330,503	(260,684)
Payables to employees for deferred charges	4,397,786	3,653,244	744,542
Payables to personnel for accrued vacations and leaves of absence	7,499	17,791	(10,292)

Other current payables	7,498	17,791	(10,293)
Rounding down	1	0	1
Total	5,290,729	4,890,569	400,160

20. Current tax payables

Current tax payables are recorded under current liabilities for a total of Euro 1,112,956 (Euro 1,187,250 in the previous year).

The composition of the individual items is represented as follows:

Description	31/12/2022	31/12/2021	Change
Payables for withholdings	749,516	960,052	(210,536)
Other tax payables	363,440	227,198	136,242
Total	1,112,956	1,187,250	(74,294)

21. Other current liabilities

Other current liabilities are made up of accrued expenses and deferred income posted under current liabilities for a total of Euro 6,452,238 (Euro 4,389,549 in the previous year).

The composition of the individual items is represented as follows:

Description	31/12/2022	31/12/2021	Change
Accrued expenses	**240,823**	**184,277**	**56,546**
Accrued expenses	240,823	184,277	56,546
Deferred income	**6,211,415**	**4,205,272**	**2,006,143**
Deferred income	2,550,169	2,334,639	215,530
Deferred income for R&D tax receivable	913,707	657,407	256,300
Deferred income for grants for research projects	2,747,539	1,213,226	1,534,313
Total	6,452,238	4,389,549	2,062,689

Accrued expenses and deferred income are determined on an accrual basis. For long-term accruals and deferrals, the conditions that led to their original recognition were verified when preparing these statements, adopting, where necessary, the appropriate changes.
They represent the connection items of the financial year counted on an accrual basis.

Deferred income, totalling Euro 9,355,206 (including the non-current portion), mainly consists of:

- Hosting fees for Euro 732,330;
- Contributions for research projects for Euro 3,447,441;
- Tax receivable on R&D activities for Euro 1,918,923;
- Licences for Euro 80,286;
- Maintenance for Euro 1,261,821;
- Professional services for Euro 360,826.

As at 31/12/2022, there were no accruals and deferrals with a duration of more than five years.

22. Revenues from sales and services

Revenues at the end of the year totalled Euro 28,451,514 (Euro 28,451,724 in the previous year).

The following is a breakdown of revenues by geographical area:

Geographical area	31/12/2022	%	31/12/2021	%	Change
Italy	13,330,652	47%	15,111,627	53%	(1,780,975)
EEC countries	2,827,910	10%	4,111,644	14%	(1,283,734)
USA	8,158,164	29%	5,936,852	21%	2,221,312
Rest of the world	4,134,788	15%	3,291,601	12%	843,187
Total	28,451,514	100%	28,451,724	100%	(210)

Revenues from the sale of products are recognised at the time when the corresponding risks and benefits are transferred, which is normally identified with the delivery or shipment of the goods.

23. Change in inventories

The table below shows the changes in inventories compared with the previous year:

Description	31/12/2022	31/12/2021	Change
Closing inventory	14,560	0	14,560
Opening inventory	0	(10,700)	10,700
Total	14,560	(10,700)	25,260

24. Other revenues and income

Other revenues and income are recorded under value of production of the income statement for a total of Euro 12,075,736 (Euro 11,207,902 in the previous year).

This item breaks down as follows:

Description	31/12/2022	31/12/2021	Change
Revenues for tax credit	1,077,715	866,419	211,296
Capital contributions	1,698,500	1,476,244	222,256
Grants for current expenses	35,620	19,201	16,419
Miscellaneous refunds	146,111	29	146,082
Other revenues	183,339	257,480	(74,141)
Contingent assets	65,042	20,284	44,758
Increases for internal work	8,869,409	8,568,245	301,164
Total	12,075,736	11,207,902	867,834

The company receives contributions from various bodies (European Community at the conditions established by Horizon 2020, Ministry of Education, University and Research, Ministry of Economic Development and other bodies) to finance research and development projects. These contributions are reclassified under grants for plants as they are intended to finance multi-year investments. The indirect method is used for the accounting of these contributions, as established by IAS 20, which provides for their recognition in proportion to the amortisation of the R&D costs to which they refer.

25. Raw materials and consumables

The cost of purchasing raw materials and consumables at the end of the period amounted to Euro 2,371,209 (Euro 1,942,217 in the previous period).

This item breaks down as follows:

Description	31/12/2022	31/12/2021	Change
Fuel	83,130	69,996	13,134
Stationery and printers	22,878	18,995	3,883
Purchases of raw materials, semi-finished products, materials	2,265,201	1,853,226	411,975
Total	2,371,209	1,942,217	428,992

Costs for raw materials and consumables primarily include purchases of raw materials and semi-finished materials. Lastly, they are closely related to the information provided in the section of the Management Report and to performance of point A (Value of production) of the Income Statement.

26. Costs for services

Expenses for services are recorded under costs of production of the income statement for a total of Euro 14,468,820 (Euro 12,253,236 in the previous year).

The composition of the individual items is as follows:

Description	31/12/2022	31/12/2021	Change
Utilities	226,268	185,653	40,615
Maintenance and repair costs	185,253	265,772	(80,519)
Consulting services	9,629,589	7,273,075	2,356,514
Directors' fees	715,654	786,190	(70,536)
Fees to auditors and external auditors	133,520	213,954	(80,434)
Advertising	600,094	710,442	(110,348)
Services for personnel	824,752	1,115,524	(290,772)
Services (directors and consultants) for stock options	32,584	89,825	(57,241)
Fairs and corporate events	330,842	155,218	175,624
Condominium expenses	55,004	65,293	(10,289)
Services from financial enterprises and banks of a non-financial nature	53,458	63,471	(10,013)
Insurance	186,407	186,862	(455)
Entertainment expenses	64,845	30,052	34,793
Travel and business trip expenses	334,220	183,478	150,742
Rental costs	191,669	151,506	40,163
Other	904,661	776,921	127,740
Total	14,468,820	12,253,236	2,215,584

Costs for services are primarily attributable to consulting, utilities, maintenance, advertising, services for personnel and directors' fees.

27. Costs for the use of third-party assets

Expenses for the use of third-party assets are recorded under costs of production of the income statement for a total

of Euro 2,985,277 (Euro 1,826,830 in the previous year).

The composition of the individual items is as follows:

Description	31/12/2022	31/12/2021	Change
Rental expenses	84,192	180,145	(95,953)
Rentals and other	2,901,085	1,646,685	1,254,400
Total	2,985,277	1,826,830	1,158,447

Costs for the use of third-party assets mainly refer to rental fees for motor vehicles and hosting, for which the IFRS 16 'Leases' was not applied, since the conditions were not met.

28. Personnel costs

Personnel costs are recorded in the Income Statement for a total of Euro 34,887,828 (Euro 32,569,238 in the previous year).

The composition of the individual items is as follows:

Description	31/12/2022	31/12/2021	Change
Wages and salaries	25,771,633	24,377,975	1,393,658
Social security charges	5,719,960	5,399,020	320,940
Severance pay	944,117	530,626	413,491
Other personnel costs	987,769	818,960	168,809
Stock grant	1,445,276	1,413,512	31,764
Stock options	19,073	29,145	(10,072)
Total	34,887,828	32,569,238	2,318,590

Costs associated with employee benefits include wages and salaries, social security charges, severance pay and other personnel-related costs.

The average number of employees of the Group as of 31 December 2022 is as follows:

Average number of employees by qualification	31/12/2022	31/12/2021	Change
Executives	-	-	-
Middle managers	83	85	(2)
Employees	228	238	(10)
Total	**311**	**323**	**(12)**

29. Other provisions and other costs

Other costs are recorded in the Income Statement for a total of Euro 204,519.

The composition of the items is as follows:

Description	31/12/2022	31/12/2021	Change
Provision for legal fees		45,020	(45,020)
Bad debt provision	9,612	40,463	(30,851)
Losses on receivables	991	208,200	(207,209)
Taxes and fees	58,001	64,549	(6,548)
Magazine and newspaper subscriptions	23,791	30,755	(6,964)
Other operating expenses	112,124	145,294	(33,170)
Total	204,519	534,281	(329,762)

30. Amortisation, depreciation and writedowns

As regards amortisation and depreciation, it should be noted that it is calculated on the basis of the useful life of each asset and its use in production.
No writedowns were made during the year.

The composition of the items is as follows:

Amortisation of intangible fixed assets	31/12/2022	31/12/2021	Change
Amortisation of goodwill	0	0	0
Amortisation of development costs	7,106,470	6,362,000	744,470
Amortisation of other intangible assets	253,774	339,200	(85,426)
Total	7,360,244	6,701,200	659,044

Depreciation of tangible fixed assets	31/12/2022	31/12/2021	Change
Depreciation of buildings	11,087	11,087	0
Depreciation of plants and machinery	7,542	3,534	4,008
Depreciation of other tangible fixed assets	201,953	212,042	(10,089)
Total	220,582	226,663	(6,081)

Amortisation of rights of use	31/12/2022	31/12/2021	Change
Amortisation of rights of use	1,110,331	821,329	289,002
Total	1,110,331	821,329	289,002

Total amortisation	8,691,157	7,749,192	941,965

31. Financial income and charges

The item '**Financial income**' amounts to a total of Euro 6,346 in 2022, including exchange rate differences (Euro 403,203 in 2021). The item '**Financial charges**' amounts to a total of Euro 723,574 in 2022, including exchange rate differences (Euro 746,268 in 2021).

This item includes:

Description	31/12/2022	31/12/2021	Change
Interest income	6,346	403,203	(396,857)
Total	6,346	403,203	(396,857)

The item '**Financial charges**' includes:

Description	31/12/2022	31/12/2021	Change
Commissions for sureties	9,938	12,268	(2,330)
Overdraft charges	31,518	27,114	4,404
Interest expense on leases IFRS 16	62,638	81,684	(19,046)
Interest on debt for bonds	251,770	274,573	(22,803)

Commissions on financing	42,958	41,730	1,228
Other financial charges	20,547	65,013	(44,466)
Interest on loans	304,205	243,886	60,319
Total	723,574	746,268	(22,694)

The item '**Exchange rate delta**' includes:

Description	31/12/2022	31/12/2021	Change
Foreign exchange gains	310,892	2,194,706	(1,883,814)
Foreign exchange losses	(781,213)	(270,616)	(510,597)
Total	(470,321)	1,924,090	(2,394,411)

The negative difference between exchange gains and losses was primarily generated by trade collections and payments, and also includes exchange rate differences generated by the adjustment of receivables and payables in foreign currency to the exchange rate in force at year-end.

32. Income taxes

This item includes:

Description	31/12/2022	31/12/2021	Change
IRES	118	53,447	(53,329)
deferred/(prepaid)	(483,889)	25,134	(509,023)
Total	(483,771)	78,581	(562,352)

Deferred tax assets are recognised since there is reasonable certainty of the existence, in the years of transfer of the deductible temporary differences for which deferred tax assets are recognised, of taxable income not less than the amount of the differences that will be annulled.

Deferred taxation has been calculated on the basis of global allocation, taking account of the cumulative amount of all the temporary differences, based on the effective tax rate for the last financial year. As previously mentioned, changes in deferred taxation (increases and uses) derive from amortisation and depreciation deducted only in the tax return, and from the differences in statutory and fiscal values calculated as a result of the above-mentioned contribution in suspension of taxation.

33. Transactions with subsidiaries, parent companies, associated companies and affiliates

Below is information concerning related party transactions.

Trade relations

	Payables	Receivables	Guarantees	Commitments	Costs	Revenues
Expert System USA INC	1,067	0			0	76,602
Expert System Cogito LTD	(72)	898,237			0	722,298
Expert System Iberia Slu	40,688	197,011			40,688	396,992
Expert System Enterprise Corp	1,128,850	2,841,607			999,747	2,874,868
Expert System France Sas	139,795	236,635			139,795	464,330
Expert System Deutschland Gmbh	0	264,425			60,044	316,893
Expert System Canada Technologies Sémantiques INC	0	14,923			0	21,736
Expert System Helvetia Sàrl	134,609	50,647			0	6,735
Total	**1,444,937**	**4,503,485**	**0**	**0**	**1,240,274**	**4,880,454**

Financial relations

	Payables	Receivables	Guarantees	Commitments	Charges	Income
Expert System USA INC	0	0			0	0
Expert System Cogito LTD	0	4,740			0	0
Expert System Iberia Slu	0	2,762			0	3,318
Expert System Enterprise Corp	0	21,078			0	27,904
Expert System France Sas	0	9,803			0	12,929
Expert System Deutschland Gmbh	0	1,061			0	1,763
Expert System Canada Technologies Sémantiques INC	0	1,855			0	2,538
Expert System Helvetia Sàrl	0	(273)			0	30
Total	**0**	**41,026**	**0**	**0**	**0**	**48,482**

Trade and financial relations

	Financial payables	Financial receivables	Trade receivables	Trade payables	Sales	Purchases
Expert System USA INC	0	0	0	1,067	76,602	0
Expert System Cogito LTD	0	4,740	898,237	(72)	722,298	0
Expert System Iberia Slu	0	2,762	197,011	40,688	400,310	40,688
Expert System Enterprise Corp	0	21,078	2,841,607	1,128,850	2,902,772	999,747
Expert System France Sas	0	9,803	236,635	139,795	477,259	139,795
Expert System Deutschland Gmbh	0	1,061	264,425	0	318,656	60,044
Expert System Canada Technologies Sémantiques INC	0	1,855	14,923	0	24,274	0
Expert System Helvetia Sàrl	0	(273)	50,647	134,609	6,765	0
Total	**0**	**41,026**	**4,503,485**	**1,444,937**	**4,928,936**	**1,240,274**

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

Information on the nature of these transactions is provided below:

With the subsidiary Expert System HELVETIA SÀRL.:

Sale

- Provision of professional services for Euro 2,129;
- Reimbursement of miscellaneous expenses for Euro 4,606;
- Interest income on loans granted in the amount of Euro 30.

With the subsidiary Expert System USA Inc:

Sale

- Maintenance fees for Euro 28,882;
- Provision of professional services for Euro 4,365;
- Reimbursement of miscellaneous expenses for Euro 21,693;
- Concession of licences for Euro 21,662.

With the subsidiary Expert System Cogito Ltd:

Sale

- Provision of professional services for Euro 243,119;
- Concession of licences for Euro 246,983;
- Reimbursement of miscellaneous expenses for Euro 232,196.

With the subsidiary Expert System Iberia S.L.U.:

Sale

- Provision of professional services for Euro 91,683;
- Concession of licences for Euro 31,500;
- Reimbursement of miscellaneous expenses for Euro 193,497;
- Maintenance fees for Euro 80,312;
- Interest income on loans granted in the amount of Euro 3,318.

Purchase

- Provision of professional services by the subsidiary for Euro 40,688.

With the subsidiary Expert System France S.A.S.:

Sale

- Provision of professional services for Euro 59,471;
- Concession of licences for Euro 141,760;
- Maintenance fees for Euro 127,452;
- Reimbursement of miscellaneous expenses for Euro 135,647;
- Interest income on loans granted in the amount of Euro 12,929.

Purchase

- Professional services provided by the subsidiary for Euro 135,640;
- Costs for miscellaneous reimbursements for Euro 4,156.

With the subsidiary Expert System Enterprise Corp.:

Sale

- Concession of licences for Euro 1,229,998;
- Provision of professional services for Euro 597,808;
- Maintenance fees for Euro 192,060;
- Reimbursement of miscellaneous expenses for Euro 855,002;
- Interest income on loans granted in the amount of Euro 27,904.

Purchase

- Provision of professional services by the subsidiary for Euro 166;
- Costs for miscellaneous reimbursements for Euro 999,581.

With the subsidiary Expert System Deutschland Gmbh:

Sale

- Provision of professional services for Euro 60,810;
- Concession of licences for Euro 174,493;
- Reimbursement of miscellaneous expenses for Euro 81,590;
- Interest income on loans granted in the amount of Euro 1,763.

Purchase

- Provision of professional services by the subsidiary for Euro 252;
- Costs for miscellaneous reimbursements for Euro 59,792.

With the subsidiary Expert System Canada – Technologies Sémantique Inc.:

Sale

- Maintenance fees for Euro 11,320;
- Concession of licences for Euro 6,233;
- Provision of professional services for Euro 2,868;
- Reimbursement of miscellaneous expenses for Euro 1,316;
- Interest income on loans granted in the amount of Euro 2,538.

34. Guarantees and commitments and contingent liabilities

The table below shows commitments, guarantees and potential liabilities not shown on the balance sheet:

Description	Initial balance	Change	Final balance
- Sureties to other undertakings	1,002,127	18,364	1,020,491

These are guarantees to credit institutions or insurance companies. The following table shows their details.

Guarantor	Beneficiary	Guarantee Amount	date of issue	expiration date	Notes
ELBA ASSICURAZIONI S.P.A.	MINISTRY OF DEFENCE	13,174.25	31/10/2017	to be released by beneficiary	MINISTRY OF DEFENCE - Contract Index No. 63 dated 22.12.2014 PNRM 'DTCHE' - Phase 2
BPER	Office rental	5,621.76	21/02/2018	45291	Trentino Sviluppo - Rovereto office rental

	(Rovereto facility extension)				
BPER	Office rental	1,975.00	01/10/2018	45565	HABITEMA S.P.A.
BPER	MIUR - C4E PROJECT	462,500.00	12/01/2019	44742	MIUR - C4E project
COFACE	PCM S.S.	45,616.50	17/10/2019	to be released by beneficiary	PCM S.S. RIA 963.2018
Tokio Marine HCC	CONSOB	36,000.00	04/12/2019	36 months - to be released by beneficiary	CONSOB - Contract no. ?
ELBA ASSICURAZIONI S.P.A.	PCM Pineta	14,754.10	20/05/2020	to be released by beneficiary	PCM PS - 8452.2020 maintenance and support service SIUS-G Apr 2020 - March 2023
ELBA ASSICURAZIONI S.P.A.	PCM Susi	18,442.60	20/05/2020	to be released by beneficiary	PCM SS - RIA 720.2019
Tokio Marine HCC	SOGEI	40,247.50	20/11/2020	to be released by beneficiary	SOGEI - ID 2308 - CIG 8479411750
BPER	Office rental	7,381.96	17/12/2020	to be released by beneficiary	TRENTINO SVILUPPO
Unicredit	Office rental	6,105.00	12/03/2021	48650	HABITEMA S.P.A.
Tokio Marine HCC	TELEDIFE	21,331.82	11/10/2021	to be released by beneficiary	TELEDIFE: BEAGLE Programme - Case Code 013/21/0172 - CIG: Z1532915C3
Assicuratrice Milanese S.p.A.	FASTWEB	60,000.00	07/03/2022	31/12/2023	FASTWEB: contract with Eudata as official subcontractor
COFACE	CASSA DEPOSITI E PRESTITI	14,602.50	20/06/2022	to be released by beneficiary	CDP: contract no. 2022000684
COFACE	ARIA	13,790.00	28/06/2022	to be released by beneficiary	ARIA: contract no. 782/22 -- lasting until 30/06/2023
Tokio Marine HCC	PCM P.S.	15,500.00	25/08/2022	to be released by beneficiary	PCM PS: Case no. RRE37/2022
COFACE	SOGEI	60,494.50	14/10/2022	to be released by beneficiary	SOGEI: contract CSQT220325 of 29.12.2022
Tokio Marine HCC	P. A. client	1,590.00	29/12/2016	to be released by beneficiary	Ministry of Defence - Contract no. 3420665 of 27/12/2016
Tokio Marine HCC	PCM S.S.	15,350.00	14/12/2018	to be released by beneficiary	PCM SS - RIA no. 677.2018
ELBA ASSICURAZIONI S.P.A.	SOGEI	19,155.00	19/09/2018	to be released by beneficiary	SOGEI - ID 1935 - CIG 7576920030
Tokio Marine HCC	PCM P.S.	6,337.50	21/01/2020	to be released by beneficiary	PCM S. S. - RIA 915.2019 dated 01/17/2020
ELBA ASSICURAZIONI S.P.A.	PCM Susi	9,500.00	20/05/2020	to be released by beneficiary	PCM SS - RIA 890.2019

ELBA ASSICURAZIONI S.P.A.	ENEL ITALIA SPA	49,983.75	14/02/2019	to be released by beneficiary	ENEL ITALIA SPA - Contract no. 8400133921 of 17/12/2018
Amissima Assicurazioni	University of Siena	40,760.00	19/05/2020	31/12/2023	GUARANTEE ON 1 SCHOLARSHIP/S FOR THE ATTENDANCE OF THE DOCTORATE IN ENGINEERING AND INFORMATION SCIENCE - CYCLE XXXVI, ACADEMIC YEAR 2020/2021
BPER	MINISTRY OF DEFENCE	20,422.74	21/11/2013	to be released by beneficiary	MINISTRY OF DEFENCE - Contract no. 10369 of 16/12/2013
BPER	MINISTRY OF DEFENCE	6,350.22	30/12/2014	to be released by beneficiary	MINISTRY OF DEFENCE - Contract n. 10369 of 16/12/2013 Lot 7 and 8
Tokio Marine HCC	MINISTRY OF DEFENCE	6,683.39	05/12/2017	to be released by beneficiary	MINISTRY OF DEFENCE - Contract No. 222 dated 12/29/2016 Activation of Lots options 4, 5, 8, 10
Assicuratrice Milanese S.p.A.	TALETE SPA	6,820.65	17/05/2022	to be released by beneficiary	TALETE: Prot. 22/11988
TOTAL		**1,020,490.74**			

35. Other information

In accordance with the law, the total fees due to the Directors, the members of the Management Control Committee and the Audit Firm are shown.

Qualification	31/12/2022	31/12/2021	Delta
Directors	**602,333**	**1,452,645**	**(850,312)**
- Stock option fees	0	785,892	(785,892)
- Fixed fees	602,333	666,753	(64,420)
- Number of Shares	*0*	*710,000*	*(710,000)*
Management Control Committee	16,000	14,463	(1,537)
Auditing	101,432	71,806	(29,626)
Total	**719,765**	**1,538,914**	**(819,149)**

The Company, as provided for in Legislative Decree no. 14/2019 (Business Crisis and Insolvency Code), adopts an organisational, administrative and accounting structure appropriate to the nature of its business, also for the timely detection of any business crisis and the taking of appropriate initiatives.

36. Public contributions pursuant to Article 1, paragraphs 125-129 of Law No. 124/2017

It should be noted that, pursuant to Law no. 124/2017, paragraph 125-129 of Art. 1, the so-called annual Law for the market and competition, Group companies received the following amounts in 2022, as partial coverage of costs incurred and/or by way of contributions (cash basis):

Receiving party name	Name of the grantor	Amount (data in Euro)	Collection date	Reason for payment	Project

Expert.ai S.p.A.	EC	43,972	13/05/2022	Balance	prj EU-ANITA -Project 787061
	Sviluppo Toscana	18,636	02/12/2022	SAL (work progress report)	prj SCUDO - Call for Proposals 2 - Research and Development Projects of SMEs (ERDF REGIONAL OPERATIONAL PROGRAMME 2014 - 2020, Action 1.1.5 sub-action a1) by Executive Decree no. 21885 of 18 December 2020 and financed by Executive Decree no. 7056 of 21 April 2021
	Sviluppo Toscana	110,171	01/04/2022	SAL (work progress report)	prj SCUDO - Call for Proposals 2 - Research and Development Projects of SMEs (ERDF REGIONAL OPERATIONAL PROGRAMME 2014 - 2020, Action 1.1.5 sub-action a1) by Executive Decree no. 21885 of 18 December 2020 and financed by Executive Decree no. 7056 of 21 April 2021
	European Commission	106,969	31/10/2022	Advance	EhRichMyData - Project 101070284
Expert System France S.A.S.	Région IDF	58,104	12/09/2022	BALANCE	FAUCON
	European Union	21,449	14/12/2022	BALANCE	SOCIAL TRUTH
	European Defence Agency	17,404	19/10/2022	BALANCE	SOLOMON
Expert System Iberia S.L.U.	European Commission	13,750	16/02/2022	BALANCE	CICERO
	European Commission	25,844	27/06/2022	ADVANCE	RELIANCE

Please also note that on 13/11/2020 we received the final decree for the granting of the project PASTEUR - 'Platform for Semantic Analysis of Texts And Research Utility in the medical and health field' in accordance with the Sustainable Growth Fund - Call: Horizon 2020 PON Project No. 35 CUP B78I17000380008000, with the final granting of the following facilities:

a) a subsidized loan for the amount of Euro 207,980.00;
b) a contribution to expenses for the amount of Euro 255,193.75;
c) an increase in the contribution to expenses for the amount of Euro 51,995.00,
against the following costs incurred and allowed:

1) Development activities Euro 650,085.09 in less developed areas;
2) Research activities Euro 439,917.18 in less developed areas, for a total of Euro 1,090,002.27.

The above costs were incurred in connection with the following research objectives:

RESEARCH OBJECTIVES	DESCRIPTION

1	Definition of algorithms for semantic analysis of medical-technical texts
2	Definition of algorithms for semantic analysis of online medical texts
3	Definition of algorithms for analysis, correlation and advanced information consultation
4	Development of Semantic and Database modules
5	Development of the Knowledge Map module
6	Experimental validation of Semantic and Database modules
7	Experimental validation of the Knowledge Map module and the overall platform

In the absence of clear indications on the part of the Ministry, the Company has referred to an Assonime circular in which non-selective advantages or those accessible to all companies according to predetermined general criteria, as is the case for tax benefits, are considered to be excluded from the disclosure obligation.
It should be noted that Expert.ai S.P.A. during the year ended on 31/12/2022 used Euro 406,310 to offset the tax receivable on Research and Development provided for under Law 190/2014.
Lastly, in 2021 Expert System France S.A.S. collected Euro 208,743 in relation to the 'Crédit d'Impôt Recherche (CIR)" benefit, provided for under article 244 quater B of the *Code Général des Impôts* (CGI), accrued during 2020.
The Company Expert.ai S.p.A. has received benefits falling under the State aids and the 'de minimis' regime for which there is the obligation of publication in the National Register of State aids as per art. 52 of Law 234/2012.

37. Share-based payments

On 29/06/2020, the Shareholders' Meeting approved the '2020-2023 Stock Grant Plan' and the related free capital increase, intended for the employees of Expert.ai S.p.A. and its subsidiaries, which provides for the assignment of a maximum of 3,200,000 rights to receive, at a 1:1 ratio, as many ordinary shares of the Issuer, subject to the achievement of certain performance and/or personal targets in each of the four financial years ending on 31 December 2020, 2021, 2022 2022 and 2023, respectively, and solely for the year 2021, to remaining an employee of the company. Each tranche is independent of the others. Each free capital increase tranche is completed in full the year after the required performance is achieved. In connection with this Plan, based on employee performance during 2022, shares will be subscribed for in 2023 after approval of the 31 December 2022 financial statements. Unallocated rights will be added to the rights for the next tranche.

On 29/06/2020, the '2020--2023 Stock Option Plan' and the related paid capital increase was also approved, intended for members of the Board of Directors, collaborators and consultants and employees of Expert.ai S.p.A. and its subsidiaries, the purpose of which is the assignment of 1,800,000 pre-emption rights conditional on the subscription, at a previously established price, of Expert.ai ordinary shares (at a 1:1 ratio). The vesting of such pre-emption rights is subject to the achievement of certain performance and/or personal targets established from time to time for each beneficiary. Each tranche is independent of the others. Each tranche of the capital increase, partly free of charge and partly against payment (strike price: Euro 2.06 per share), is completed in full the year after the required performance is achieved. In connection with this Plan, based on employee performance during 2022, shares

will be subscribed for in 2023 after approval of the 31 December 2022 financial statements. Unallocated rights will be added to the rights for the next tranche.

With reference to the second cycle of the stock grant plan (2022), the number of rights granted is 1,349,200, determined as follows:

- 960,000 rights relating to the second allocation tranche;
- 389,200 related to the residual portion of rights inherent to the second tranche that were allocated during the Second Allocation Period (2021) but for which the conditions for maturity did not occur.

Stock grants were valued reflecting the financial market conditions valid at the date of the grant. The method adopted to estimate fair value follows the risk neutral approach typical of these problems. With regard to performance objectives, full achievement of the objectives was considered. An expected annual stock dividend rate of 0.00% was also assumed. With regard to the possibility of beneficiaries leaving, it was decided not to consider this probability (i.e. a probability of 0.00%) for the purposes of fair value measurement. On the basis of the above assumptions, the unit fair value of the option was valued at Euro 1.0613. With reference to the charges pertaining to 31 December 2022, the amount is equal to Euro 1,270,298.

With reference to the second cycle of the stock option plan (2022), the number of rights granted is 237,900.
Stock options were valued reflecting the financial market conditions valid at the date of the grant, namely 23 May 2022. The method adopted to estimate fair value follows the risk neutral approach typical of these problems. In our model, the risk free rate curve is deducted from the interest rate swap rates on the market at the valuation date; for each option, we took into account the expected dividend rate of the underlying asset, which was set at 0% per annum. Based on the historical volatility of the stock, an annual volatility of 38% was assumed. With regard to performance targets, based on the information gathered by the Company, the achievement of the applicable targets (i.e. 0% rate) was considered. With regard to the assumptions concerning the possibility of beneficiaries leaving, in agreement with the Company, it was decided to consider an annual probability of exit equal to 0%. The market-adjusted technical bases for the fair pricing of the options analysed are as follows:

- number of options: 237,900;
- vesting date: 30 April 2023;
- expiration date: 30 November 2023;
- strike price: Euro 1.309;
- quote as of the valuation date: Euro 1.0613;
- annual volatility: 38%;
- expected dividend rate: 0%;
- exit rate: 0%.

It should be noted that with reference to the exercise of the options, based on the Regulations and with reference to the third cycle, these may be exercised in the following periods:

- 30 June 2023 – 14 July 2023;
- 14 September 2023 – 29 September 2023;

- 15 November 2023 – 30 November 2023

The valuation was made by reflecting the 'no arbitrage' and 'risk neutral framework' features common to fundamental option pricing models (such as the binomial model, Black & Scholes model, and so on). On the basis of the above assumptions, the unit fair value of the option was valued at Euro 0.0806. With reference to the charges pertaining to 31 December 2022, the amount is equal to Euro 16,014.

38. Significant events occurred after the end of the period and foreseeable evolution of management

No significant events occurred after the close of the period that might have a material impact on the financial, capital and economic performance of the expert.ai Group, with the exception of the following.

The parent company Expert.Ai S.p.A., which is committed to achieving a significant cost-cutting objective due to the situation which has been extensively discussed in the Management Report, to which reference should be made, signed a "defensive" solidarity agreement (pursuant to Article 21, paragraph 5 and Article 22, paragraph 3 of Legislative Decree No. 148 of 14 September 2015) lasting 12 months, and it is likely that it will be reduced to 6 months.

The maximum agreed % reduction in working time is 45%, with an estimated cost saving of around Euro 3 million during 2023.

In some markets and application areas, the company will commercially focus on indirect sales channels.

At the beginning of 2023, the company therefore launched a repositioning on the French market through a business model based on partners and system integrators. Policies to rationalise the internal workforce through redundancy incentives were therefore implemented.

A topic of considerable importance, the repercussions of which cannot be foreseen at all today, is the strong turbulence in the financial markets caused by the forced 'rescue' of Credit Suisse by its main Swiss competitor UBS. In mid-March, the stock of the loss-making Credit Suisse banking institution, which has long been in the crosshairs of a section of investors, provoked by statements from the chairman of its largest single shareholder who ruled out further financial interventions for the Swiss bank, was the subject of substantial sales. The collapse of the Swiss share price is negatively affecting banking shares not only in Switzerland but also in other markets, including Italy.

FINANCIAL EVENTS

On **27 January 2023**, expert.ai's Board of Directors resolved on a reserved capital increase, one tranche of which was awarded to Walt Mayo, the Company's CEO; it also updated the estimates of the 2022B-2024E business plan, awarded a total of 665,000 stock grants from the second tranche of the 2020-2023 Stock Grant Plan, and appointed the supervisory body.

On **14 February 2023**, the Shareholders' Meeting resolved to appoint BDO Italia S.p.A. as its audit firm for the period 2022-2024.

CUSTOMERS, PARTNERSHIPS AND AWARDS

On **7 February 2023**, expert.ai unveiled new features that make the expert.ai Platform even more powerful and flexible, including more on-premise deployment options and improved taxonomy management.

On **15 February 2023**, expert.ai announced the integration of OpenAI's GPT into its artificial intelligence platform.

On **8 March 2023**, expert.ai announced that it had been confirmed for the ninth year in a row in the 'Top 100 best companies in knowledge management' ranking by the American magazine KMWorld.

On **15 March 2023,** expert.ai announced a new partnership with Telefónica Tech, a leading digital transformation company with more than 5.5 million B2B customers in 175 countries, to integrate expert.ai's platform and products into Telefónica Tech's 'AI for Things' offering.

In the light of the above remarks, it is thus believed that the events that occurred after year end have no effect on the 2022 consolidated financial statements from an equity, financial and economic point of view.

APPENDIX A - derivative instruments

The parent company Expert.ai S.p.A . has entered into the following derivative contracts with:

a) CREDIT AGRICOLE

- Type of derivative contract: Unlisted I.R.S. no. 65611/2017 signed on 25/09/2017 and expiring on 30/01/2023;
- Purpose: hedging;
- Operation with no capital exchange;
- Contractual notional amount: Euro 1,000,000;
- Hedged liability: CREDIT AGRICOLE loan no. 0106917000000 of original Euro 1,000,000 signed on 25/09/2017 and expiring on 30/01/2023;
- Notional amount at the reference date (31/12/2022): Euro 300,000;
- amount of liability hedged at the reference date (31/12/2022): Euro 300,000.
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: mark-to-model fair value positive by Euro 41.55;
- fair value when the hedge was created: zero.

b) UNICREDIT

- 'IRS Payer' OTC derivative contract no. MMX24806135 signed on 02/08/2019 and expiring on 02/08/2026;
- Purpose: hedging;
- Operation with no capital exchange;
- Reference notional amount: Euro 5,000,000;
- Hedged liability: non-convertible debenture loan of original Euro 5,000,000 fully subscribed by UNICREDIT S.p.A. as per contract signed on 02/08/2019 and expiring on 02/08/2026;
- Notional amount at the reference date (31/12/2022): Euro 3,750,000;
- amount of liability hedged at the reference date (31/12/2022): Euro 3,750,000;
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: mark-to-model fair value positive by Euro 228,653.97;
- Fair value when the hedge was created: zero.

c) CREDIT AGRICOLE

- Type of derivative contract: Unlisted I.R.S. no. 69745/2019 signed on 22/05/2019 and expiring on 22/05/2024;
- Purpose: hedging;
- Operation with no capital exchange;
- Contractual notional amount: Euro 1,000,000;
- Hedged liability: CREDIT AGRICOLE loan no. 0120308000000 of original Euro 1,000,000 signed on 22/05/2019 and expiring on 22/05/2024;
- Notional amount at the reference date (31/12/2022): Euro 505,410;
- amount of liability hedged at the reference date (31/12/2022): Euro 505,410;
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: mark-to-model fair value positive by Euro 7,022.57;
- fair value when the hedge was created: zero.

d) INTESA SANPAOLO

- Type of derivative contract: Unlisted I.R.S. no. 36814226 signed on 25/09/2020 and expiring on 25/09/2026;
- Purpose: hedging;
- Operation with no capital exchange;
- Contractual notional amount: Euro 2,500,000;
- Hedged liability: loan of original Euro 2,500,000 signed on 25/09/2020 and expiring on 25/09/2020;
- Notional amount at the reference date (31/12/2022): Euro 2,187,500;
- amount of liability hedged at the reference date (31/12/2022): Euro 2,187,500.
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: mark-to-model fair value positive by Euro 133,334;
- fair value when the hedge was created: zero.

e) INTESA SANPAOLO

- Type of derivative contract: Unlisted I.R.S. no. 36814343 signed on 25/09/2020 and expiring on 25/09/2026;
- Purpose: hedging;
- Operation with no capital exchange;
- Contractual notional amount: Euro 500,000;
- Hedged liability: loan of original Euro 500,000 signed on 28/09/2020 and expiring on 25/09/2026;
- Notional amount at the reference date (31/12/2022): Euro 468,750;
- amount of liability hedged at the reference date (31/12/2022): Euro 468,750.
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: mark-to-model fair value positive by Euro 30,353;
- fair value when the hedge was created: zero.

f) MPS

- Type of derivative contract: Unlisted I.R.S. no. 210496 signed on 12/07/2019 and expiring on 30/09/2024;
- Purpose: hedging;
- Operation with no capital exchange;
- Contractual notional amount: Euro 1,150,000;
- Hedged liability: loan of original Euro 1,150,000 signed on 12/07/2019 and expiring on 30/09/2024;
- Notional amount at the reference date (31/12/2022): Euro 766,667;

- amount of liability hedged at the reference date (31/12/2022): Euro 766,667.
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: mark-to-model fair value positive by Euro 13,793.47;
- fair value when the hedge was created: zero.

g) UNICREDIT

- 'IRS Protected Pay' OTC derivative contract no. MMX27739972 signed on 18/02/2021 and expiring on 31/07/2026;
- Purpose: hedging;
- Operation with no capital exchange;
- Notional amount at the reference date (31/12/2022): Euro 1,407,847.99;
- amount of liability hedged at the reference date (31/12/2022): Euro 1,407,847.99;
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: mark-to-model fair value positive by Euro 86,890.93;

Modena, 30 March 2023 For the Board of Directors

The Chairman
Stefano Spaggiari



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AUDIT FIRM'S REPORT AS OF 31/12/2022

EXPERT.AI S.p.A.

Independent auditor's report pursuant to
article 14 of Legislative Decree n. 39, dated
January 27, 2010

Consolidated financial statements at
31 December 2022

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

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Corte Isolani, 1
40125 Bologna

Independent auditor's Report
pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010

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

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Expert.ai S.p.A. and its subsidiaries (the "Expert.ai Group"), which comprise the statement of financial position as at December 31, 2022, the statement of profit and loss, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended; and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of the financial position of Expert.ai Group as of December 31, 2022 and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards adopted from the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements.

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree N0. 38/05 and, within the terms provide by the law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the holding Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also have:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, as properly identified in accordance with ISA Italia, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have also provided those charged with governance with a statement that we have complied with relevant ethical and independence requirements applicable in Italy, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described those matters in the auditor's report.

Report on other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, letter e) of Legislative Decree n. 39/10

The directors of Expert.ai S.p.A. are responsible for the preparation of the report on operations of Expert.ai Group as at December 31, 2022, including their consistency with the consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations, with the consolidated financial statements of Expert.ai Group as at December 31, 2022 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations is consistent with the consolidated financial statements of Expert.ai Group as at December 31, 2022 and is compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, letter e) of Legislative Decree n. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Bologna, April 17, 2023

BDO Italia S.p.A.
Gianmarco Collico
Partner

Report of the Board of Statutory Auditors to the Shareholders' Meeting of Expert.Ai S.p.A. pursuant to Art. 2429, paragraph 2, of the Italian Civil Code and art. 153 of Legislative Decree no. 58/1998

To the Shareholders' Meeting of Expert.Ai S.p.A

The Management Control Committee of Expert.Ai S.p.A., pursuant to Art. 153 of Legislative Decree no. 58 of 1998 and Art. 2429, paragraph 2, of the Italian Civil Code, is required to report to the Shareholders' Meeting, called to approve the Financial Statements, on the supervisory activity carried out during the year in the performance of its duties, on any omissions and reprehensible facts found and on the results of the financial year, as well as to formulate proposals regarding the Financial Statements, their approval and matters within its remit

During the period ended 31 December 2022 and up to today, the Management Control Committee carried out its supervisory activities in accordance with the provisions of the Law, the Rules of Conduct for the Board of Statutory Auditors of listed companies issued by the National Council of Certified Public Accountants and Accounting Experts, CONSOB provisions on corporate controls, the Corporate Governance Code, as well as the provisions contained in Art. 19 of Legislative Decree No. 58 of 24 February 1998. 39/2010.

The financial statements of the company have been prepared in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, as well as in accordance with the provisions issued by CONSOB in implementation of art. 9, paragraph 3 of Legislative Decree 38/2005. The financial statements of the Company have been prepared in accordance with the law and are accompanied by the documents prescribed by the Italian Civil Code and the Consolidated Law on Finance. In addition, the Company, as required by law, prepared the Expert Group's financial report for the 2022 period.

The Management Control Committee acquired the information instrumental to the performance of its supervisory duties by participating in the meetings of the Board of Directors and its internal Committees, hearing the Company's and Group's managers and acquiring information from the competent corporate structures, as well as carrying out additional controls.

The Management Control Committee in office at the date of this Report was appointed by the Shareholders' Meeting of 29 April 2022 in the persons of Paola Alessandra Paris (Chair), Cecilia Garattini (Standing Member), Stefano Pedrini (Standing Member).
The composition of the Management Control Committee is in accordance with the gender distribution criterion set forth in Art. 148 of Legislative Decree No. 58 of 1998. At the time of its appointment, the Management Control Committee verified whether the independence condition was met; the verification was carried out on the basis of the criteria set forth in the Rules and the Corporate Governance Code applicable to independent directors.

1) *Supervision of compliance with the law and the articles of association*

In performing its duties, the Management Control Committee carried out the supervisory activities required by Art. 2403 of the Italian Civil Code, Art. 149 of Legislative Decree No. 58 of 1998, Art. 19 of Legislative Decree 39/2010, CONSOB's recommendations on corporate controls and the activities of the Board of Statutory Auditors, and by referring to the indications contained in the Corporate Governance Code, as well as the Rules of Conduct for the Board of Statutory Auditors of listed companies.
The Committee acknowledges that each body or function of the company has fulfilled its reporting obligations under the applicable regulations
Within the scope of its duties, therefore, the Management Control Committee:

- attended the meetings of the Shareholders' Meeting and the Board of Directors, overseeing compliance with the statutory, legislative and regulatory provisions governing the operation of the Company's bodies;
- also attended all the meetings of the Board of Directors, as well as the meetings of its internal committees (Related Parties Committee);
- held 11 meetings, lasting approximately 2 hours, during the period;

2) *Supervisory activities on compliance with the principles of good governance*

On the basis of the information acquired, it is acknowledged that management decisions are inspired by the principle of correct information and reasonableness and that the directors are aware of the riskiness and effects of the operations performed. A multi-year plan is in place, with an updated annual budget.
The Committee noted that there are continuous flows of information between the corporate structures and the Chief Executive Officer. The exchange of information is based on monthly or quarterly reports focusing on management performance from both an economic and financial perspective and aimed at taking the necessary corrective actions.
In support of these issues, on 11 November 2022 the Committee sent to the company the questionnaire on the verification of the company's adequate structure, which was duly completed by its managers.
The Committee assessed and supervised the adequacy of the administrative and accounting system as well as the reliability of the latter to correctly represent management events, by examining the information provided by the managers of the respective departments as well as company documents. The organisational structure and administrative accounting system were found to be adequate and functional for the tasks they are called upon to perform.

3) *Supervisory activities on the adequacy of the organisational structure*

On the basis of the information acquired, the Committee reports on the results of its supervisory activity as to the adequacy of the organisational arrangement, in terms of structure, procedures, powers and responsibilities, to the size of the company and the group, and to the nature and manner of pursuing their corporate purpose.
Matters reserved to the Board of Directors are typically identified in the preparation of the company's strategic and organisational guidelines and the definition of the group's corporate structure. It is noted that the decision-making structure of the company corresponds to the proxies filed with the companies' register.
The Committee points out that, following the mapping of the various corporate functions, it requested a quarterly report from them containing the results of operations and events that occurred during the quarter.
The Committee:
• supervised, to the extent of its remit, the adequacy of the Company's organisational structure and its compliance with the principles of good governance, through direct observation, the gathering of information from the managers of certain corporate departments in July 2022, and meetings with the Audit Firm for a mutual exchange of data and information;
• monitored the adequacy of the reciprocal flow of information between Expert.Ai and its subsidiaries pursuant to Art. 114, paragraph 2, of Legislative Decree No. 58 of 1998, ensured by the instructions issued by the Company's management to the Group Companies;
• verified, in relation to the periodic assessment to be carried out pursuant to Application Criterion 3.C.5 of the Corporate Governance Code, as part of its supervision as to the concrete implementation of corporate governance rules, the correct application of the assessment criteria and procedures adopted by the Board of Directors, concerning the positive evaluation of the Directors' independence. The Board of Directors, as required by Application Criterion 1.C.1, letter g) of the Corporate Governance Code, issued its assessment on the size and composition of the Board of Directors and its operation as well as on the size, composition and operation of its internal committees.

4) *Supervisory activities on the adequacy of the administrative accounting system and on statutory audit activities*

The Committee obtained from the Directors adequate information on the activities carried out and on the most important economic, financial and capital operations carried out by the Company and its subsidiaries . In this regard, the Committee paid particular attention as to whether the transactions resolved and implemented were in compliance with the law, the Articles of Association and were not imprudent or risky, in conflict with the resolutions passed by the Shareholders' Meeting, in potential conflict of interest or such as to compromise the integrity of the company's assets, given the current economic and financial situation;
• held a meeting with representatives of the Audit Firm on 15 March 2022 pursuant to Art. 150, paragraph 3 of the Consolidated Law on Finance and no relevant data and/or information emerged that should be highlighted in this Report;

The Committee also acknowledges that it issued:
- on 13 April 2022 an opinion on the fairness of the share issue price for the share capital increase, excluding pre-emption rights;
- on 5 December 2022 an opinion on the engagement of the Audit Firm BDO for the three-year period 2022-2024;

The Audit Firm entrusted with the statutory audit of the accounts reported to the Committee on the checks carried out at its meeting with the Committee on 15 March 2022, and did not highlight any findings;

5) *Proposals concerning the annual and consolidated financial statements, their approval and matters within the Committee's remit*

The draft financial statements for the period ended 31.12.2022, made available within the terms laid down in Art. 2429 of the Italian Civil Code, were examined and the following is reported.
Since we do not perform statutory audit functions, we merely supervised the general outline of the financial statements, their general compliance with the law as regards their formation and structure, and in this regard there are no particular observations to make.
Compliance with the provisions of law on the preparation of the management report was verified and in this regard there are no particular observations to make; a verification was carried out as to the audit firm's report on the procedures indicated in auditing standard (ISA Italia) no. 720B containing the opinion stating the consistency between the management report and the financial statements of EXPERT.AI S.p.A. as at 31 December 2022 and on compliance thereof with the law.

We also examined the draft consolidated financial statements for the period ended 31.12.2022, made available to us within the terms set forth in Art. 2429 of the Italian Civil Code, together with the aforementioned draft financial statements of the parent company and the related management reports at the closing date of the financial statements of the companies included in the consolidation scope, reconciled with the closing date of the parent company's financial statements.
The consolidated financial statements were prepared in accordance with the law.
The notes to the financial statements analytically state the consolidation criteria and areas of consolidation, and there are no deviations from the previous year with regard to the standards used to prepare the consolidated financial statements.
With regard to the management report, the information given is complete and the data are consistent with those resulting from the consolidated financial statements; also in relation to the consolidated financial statements, we examined the audit firm's' report containing the procedures indicated in auditing standard (ISA Italia) no. 720B in order to express an opinion stating the consistency between the management report and the consolidated financial statements of the EXPERT.AI S.p.A. Group as at 31 December 2022 and on the

compliance thereof with the law.

As a result of the supervisory and control activities carried out during the period, the Committee can certify that:

• in the course of the activities performed thereby, no omissions, irregularities or reprehensible or otherwise significant facts emerged such as to require their reporting to the control bodies or their mentioning in this Report;

• the Committee did not receive any complaints pursuant to Art. 2408 of the Civil Code or complaints from third parties;

• no transactions were identified either with third parties, or intra-group and/or with related parties such as to highlight atypical and/or unusual issues, in terms of content, nature, size and timing;

• the set of operations and management choices adopted are inspired by the principle of good governance and reasonableness and are in accordance with the Business Plan approved by the Board of Directors.

Modena, 20 April 2023

