EXPERT.AI GROUP

FINANCIAL REPORT

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

AS AT 31 December 2023

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EXPERT.AI MANAGEMENT REPORT AS AT 31/12/2023

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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.

CORPORATE BODIES

Board of Directors

Chairman of the Board of Directors	DARIO PARDI
Director - CEO	WALTER LLOYD MAYO III
Director - CTO	MARCO VARONE
Deputy Chairman of the Board of Directors	STEFANO SPAGGIARI
Director	SARA POLATTI
Independent Director	ALAN PACKER
Independent Director	ANDREA GABOLA
Independent Director	ETTORE LEALE
Independent Director	KAREN JO CAMBRAY
Independent Director	STEFANO PEDRINI
Independent Director	MARCO DI TEODORO

In light of the new appointments (3 May 2023) and the renewal of Governance (25 July 2023), the members of the Board of Directors are:

Dario Pardi - Chairman, legal representative and major shareholder of GUM Group S.p.A., with decades of experience in major ICT multinationals, holding senior positions both internationally and in Italy;

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

Marco Varone - Co-founder and Chief Technology Officer, a leading expert in artificial intelligence applied to natural language understanding and processing;

Stefano Spaggiari - Deputy Chairman and Head of Investor Relations, one of the founding partners of the company which, under his leadership, has become a leader in the artificial intelligence market;

Sara Polatti - Director, 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;

Alan Packer - Independent Director, former Technical Director of Amazon's Alexa natural language understanding team, with almost 30 years of experience in artificial intelligence, machine learning and language technologies;

Andrea Gabola - Independent Director, Chartered Accountant and Auditor, partner of the Ranalli e Associati firm in Turin, holding senior positions in several companies in various industry and service sectors;

Ettore Leale - U.S.-based Independent Director, 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 - Independent Director, 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 - Independent Director, Professor of Economics and Design Organization at the Polytechnic of Turin, expert in management consulting and advisory in corporate finance, management control and strategy;

Marco di Teodoro - Independent Director, Chartered Accountant and Auditor for corporations and trainer at SDA Bocconi and Cattolica del Sacro Cuore University.

The Board of Directors has set up an **Executive Committee** within the Board itself, whose members are:

- **Dario Pardi**, who also serves as Chairman of the Committee;

- **Walt Mayo**; and

- **Marco Varone**;

and has appointed Director Marco di Teodoro as a member of the Management Control Committee, whose members are thus:

Andrea Gabola - Chairman

Stefano Pedrini - Member

Marco di Teodoro - Member

Supervisory Body

Costantino di Miceli - Chairman

Stefano Termanini - External member

Nicola Bortoletto - Internal member

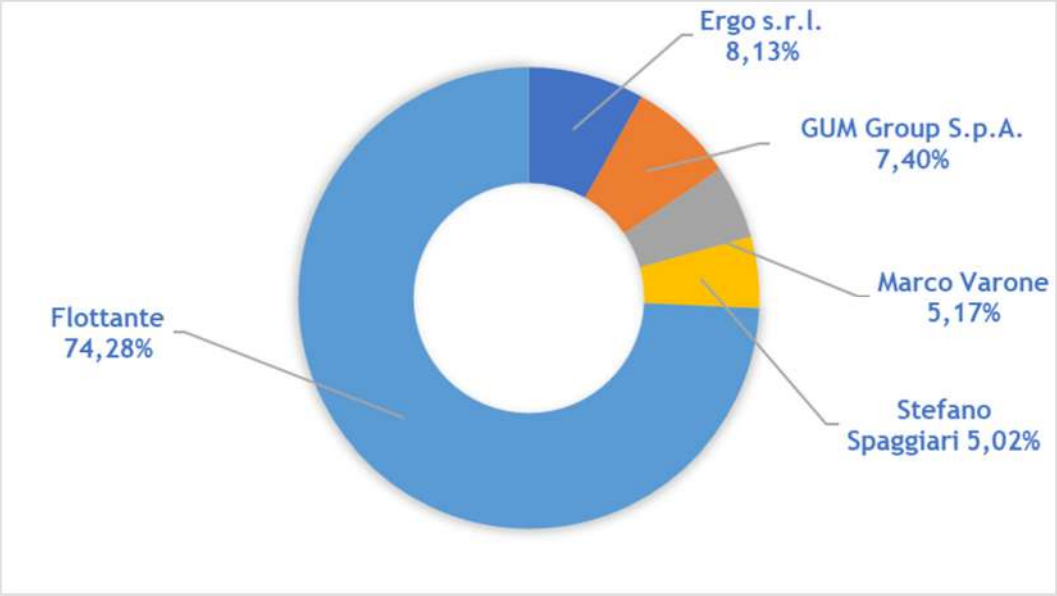
Audit Firm

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.	8.13
GUM Group S.p.A.	7.40
Marco Varone	5.17
Stefano Spaggiari	5.02
Floating	74.28
Total	**100**



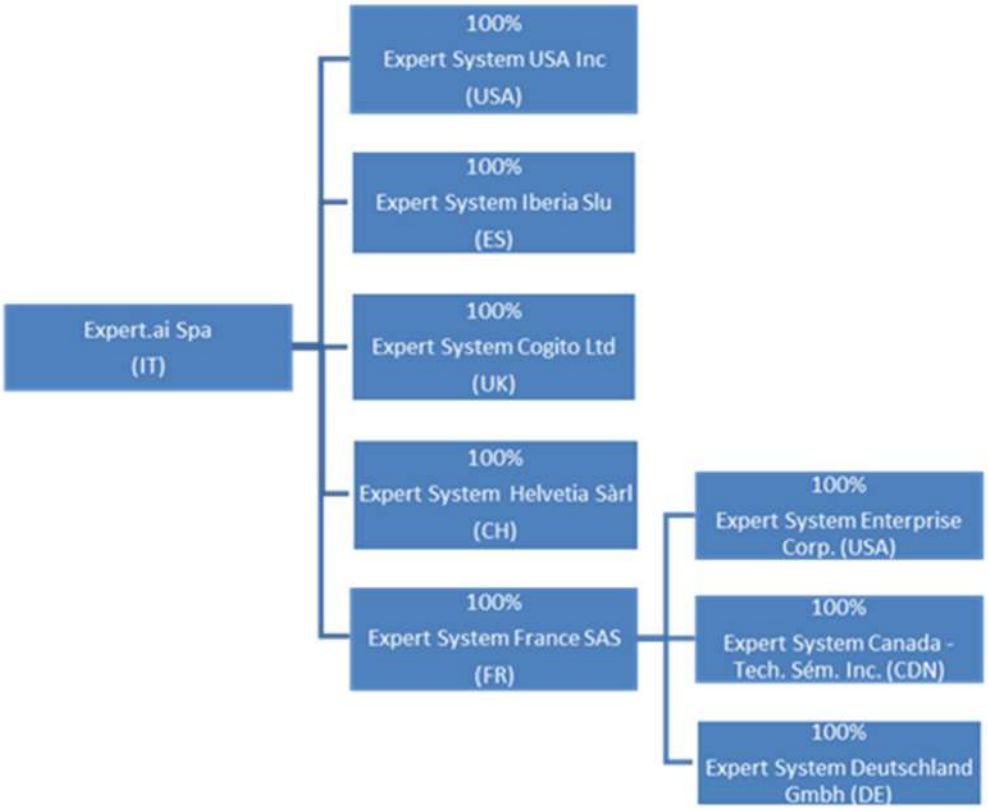
Floating 74.28%

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements as at 31/12/2023 were approved by the Board of Directors on 24/04/2024 and have been audited.

GROUP STRUCTURE

Over the last few periods, 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 31/12/2022.

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 a company specialising in the implementation of artificial intelligence (AI) enterprise solutions to create business value, listed on the Euronext Growth Milan market (EXAI:IM) and active in Europe and North America. The company's priority is to guide companies and public administrations to understand and exploit the potential of AI for multiple processes and use cases, through an accountable, transparent and sustainable approach focused on people, problems to be solved and goals to be achieved.

The company has vast and in-depth experience in AI technologies and solutions, which have won major awards from analysts and industry experts, including Gartner[1] and Forrester[2], thanks to hundreds of concrete and successful projects based on the integration of the best technologies available on the market with proprietary ones (knowledge graphs, machine/deep learning techniques, large language models and generative AI). Expert.ai also collaborates with a global partner network to effectively respond to any challenges and opportunities related to knowledge automation, intelligent business process management, natural language interaction and intelligent access to information.

CUSTOMERS

Banks and financial institutions, insurance companies, publishing and pharmaceutical companies, public administration organisations, healthcare, defence and intelligence organisations choose expert.ai's solutions to automate knowledge on a large scale, effectively manage huge volumes of information, improve decision-making processes and enable new levels of efficiency by exploiting the right data at the right time, and with great speed.

Here are some solutions and use cases within the main sectors:

- Banks and Financial Institutions. Advisory services and solutions for: anti-money laundering, in particular in the area of Adverse News Screening; analysis of rules, laws and regulations and assessment of their impact on business, policies and contracts (Regulatory Tracking and Change Management); new models of digital customer interaction and knowledge management to support internal staff.
- Insurance. Advisory services and specific artificial intelligence and natural language processing solutions for all major application areas: from risk engineering to automated claims management, from policy review to quote management.
- Publishing and Media industry. Advice and solutions for: taxonomy management and editorial content enrichment; editorial support (e.g. for monitoring news on social media and other sources, identifying and filtering fake news); automatic categorisation of articles and news; content recommendations for customers/readers and to support internal editorial activities.
- Pharmaceutical industry. Advisory services and search and insight solutions to: improve analysis of information in scientific publications, pre-clinical reports and external sources; accelerate and improve access to data used to identify any adverse events; monitor clinical trials and generally simplify information activities in support

[1] *'Hype Cycle for Natural Language Technologies, 2023' Gartner - Bern Elliot, Adrian Lee, Gabriele Rigon* - 27 July 2023. Expert.ai, listed by Gartner for four consecutive years in the 'Hype Cycle for NLT' report, is a Sample Vendor in several categories, including ontologies and knowledge graphs, semantic search and insight engine.

[2] *'The Forrester Wave™: People-Oriented Text Analytics Platforms, Q2 2022' - 'The Forrester Wave™: Document-Oriented Text Analytics Platforms, Q2 2022'*. Both reports focus on the selection of the best text analytics platforms (only 13 platforms/companies for the people-oriented wave and 12 for the document-oriented wave). Expert.ai was rated as a strong performer in both searches, scoring highest in several criteria, including data enrichment and labelling, support for strategic use cases, knowledge-based artificial intelligence (knowledge graph) and natural language inferences.

of drug discovery.

- Health. Advice and solutions for: anonymisation of personal data in healthcare documents so as to effectively support study and monitoring activities for clinical, treatment and prevention purposes, fully respecting patient privacy, in compliance with the GDPR; analysis and coding of provisional diagnoses written by doctors in prescriptions to speed up the booking process; automatic email management to categorise and extract the most relevant information in order to optimise healthcare and the services provided.

The company's customers include several branches of AXA XL, Zurich Insurance Group, Generali, Sanofi, EBSCO, The Associated Press, Bloomberg INDG, Dow Jones, several primary banks and other leading companies.

II. RESEARCH AND DEVELOPMENT ACTIVITIES

Investments in research and development, which have always been at the heart of expert.ai's strategy, have been and continue to be the basis of the company's business 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. These activities have 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 2023.

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 2023 were focused on:

- integration with third-party LLM, via API or local deployment
- addition of new feature extraction and machine learning algorithms
- native integration with the Studio client
- revision and expansion of the workflow engine for volume and cost optimisation
- implementation of the architecture for Openshift and for private deployments of Kubernetes
- revision and extension of OCR and IDP components
- large thesaurus advanced management
- new matching engine for thesaurus
- automatic document pre-annotation functions
- full support for Chinese, Japanese Korean and Arabic.

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:

- Medical claims
- Advanced ESG
- Cyber crime
- ICD 9
- ICD 10
- Banking regulations
- Financial events

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.

Large language model

In the course of 2023, a number of research and development activities focused on large language models (also known as Generative AI) were carried out:

- creation of ELMI, a large language model based on open source models and dedicated to the insurance market
- integration of LLM within the search engine to enable conversational Q&A
- development of vertical education processes of generalist LLMs
- integration of explicit knowledge (knowledge graph) with implicit knowledge for the reduction of LLM-typical hallucinations
- tuning of LLM to improve its ability to create summaries on vertical domain documents.

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 form type templates
- optimisation on CPU architectures
- native OCR functions
- recognition of complex tables
- fusion of linguistic and positional elements
- recognition of invoices and mixed documents
- integration with third-party handwriting recognition components.

Other significant activities and new releases in 2023 were:

• release of the fourth version of the platform-based search engine with new ranking, summarisation and Q&A features in natural language;

• restructuring and expansion of the knowledge graph for several languages (Italian, English, Spanish, Japanese, Korean and Chinese).

EXAI.MI SHARE PRICE

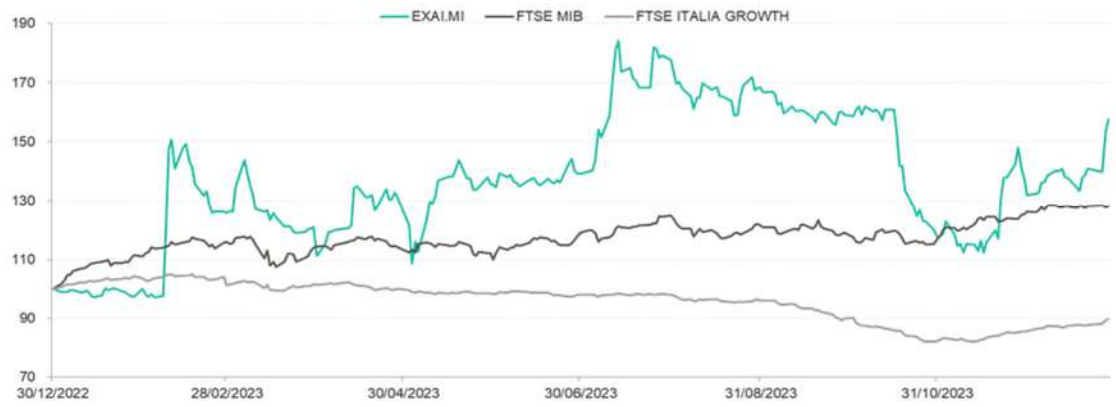
The performance of the **expert.ai** share price as at 31/12/2023 is shown below:

Market	Euronext Growth Milan
Share capital	*€ 689,245.58*
Minimum lot	*1.00*
Capitalisation	*€ 66,972,509 mln*
Closing price	*€ 0.972*
Performance - 1 month	*14.62%*
Performance - 6 months	*13.29%*
Performance - 1 year	*57.54%*

Grafico Perfomance & Volumi Expert.ai



Grafico Performance Expert.ai



Expert.ai Performance & Volume Diagram
Prices
Volumes
Expert.ai Performance Diagram

MAIN EVENTS OCCURRED IN THE PERIOD

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

MAIN EVENTS OF 2023

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.

On **3 May 2023**, the Shareholders' Meeting appointed the new Board of Directors and announced that Alan Packer, former Technical Director of Amazon's Alexa team with 30 years of experience in artificial intelligence, machine learning and natural language understanding, had joined the Board.

On **5 May 2023,** the Board of Directors of expert.ai appointed the members of the Management Control Committee (Andrea Gabola, Stefano Pedrini, Cecilia Garattini).

On **15 May 2023**, the Board of Directors resolved to grant 790,360 ordinary shares of the issuer free of charge following the vesting of the third tranche of the 2020-2023 Stock Grant Plan.

On **19 June 2023** expert.ai announced that it had appointed MIT SIM S.p.A. as its Specialist Operator.

On **5 July 2023**, the Board of Directors of expert.ai announced the signing of an investment agreement to support the development strategy and strengthen governance, between the main shareholders of expert.ai and GUM Group S.p.A., an investment vehicle controlled by Dario Pardi; a capital increase in favour of Expert.ai S.p.A. for a total of Euro 3,843,744.52; the renewal of the internal organisational and governance structures, with Dario Pardi joining the Board of Directors as Chairman, and the adoption of an executive committee.

On **11 July 2023**, expert.ai announced that GUM Group S.p.A. had declared that as at 5 July 2023, it held 4,991,876 ordinary shares of expert.ai, corresponding to a 7.24% share.

On **25 July 2023**, the Shareholders' Meeting confirmed the appointment of Director Dario Pardi, who was also appointed as Chairman of the Board of Directors; increased the number of Directors in office, with the ensuing appointment of Independent Director Marco di Teodoro; updated the Articles of Association. On the same date, the Board of Directors decided to set up an Executive Committee composed of three members (Dario Pardi, serving as Chairman of the Committee, Walter Lloyd Mayo III and Marco Varone), to appoint Director Stefano Spaggiari as Deputy Chairman of the Board of Directors, and to appoint Marco di Teodoro as a member of the Management Control Committee (Andrea Gabola, Stefano Pedrini, Marco di Teodoro).

On **12** and **19 December 2023**, the Board of Directors announced that it had received, with reference to the 2020-2023 Stock Grant Plan, acceptance letters from beneficiaries for a further 22,800 rights (in respect of the second tranche of the Plan) and acceptance letters from beneficiaries for a total amount of
761,920 rights out of a total of 960,000 allocated rights (relating to the third tranche of the Plan). Therefore, it resolved to increase the share capital free of charge by Euro 228.00, i.e.following the acceptance letters received for the second tranche of the Plan, by issuing 22,800 new ordinary shares.

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.

On **28 March 2023**, expert.ai announced a new partnership with the leading company INTEGRATEDXR® Vection Technologies (ASX:VR1, OTC:VCTNY) to develop an AI solution for digitising technical manuals.

On **4 April 2023**, expert.ai achieved SOC Type 2 security certification, attesting to the company's dedication to and continued focus on customer data protection and cybersecurity.

On **5 April 2023**, expert.ai and the North American process automation company Reveal Group signed a partnership to offer organisations simplified workflows using 'intelligent robots', by combining robotic process automation and natural language understanding/processing.

On **11 April 2023**, expert.ai announced that Generali España had chosen expert.ai's artificial intelligence platform to improve operational efficiency, optimise business processes and lighten its internal workload.

On **13 April 2023**, expert.ai signed a new partnership with Humanativa Group, a holding company that controls and manages all ICT activities of Commini Group S.p.A., to promote innovation and the digital transformation of agencies and organisations in the public administration, utility world and private companies.

On **19 April 2023** expert.ai and KPMG, a global leader in professional business services, announced the development of a news analysis solution to support the Anti Money Laundering processes of the BCC Iccrea Group. The innovative solution based on expert.ai's artificial intelligence capabilities won the 2023 edition of the MF-Milano Finanza Innovation Awards.

On **26 April 2023**, expert.ai announced its partnership with Microsoft Italy for the 'Ambizione Italia Cloud Region Partner Alliance', the initiative aimed at accelerating digital development in Italy, which includes the opening of Microsoft's first

Italian Cloud Region in Milan.

On **16 May 2023**, expert.ai unveiled its new artificial intelligence platform for the pharmaceutical industry, which also allows for the use of third-party large language models as well as predefined and customised knowledge models for customised solutions.

On **13 June 2023**, expert.ai announced the consolidation of its partnership with SS&C Blue Prism (Nasdaq:SSNC), integrating its hybrid artificial intelligence platform with SS&C Blue Prism's platform for intelligent business process automation.

On **26 June 2023**, expert.ai launched its new artificial intelligence platform for the insurance market to develop and enhance AI solutions for policy underwriting and claims management.

On **1 August 2023**, expert.ai unveiled the new release of expert.ai Platform, optimising security and infrastructure while enhancing some core technology features to offer organisations even more security and flexibility in developing and enhancing natural language solutions.

On **19 September 2023**, expert.ai announced the strengthening of its partnership with the multinational Sopra Steria, the European technology leader in consulting, digital services and software development.

On **20 September 2023**, expert.ai announced that it had been selected by Fin Tech Global for the prestigious 'InsurTech 100' list, dedicated to the world's most cutting-edge technology companies in the insurance market. This year's selection of the InsurTech 100 covered more than 1,900 companies.

On **25 September 2023**, expert.ai announced that it had won the 'LT-Innovate Award of the Year 2023', a prestigious award established in 2012 by the Language Technology Industry Association (LT-Innovate) to reward expertise, commitment and excellence in innovation and language technology.

On **26 September 2023**, expert.ai unveiled its Enterprise Language Model for Insurance (ELMI), created to accelerate the most strategic processes, from underwriting to claims management.

On **5 October 2023**, expert.ai announced that it had won the 'PropertyCasualty360 Insurance Luminaries' award in the claims management category, thanks to the innovative quality of its solutions combining accuracy, speed and scalability.

On **6 October 2023**, expert.ai announced that experts from the US magazine KMWorld had confirmed expert.ai's AI solutions as 'Trend Product' for data analysis and intelligent knowledge management.

On **7 November 2023**, expert.ai announced a new partnership with Duck Creek Technologies, a multinational company specialising in solutions for the insurance market and the non-life market in particular.

General economic performance[3]

[3] Source: Bank of Italy Economic Bulletin 1/2024

The global economic recovery from the COVID-19 pandemic, the Russian invasion of Ukraine and the cost-of-living crisis is proving surprisingly resilient. Inflation has been falling faster than expected since the 2022 peak, with less impact on employment than expected, thanks to favourable supply-side developments and central banks' tightening, which have kept inflation expectations anchored. At the same time, high interest rates to combat inflation and the withdrawal of fiscal support due to high debt are expected to weigh on growth in 2024.

Stable growth in major economies

Economic growth is estimated to be stronger than expected in the second half of 2023 in the US and in many major emerging and developing economies. In many cases, public and private spending contributed to recovery, with real disposable income rising to support consumption in a still tight, albeit loosening, labour market, and households tapping into savings accumulated during the pandemic period. The expansion of supply also took hold, with the resolution of pandemic-era supply chain problems and the reduction of lead times. However, this momentum was not felt everywhere, with growth particularly subdued in the euro area, reflecting weak consumer sentiment, the lingering effects of high energy prices and weakness in the interest rate-sensitive manufacturing sector and business investment. Low-income economies continue to suffer large output losses compared to their pre-pandemic figures (2017-19) due to high financing costs.

High financing costs dampen demand

To reduce inflation, the major central banks raised interest rates in 2023 to restrictive levels, resulting in high mortgage costs, difficulties for companies to refinance their debt, a more limited availability of credit and a weakening of business and residential investment. However, as inflation eased, market expectations of future interest rate cuts contributed to lower long-term interest rates and higher stock markets. Despite this, long-term financing costs remain high in both advanced and emerging and developing economies, partly because public debt is rising.

Fiscal policy amplifies economic divergences.

Governments of advanced economies loosened fiscal policy in 2023. The US, where GDP was already past its pre-pandemic path, eased fiscal policy more than the euro area and other economies where the recovery was incomplete. In emerging and developing economies, where output fell even further below the pre-pandemic trend on average, the fiscal stance is estimated to have been neutral. Exceptions are Brazil and Russia, where fiscal policy was eased in 2023.

Growth prospects: resilient but slow

Global growth, estimated at 3.1% in 2023, is expected to remain at 3.1% in 2024 before increasing slightly to 3.2% in 2025. Compared to the October 2023 WEO forecast, the forecast for 2024 is about 0.2 percentage points higher, due to improvements in China, the US and large emerging and developing economies. However, the projection for global growth in 2024 and 2025 is 3.8% lower than the historical annual average (2000-19), due to restrictive monetary policies and the withdrawal of fiscal support, as well as low underlying productivity growth.

For advanced economies, growth is expected to decline slightly from 1.6% in 2023 to 1.5% in 2024, before recovering to 1.8% in 2025. An upward revision of 0.1 percentage points for 2024 reflects stronger-than-expected US growth, partly offset by weaker-than-expected growth in the euro area. These estimates are based on the assumption that fuel (-2.3%) and non-fuel prices (-0.9%), together with interest rates in the major economies, will decline in 2024-2025.

In the US, growth is expected to fall from 2.5% in 2023 to 2.1% in 2024 and 1.7% in 2025, due to the lagged effects of monetary policy tightening, gradual fiscal tightening and a weakening labour market slowing down aggregate demand. For 2024, an upward revision of 0.6 percentage points compared to the October 2023 WEO largely reflects the statistical carry-over effects of the stronger-than-expected growth estimated for 2023.

Growth in the euro area is projected to rise from an estimated 0.5% in 2023, reflecting a relatively high exposure to the war in Ukraine, to 0.9% in 2024 and 1.7% in 2025. The increase in household consumption, following the effects of the energy shock, was accompanied by an increase in the growth rate. The recovery is expected to be driven by falling prices

and inflation, supporting real income growth. Compared to the October 2023 WEO forecast, however, growth was revised downwards by 0.3 percentage points for 2024, mainly due to the drag of the weaker-than-expected outturn for 2023.
In Italy, growth is estimated at 0.6% in 2024 compared to an estimated 0.7% in 2023 (1.1% in the following year), while Germany is expected to emerge from recession, albeit at lower growth levels than Italy (0.5%). Very interesting was the Spanish economy, which continued to grow throughout 2023, registering a GDP increase of 2.5% per year!

Inflation forecast: steady decline towards target

Headline inflation is expected to fall from an estimated 6.8% in 2023 (annual average) to 5.8% in 2024 and 4.4% in 2025. The overall forecast was not revised for 2024 compared to the projections of October 2023 and was revised downwards by 0.2 percentage points for 2025. Advanced economies are expected to experience faster disinflation, with inflation falling by 2.0 percentage points in 2024 to 2.6%, compared to emerging and developing economies, for which inflation is expected to fall by only 0.3 percentage points to 8.1%. Forecasts were revised downwards for both 2024 and 2025 for advanced economies, while they were revised upwards for 2024 for emerging and developing economies. The causes of the decline in inflation vary from country to country, but generally reflect a reduction in core inflation due to persistently tight monetary policies, the relative softening of labour markets and the carry-over effects of previous and current declines in relative energy prices.
Overall, about 80% of the world's economies are expected to experience a reduction in average annual headline and core inflation in 2024. As regards economies with an inflation target, headline inflation is expected to be 0.6 percentage points above the median economy target by the fourth quarter of 2024, compared to an estimated gap of 1.7 percentage points at the end of 2023. Most of these economies are expected to reach their targets (or midpoints of the target range) by 2025. In many major economies, the downward revision of expected inflation, coupled with a modest improvement in economic activity, implies a softer than expected landing.

Political priorities

With inflation falling towards target levels around the world, the short-term priority for central banks is to ensure a soft landing, without lowering rates prematurely or delaying them too long. As inflation factors and dynamics vary across economies, policy requirements to ensure price stability are increasingly differentiated. At the same time, in many cases, with rising debt and limited budgetary room for manoeuvre, falling inflation and economies better able to absorb the effects of fiscal tightening, there is a need to refocus on fiscal consolidation. Intensified supply-supportive reforms would facilitate the reduction of inflation and debt and enable a sustained rise in living standards.

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The Israeli-Palestinian conflict and the Russia-Ukraine war

The conflict in Gaza and Israel might escalate further in a region that produces around 35% of the world's oil exports and 14% of gas exports; as a result of the hostilities between Israel and Hamas, since the second half of last November, Huthi militias, which control part of Yemen, have attacked a number of merchant ships in the Bab el-Mandeb strait, at the end of the Red Sea. Approximately 12 per cent of world trade passes through the strait, located on the route between the Suez Canal and the Indian Ocean. Increasing risks to the safety of crews and the security of cargo have progressively prompted major shipping companies to divert ship traffic to the longer route circumnavigating Africa. In the second half of December 2023, the volumes going through the strait were almost 40 per cent lower than in the same period last year.
The ongoing war in Ukraine and the Israeli-Palestinian conflict risk generating new negative supply shocks for the global recovery, with soaring food, energy and transport costs. Container shipping costs have already risen significantly and the situation in the Middle East remains volatile. Further geo-economic fragmentation might also restrict the cross-border flow of raw materials, causing further price volatility. More extreme climate shocks, including floods and droughts, might cause food price spikes, exacerbate food insecurity and jeopardise global disinflation.

The scenario of the national economy[4]

According to Bank of Italy estimates, growth in our country remained close to zero in the final months of 2023, dampened by tighter credit conditions and by the persistence of high energy prices. Consumption stagnated and investment contracted. Economic activity turned downwards again in manufacturing, while holding stable in services. It grew in construction, which continued to benefit from tax incentives. According to the Bank of Italy's latest projections, prepared as part of the Eurosystem's coordinated exercise, GDP will grow by 0.6 per cent in 2024 (compared with an estimated 0.7 per cent in 2023) and by 1.1 per cent in each of the following two years.

Exports grew in the autumn. The current account balance was positive in the third quarter, thanks to the further reduction in the energy deficit and the increase in the non-energy goods surplus. Non-resident investors made net purchases of Italian securities and the negative TARGET balance continued to improve. The positive net international investment position strengthened further.

The labour market showed signs of resilience in October and November: employment continued to grow, though at a slower pace than in the first part of the year. The participation rate reached a new high since the time series began, while the unemployment rate remained stable. Wage growth stepped up further in the non-farm private sector in the third quarter. Profit margins, which have remained above pre-pandemic levels despite their recent slight reduction, and the decrease in input costs might allow firms to absorb wage pressures without leading to renewed price increases.

The fall in core inflation intensified, spreading to non-energy industrial goods and to services. In December, headline inflation stood at 0.5 per cent (and core inflation at 3.0 per cent). Households and firms expect inflationary pressures to ease in the short and medium term. According to the Bank of Italy's latest projections, prepared as part of the Eurosystem's coordinated exercise, the increase in consumer prices will slow to 1.9 per cent in 2024 (from 5.9 in 2023), and then diminish gradually to 1.7 per cent in 2026; core inflation is projected to reach 2.2 per cent this year (4.5 per cent in 2023) and to fall below 2 per cent over the next two years.

Developments in lending continue to reflect very weak demand for loans and tight credit standards, in line with the restrictive monetary policy stance. Past raises in the key interest rates continue to affect the cost of credit to firms more strongly than suggested by historical regularities. The monetary restriction is also leading to a reduction in bank funding. In the banking sector, profitability has improved, the non-performing loan rate remains low and the capitalization level has increased.

Preliminary data point to a reduction in the deficit and in the debt-to-GDP ratio in 2023. The budget for 2024-26 was approved in December; according to official assessments, it raises net borrowing for 2024 by 0.7 percentage points of GDP compared with the current legislation scenario and is consistent with an only marginal decrease in the debt-to-GDP ratio over the three years considered. In December, the European Union approved the modified National Recovery and Resilience Plan (NRRP) and disbursed the fourth tranche of the funding.

In the second half of December, the Council of the European Union reached an agreement on the reform of the Stability and Growth Pact. The agreement incorporates the main changes introduced by the Commission's proposal last spring, i.e. the centrality of medium-term debt sustainability analyses of the public debt of individual Member States and the key role of bilateral negotiations with each of them concerning fiscal adjustments. Nevertheless, it introduces some additional numerical requirements, equal for all Member States, on public debt and structural deficit dynamics. Negotiations are under way among the EU institutions with a view to finalizing the legislation.

[4] Source: Bank of Italy Economic Bulletin 1/2024

REFERENCE MARKET

According to International Data Corporation (IDC) estimates, the global artificial intelligence (AI) software market will grow from $64 billion in 2022 to almost $251 billion in 2027, with a 31.4% compound annual growth rate (CAGR). These forecasts do not take into account the generative AI segment which, according to IDC, may generate revenues of $55.7 billion in 2027[5] and, according to the model drawn up by Bloomberg Intelligence, may become a $1.3 trillion market by 2032[6].

Generative AI, under the impetus generated by large-scale language models (LLM, such as those underlying ChatGPT), has stimulated a strong interest in open source tools and, at the same time, in customised business language solutions and models. Forrester, in fact, gives evidence of a growing need of organisations incorporating generative AI into their overall AI strategies (67% of the companies surveyed) for enterprise solutions that optimise business operations and improve predictive analytics capabilities in order to reduce risks and identify growth opportunities[7]. In this scenario, a hybrid AI or composite AI approach, i.e. one that involves the integration and exploitation of the best that different artificial intelligence technologies can offer, is the most effective approach for the learning process and for knowledge representations aimed at solving more business problems more efficiently[8], while also guaranteeing the possibility of progressing towards **Responsible AI** .

Responsible AI and Hybrid AI are indicated once again as the main innovations according to Gartner's 'hype cycle' logics[9], 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, understandable, therefore clear, explainable and reliable, moving towards intelligent systems that can ensure greater accountability. expert.ai has been a pioneer in this respect, being one of the first companies to incorporate the best technologies available on the market with proprietary ones (knowledge graphs, machine/deep learning techniques, large language models and generative AI) and to share the need for responsible artificial intelligence, from which to benefit in a sustainable manner, according to a transparent, explainable, green and human-centred approach[10].

OPERATING PERFORMANCE OF THE GROUP

The consolidated financial report as at 31 December 2023 includes the consolidated figures of the subsidiaries included

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[5] *'IDC Forecasts Revenue for Artificial Intelligence Software Will Reach $307 Billion Worldwide in 2027' - 20 December 2023* IDC Forecasts Revenue for Artificial Intelligence Software Will Reach $307 Billion Worldwide in 2027

[6] *'Generative AI to Become a $1.3 Trillion Market by 2032, Research Finds' - 1 June 2023* HYPERLINK 'https://www.bloomberg.com/company/press/generative-ai-to-become-a-1-3-trillion-market-by-2032-research-finds/'Generative AI to Become a $1.3 Trillion Market by 2032, Research Finds | Press | Bloomberg LP

[7] *'Predictions 2024: Generative AI Transitions From Hype To Intent' - 26 October 2023* Predictions 2024: Generative AI Transitions From Hype To Intent (forrester.com)

[8] *Definition of Composite AI - IT Glossary | Gartner*

[9] *'What's New in Artificial Intelligence from the 2023 Gartner Hype Cycle'*, 17 August 2023 What's New in Artificial Intelligence From the 2023 Gartner Hype Cycle™

[10] *'Expert.ai Advances Responsible AI in the Enterprise with Green Glass Approach'*, Expert.ai Advances Responsible AI in the Enterprise with Green Glass Approach | expert.ai

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 statement of profit or loss, a reclassification of the statement of financial position by functional area and on a financial basis and the most significant financial ratios.

Main economic data

The consolidated financial statements as at 31 December 2023, 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 2022	FY 2023	CHANGE		FY 2022	FY 2023	CHANGE
40,541,810	39,050,685	(4%)	Value of production	32,015,363	31,681,768	(1%)
(14,375,843)	(235,550)	>100%	EBITDA	(2,594,333)	3,849,405	>100%
(23,076,644)	(8,814,722)	62%	EBIT	(9,303,076)	(3,509,877)	62%
(23,780,422)	(9,855,901)	59%	Profit for the period	(17,048,407)	(23,262,877)	(36%)

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

Consolidated statement of profit or loss	**31/12/2023**	**31/12/2022**	**Change**
Revenues from sales	29,781,081	28,451,514	1,329,567
Other income	2,852,433	3,206,327	(353,894)
Change in inventories	(14,560)	14,560	(29,120)
Total Revenue	**32,618,954**	**31,672,401**	**946,553**
Increase in internally generated non-current assets	6,431,731	8,869,409	(2,437,678)
Value of operating production	**39,050,685**	**40,541,810**	**(1,491,125)**
External operating costs	(15,447,292)	(20,029,825)	4,582,533
Added value	**23,603,393**	**20,511,985**	**3,091,408**
Personnel expenses	(23,838,943)	(34,887,828)	11,048,885
EBITDA	**(235,550)**	**(14,375,843)**	**14,140,293**
Amortisation/depreciation and provisions	(8,579,172)	(8,700,801)	121,629
EBIT	**(8,814,722)**	**(23,076,644)**	**14,261,922**
Result of the financial area	(1,028,887)	(1,187,549)	158,662
Profit before tax	**(9,843,609)**	**(24,264,193)**	**14,420,584**
Income taxes	(12,293)	483,771	(496,064)
Profit for the period	**(9,855,901)**	**(23,780,422)**	**13,924,521**

Revenues from sales grew compared to the previous period even though the target communicated in the business plan issued on 27 January 2023 was not reached.

The value of production is lower due to lower capitalisation, which peaked in 2022.

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

Description	31/12/2023	%	31/12/2022	%	Change

Recurring licences	17,049,453	57%	15,071,643	53%	1,977,810
Maintenance	2,958,410	10%	3,391,486	12%	(433,076)
Perpetual licences	1,140,000	4%	532,549	2%	607,451
Professional services	7,356,137	25%	8,457,885	30%	(1,101,749)
Hosting	1,262,522	4%	1,012,511	4%	250,011
Total	**29,766,521**		**28,466,074**		**1,300,447**

Recurring licences increased by 13% compared to 2022.

The recurring revenue component (temporary licences, maintenance and hosting) permanently accounts by now for over two thirds of the total.

Perpetual licences have more than doubled, but are now a residual component.

The increase in internally generated non-current assets, represented by investments in research and development, amounted to Euro 6.4 million, demonstrating the central value of these investments in expert.ai's policy, which is always focused on the constant development of its technology. These increases are down compared to 31 December 2022 (Euro 8.9 million), as investments in technology were accelerated in 2022 in order to make the new technology platform available as soon as possible.

EBITDA was negative - Euro 0.2 million - but significantly better than the previous period (negative by Euro 14.4 million as of 31 December 2022), highlighting the effectiveness of the initiatives undertaken to make the group return to profitability.

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.

After the peak of the investments needed to make the new technology platform available and to increase awareness of the Go to Market strategies, contracts for one-off technology consultancy and commercial and communication activities with low ROI were terminated, and general and administrative expenses were optimised. On the other hand, the staffing of the entire group was streamlined by reorganising and optimising the workload of each department.

The combination of these actions resulted in savings of about Euro 15.6 million, thus exceeding the cost containment targets that had been planned and communicated in the business plan issued on 27 January 2023.

The heavy technological investments of the past years have enabled the expert.ai platform to become fully operational, on which expansion and enhancement activities continue. The hybrid artificial intelligence platform brings together different artificial intelligence approaches by combining symbolic-semantic technologies with machine learning, deep learning and large language models (LLM) technologies, thus exploiting the strengths of each, allowing for their combined use and ensuring process supervision. As confirmation of the effectiveness of this approach, conceived in 2020 at the beginning of the technology repositioning project, OpenAI's GPT language model, for instance, was swiftly incorporated into the expert.ai Platform and other large-scale and sector-specific language models, such as in the case of the pharmaceutical industry market with the BioBert and Bio-GPT LLMs. With this great flexibility, organisations can continue to choose the best combination of artificial intelligence approaches and techniques as technology evolves.

The US market continues to be the focus area for the group's growth. Local branches recorded an increase of Euro 0.6 million (+7%), while the absolute change in revenues from US customers amounted to +Euro 0.9 million (+10%) YoY. 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 8.8 million (negative by Euro 23.1 million at 31 December 2022), against amortisation of intangible assets for Euro 8.4 million, mainly relating to capitalised development costs, the amortisation of which amounts to Euro 7.4 thousand.
The negative result from financial operations of Euro 1.0 million decreased compared to 31 December 2022 (negative in the amount of Euro 1.2 million).
Profit for the period posted a Euro 9.9 million loss (Euro 23.8 million as at 31 December 2022).

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

Profitability ratios	**31/12/2023**	**31/12/2022**
Net ROE	(0.81)	(1.36)
Gross ROE	(0.81)	(1.39)
ROI	(0.26)	(0.69)
ROS	(0.30)	(0.81)

The ratios, while all remaining negative, show a slight improvement over the 2022 figure.

Main figures of the statement of financial position

The **expert.ai Group**'s reclassified statement of financial position compared with that as at 31/12/2022 is as follows (in Euro):

Consolidated statement of financial position	**31/12/2023**	**31/12/2022**	**Change**
Net intangible assets	19,373,084	20,307,822	(934,738)
Net rights of use	1,199,350	1,728,077	(528,727)
Net property, plant and equipment	664,716	825,387	(160,671)
Equity investments and other non-current financial assets	10,545,183	13,137,483	(2,592,300)
Fixed capital	**31,782,332**	**35,998,769**	**(4,216,437)**
Short-term financial assets			
Inventories	0	14,560	(14,560)
Trade receivables	21,548,007	18,136,474	3,411,533
Other receivables	6,631,221	7,011,175	(379,954)
Accrued income and prepaid expenses	895,882	1,594,700	(698,818)
Short-term operating assets	**29,075,109**	**26,756,909**	**2,318,200**
Trade payables	(5,193,239)	(6,543,906)	1,350,667
Advances	(578,181)	(904,747)	326,566
Tax and social security payables	(1,878,272)	(1,909,787)	31,515
Other payables	(4,192,587)	(5,290,729)	1,098,142
Accrued expenses and deferred income	(6,033,202)	(6,452,238)	419,036
Short-term operating liabilities	**(17,875,480)**	**(21,101,407)**	**3,225,927**
Net working capital	**11,199,629**	**5,655,502**	**5,544,127**
Post-employment benefits	(4,123,112)	(3,794,957)	(328,155)
Accrued expenses and deferred income due after 12 months	(3,278,714)	(3,143,791)	(134,923)
Other medium and long-term liabilities	(1,564,945)	(1,375,330)	(189,615)
Medium-term liabilities	**(8,966,771)**	**(8,314,078)**	**(652,693)**
CAPITAL EMPLOYED	**34,015,191**	**33,340,193**	**674,998**
Shareholders' Equity	(12,218,393)	(17,492,121)	5,273,728
Medium- and long-term net financial indebtedness	(11,301,071)	(19,270,530)	7,969,459

Short-term net financial indebtedness	(10,495,726)	3,422,458	(13,918,184)
EQUITY AND NET FINANCIAL INDEBTEDNESS	**(34,015,191)**	**(33,340,193)**	**(674,998)**

Fixed capital amounting to Euro 31,782 thousand (Euro 35,999 thousand as at 31 December 2022) decreased by Euro 4,216 thousand. This decrease is mainly due to the combined effect of:

- reductions in intangible assets resulting from lower capitalisation of research and development costs and reduction of rented/leased property, plant and equipment;
- reduction in receivables for invoices to be issued;
- reduction in receivables for grants for research projects.

Looking at **current assets**, there was an increase of Euro 2,318 thousand due to the combined effect of the increase in trade receivables in the amount of Euro 3,412 thousand, partially offset by the combined decrease in other receivables and accrued income and prepaid expenses in the amount of Euro 1,079 thousand.

Short-term operating liabilities were characterised by a decrease of Euro 3,226,000, resulting from a decrease in trade payables of Euro 1,351 thousand, in other payables of Euro 1,098 thousand (including, in particular, payables to employees of Euro 967,000), and in accrued expenses and deferred income of Euro 419,000.

Net working capital was therefore higher than the previous period by Euro 5,544,000. The largely positive value of net working capital, in any event, allows for a substantially balanced management, in which short-term assets are compared with short-term liabilities.

Medium and long-term liabilities increased by Euro 675 thousand mainly due to the Euro 328 increase in post-employment benefits.

To better describe the equity balance of the company, the table below shows some financial 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 31/12/2022.

Non-current asset financing ratios	**31/12/2023**	**31/12/2022**
Non-current asset to equity capital margin	(19,563,939)	(18,506,648)
Non-current asset to equity capital ratio	0.38	0.49
Non-current asset to equity capital and medium-long term debt margin	(2,574,811)	5,934,169
Non-current asset to equity capital and medium-long term debt ratio	0.92	1.16

The **non-current asset to equity capital margin** and the related fixed capital self-coverage ratio express how the company finances non-current assets; they correlate the value of shareholders' equity with fixed capital (as quantified in the table below). The value was not significantly different from that for 2022 and, as was the case for the previous period, the negative result, with the related ratio of less than unity, is mainly related to the erosion of shareholders' equity due to losses for the period.

	31/12/2023	**31/12/2022**
Shareholders' Equity (A)	**12,218,393**	**17,492,121**

Net intangible assets	19,373,084	20,307,822
Net rights of use	1,199,350	1,728,077
Net property, plant and equipment	664,716	825,387
Equity investments and other non-current financial assets	10,545,183	13,137,483
Fixed capital (B)	**31,782,332**	**35,998,769**
Non-current asset to equity capital margin (A- B)	**(19,563,939)**	**(18,506,648)**
Non-current asset to equity capital ratio (A/ B)	**0.38**	**0.49**

The **non-current asset to equity capital and medium-long term debt margin** represents the difference between permanent capital and non-current assets of all kinds; in this case, therefore, medium- and long-term loans (as quantified in the table below) are also taken into account, i.e. consolidated liabilities (e.g. mortgages, post-employment benefits and, more generally, all payables that will not be covered in the following twelve months).
The negative result of this margin shows that durable financing sources do not cover long-term investments; this is because of the company's worse long-term net financial position compared to 2022 and the reduction of shareholders' equity for the reasons stated above.

	31/12/2023	**31/12/2022**
Shareholders' Equity (A)	12,218,393	17,492,121
Net financial position in the medium and long term (B)	11,301,071	19,270,530
Other medium and long-term liabilities (C)	1,564,945	1,375,330
Post-employment benefits (D)	4,123,112	3,794,957
Fixed capital (E)	31,782,332	35,998,769
Non-current asset to equity capital and medium-long term debt margin (A + B + C + D - E)	**(2,574,811)**	**5,934,169**
Non-current asset to equity capital and medium-long term debt ratio (A + B + C + D)/E	**0.92**	**1.16**

The debt ratio has worsened compared to the previous period and indicates that the Group's business is financed with current and medium/long-term debts, which, added together, are higher than equity; the Group's objective is to reduce debt, also by injecting new liquidity into the company, to bring the ratio back close to 50%, which can be considered an optimal figure.

Financing structure ratios	**31/12/2023**	**31/12/2022**
Liabilities within 12 months (A)	24,133,988	23,267,480
Liabilities after 12 months (B)	16,989,128	24,440,817
Equity (C)	12,218,393	17,492,121
Total indebtedness ratio (A+B)/C	**3.37**	**2.73**

Main financial data

The Group's Net Financial Position (or net financial indebtedness) is determined as the result of current and non-current financial debt 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. trade payables 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 Indebtedness is shown below:

Consolidated Net Financial Indebtedness	31/12/2023	31/12/2022	Change
A - Cash	1,779,202	12,024,125	(10,244,923)
B - Cash equivalents	0	0	0
C- Other current financial assets	16,782	16,644	138
D- Liquidity (A + B + C)	1,795,983	12,040,769	(10,244,786)
E - Current financial debt (including debt instruments but excluding the current portion of non-current financial debt)	7,279,547	3,530,191	3,749,356
F - Current portion of non-current financial debt	5,012,162	5,088,120	(75,958)
G - Current financial indebtedness (E + F)	12,291,710	8,618,311	3,673,399
H - Net current financial indebtedness (D-G)	(10,495,726)	3,422,458	(13,918,184)
I - Non-current financial debt (excluding the current portion and debt instruments)	10,850,920	15,156,930	(4,306,010)
J - Debt instruments	0	4,113,600	(4,113,600)
K - Trade payables and other non-current payables	450,151	-	450,151
L - Non-current financial indebtedness (I+J+K)	11,301,071	19,270,530	(7,969,459)
M - Net financial indebtedness (H-L)	**(21,796,798)**	**(15,848,072)**	**(5,948,726)**

The worsening of the Group's net financial indebtedness, if compared to 2022, is mainly attributable to the cash difference; in fact, if current and non-current financial indebtedness are added together, a marked improvement over 2022 is noted, amounting to Euro 4,746 thousand.

For the purposes of a correct reading of the above table and for comparability with the previous period, the following should be noted: as of 31 December 2023, the long-term bond debt, which was classified under item 'J - Debt Instruments', was entirely classified as short-term under item 'E - Current Financial Debt' because, as of the reporting date, Expert.ai S.p.A. did not comply with the financial covenants envisaged in the loan regulations.

However, the company will rectify this breach in a few months by re-establishing in the short term the equity levels required by the aforementioned financial covenants. In fact, as described in the 'Business Outlook' section below, the Board of Directors plans to meet in the first weeks of May 2024 to approve the proposed Capital Increase in the amount of Euro 30 million and to call the Extraordinary Shareholders' Meeting for approval.

BUSINESS OUTLOOK

In a complex and constantly changing macroeconomic scenario, expert.ai is continuing on the path of business evolution and transformation. During the year it also took measures to increase productivity and optimise the cost component.

On 8 February 2024, the Board of Directors approved the new business plan for the three-year period 2024-2026.

The Group's goal is to close 2024 with a positive EBITDA of Euro 8.7 to 10.4 million.

The guidelines focus on further cost containment to ensure positive operating cash flow generation. In addition, the company intends to intensify its business in the most receptive markets (the Italian and American markets) and in the most high-potential sectors (insurance, banking, media, healthcare and pharmaceuticals) where interest in cognitive AI solutions is growing and new interesting opportunities are opening up.

The strong public interest in large language models (as those underpinning ChatGPT) has, in fact, brought the knowledge management and utilisation sector in which the company operates into the limelight. This phenomenon has attracted new prospective customers, but at the same time has created a lack of clarity and false expectations as to what can actually be done with artificial intelligence; a period of market 'education' will therefore be necessary to advise and accompany companies in their choices.

The Board of Directors plans to meet in the early weeks of May 2024 to resolve on the proposed Capital Increase in the amount of Euro 30 million and to call the Extraordinary Shareholders' Meeting in the same month for approval.

This operation will provide the Company with the necessary resources for a twofold objective:

- stabilise the current financial situation, for which a turnaround has already been initiated, thanks also to the ongoing discussions on debt rescheduling;
- enable and support growth through both internal lines and extraordinary transactions involving targeted synergetic acquisitions.

Specifically, of the Euro 30 million that the Group proposes to raise, about 14% will be allocated to internal restructuring activities, about 34% to support current management (both operational and investment in technological development) and financial debt for the next three periods, and about 50% (together with the positive cash flows projected in the Company's financial plan) to the implementation of inorganic growth strategies, including M&A transactions.

In particular, internal restructuring activities will be mainly represented by an efficiency and reskilling plan concerning some of the Company's employees, whose skills are now relatively obsolete based on the evolution of the Group's business model (for example, a category of employees previously employed as linguists, whose work was previously necessary based on the state of development of Artificial Intelligence products at the time, will be reallocated).

As regards opportunities for inorganic growth through M&A transactions, particularly through the acquisition of one or more small/medium-sized companies operating on the national and/or international scene, the aim is to (i) acquire complementary solutions to those already in our portfolio; (ii) diversify the reference end market; (iii) quickly increase EBITDA.

In this sense, the Group's main objectives are to (i) increase its current technical know-how with the aim of developing/expanding its product portfolio (ii) and/or expand its customer base.

Lastly, with regard to the financial sustainability of the strategic initiatives outlined above, in addition to the aforesaid Capital Increase, the Group has begun to negotiate a debt rescheduling plan with the relevant banks so as to redefine the repayment plan for principal and interest with respect to the originally scheduled maturities.

TREASURY SHARES

As of 31 December 2023, the Parent Company Expert.ai S.p.A. did not hold any treasury shares, as it did not hold any as of 31 December 2022, nor were any traded during the period.

IV. ENVIRONMENT, PERSONNEL AND RISKS

ENVIRONMENT

During the year, no damage was caused to the environment for which expert-ai was definitively found guilty. During the 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 company continued to make personnel training and development investments. Using different types of training (asynchronous distance training, webinars and face-to-face sessions), several initiatives were offered to employees, focused on developing both technical and behavioural skills. Training sessions were organised involving some employees as trainers, in order to capitalise on internal skills and know-how and encourage their sharing.
As usual, the parent company expert.ai S.p.A. also conducted refresher courses on occupational health and safety for workers' safety representatives in compliance with Legislative Decree 81/08. The company also monitored and planned courses on the aforementioned topics to be delivered to all employees (including supervisors). 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.
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 was committed to a significant cost-cutting objective; to this end, on 14 March 2023 it signed a 12-month 'defensive' solidarity agreement (within the meaning of Article 21, paragraph 5, and Article 22, paragraph 3, of Legislative Decree no. 148 of 14 September 2015) envisaging a 45% maximum average hourly reduction of monthly working hours. The contract ended as planned on 13 March 2024 and did not result in the application of particularly high reduction percentages in all departments.

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

General risks: regarding the risks arising from the Israeli-Palestinian conflict and the one in Ukraine, reference should be made to the information provided above in 'National economic scenario', in the commentary on 'General economic performance' and in the Explanatory Notes, 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 Group'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 31/12/2023	Average exchange rate in 2023	Exchange rate as at 31/12/2022	Average exchange rate in 2022
USD - US Dollar	1.1050	1.0813	1.0666	1.0530
CHF - Swiss Franc	0.9260	0.9718	0.9847	1.0047
GBP - pound sterling	0.86905	0.86979	0.8869	0.8528
CAD - Canadian dollar	1.4642	1.4595	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, in February 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 has registered the trade name 'Expert.ai'. 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, rather only for hedging transactions. With regard to interest rate dynamics, please refer to what is stated above in 'National economic scenario', in the commentary on 'General economic performance'.

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

As stated in the section on the 'interest rate risk', Expert.ai S.p.A. uses derivatives 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 derivatives 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 'Derivatives'.

IFRS CONSOLIDATED FINANCIAL STATEMENTS AS AT 31/12/2023

EXPERT.AI MANAGEMENT REPORT AS AT 31/12/2023

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IAS/IFRS consolidated financial statements as at 31/12/2023

Financial Statements

Statement of financial position - Assets

In Euro	31/12/2023	31/12/2022
Intangible assets	19,373,084	20,307,822
Rights of use	1,199,350	1,728,077
Property, plant and equipment	664,716	825,387
Other non-current assets	7,722,341	9,700,442
Equity investments and securities	70,777	544,374
Deferred tax assets and other tax assets	2,752,065	2,892,667
Total non-current assets	**31,782,332**	**35,998,769**
Inventories	0	14,560
Trade receivables and other receivables	23,855,041	20,023,651
Current tax assets	4,324,186	5,123,998
Other current assets	895,882	1,594,700
Current financial assets	16,782	16,644
Cash and cash equivalents	1,779,202	12,024,125
Total current assets	**30,871,093**	**38,797,678**
Total assets	**62,653,425**	**74,796,447**

Statement of financial position - Liabilities

In Euro	31/12/2023	31/12/2022
Share capital	689,245	620,896
Legal reserve	101,554	101,554
Other reserves	89,933,708	86,752,718
Undivided profit (loss)	(68,650,211)	(46,202,625)
Net profit (loss) for the period	(9,855,901)	(23,780,422)
Equity attributable to owners of the parent	**12,218,394**	**17,492,121**
Equity attributable to non-controlling interests	0	
Shareholders' Equity	**12,218,394**	**17,492,121**
Non-current financial debt	10,850,920	19,270,530
Provisions for risks and charges	201,341	19,342
Other non-current payables	3,728,865	3,143,791
Employee benefits	4,123,112	3,794,957
Provisions for deferred tax liabilities	1,363,604	1,355,988
Total non-current liabilities	**20,267,842**	**27,584,608**
Trade and other payables	10,577,633	13,536,213
Current financial debt	12,291,710	8,618,311

Current tax payables	1,264,646	1,112,956
Other current liabilities	6,033,201	6,452,238
Total current liabilities	**30,167,189**	**29,719,718**
Total liabilities	**62,653,425**	**74,796,447**

Statement of profit or loss

In Euro	**31/12/2023**	**31/12/2022**
Revenues from sales and services	29,781,081	28,451,514
Change in inventories	(14,560)	14,560
Other revenues	9,284,163	12,075,736
Total Revenues	**39,050,685**	**40,541,810**
Consumption of materials	2,055,918	2,371,209
Costs for services	8,223,024	14,468,820
Rental and lease expenses	3,343,064	2,985,277
Personnel expenses	23,838,943	34,887,828
Other provisions and other costs	1,825,286	204,519
EBITDA	**(235,550)**	**(14,375,843)**
Amortisation	8,579,172	8,700,801
Impairment of non-current assets		
Operating profit	**(8,814,722)**	**(23,076,644)**
Finance cost	1,505,250	1,504,787
Finance income	476,363	317,238
Profit before tax	**(9,843,609)**	**(24,264,193)**
Income taxes	12,293	(483,771)
Profit for the period	**(9,855,901)**	**(23,780,422)**
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	**(9,855,901)**	**(23,780,422)**

Earnings per share	**31/12/2023**	**31/12/2022**
Basic	(0.15)	(0.42)
Diluted	(0.15)	(0.42)

Statement of comprehensive income

Other comprehensive income includes income and expenses (including reclassification adjustments) that are not recognised in profit (loss) for the period as required or permitted by other IFRSs.

STATEMENT OF COMPREHENSIVE INCOME	31/12/2023	31/12/2022
Profit for the period	(9,855,901)	(23,780,422)
Exchange rate changes	(1,397,648)	493,782
Change in post-employment benefits pursuant to IAS 19	(104,395)	602,672
Change in derivatives reserve	(239,802)	473,597
Other changes		
Comprehensive profit for the period	(11,597,746)	(22,210,370)

In Euro	31/12/2023	31/12/2022
Profit for the period	**(9,855,901)**	**(23,780,422)**
Other comprehensive profit/(loss) that will not be subsequently reclassified to profit/(loss) for the period:		
Actuarial gains (losses) on defined benefit plans	(137,362)	792,989
Tax effect related to Other profit/(loss) that will not be subsequently reclassified to profit/(loss) for the period	32,967	(190,317)
Total other comprehensive profit/(loss) that will not be subsequently reclassified to profit/(loss) for the period, net of tax effect	**(104,395)**	**60auc2.672**
Other comprehensive profit/(loss) that will be subsequently reclassified to profit/(loss) for the period:		
Exchange rate differences on conversion of foreign operations	(1,397,648)	493,782
Change in cash flow hedge reserve	(186,817)	473,597
Tax effect related to Other profit/(loss) that will be subsequently reclassified to profit/(loss) for the period	44,836	(113,663)
Total other comprehensive profit/(loss) that will be subsequently reclassified to profit/(loss) for the period, net of tax effect	**(1,539,629)**	**853,716**
Total other comprehensive income, net of tax effects:	**(11,499,925)**	**(22,324,034)**

Statement of cash flows

A. Cash flows from operating activities (indirect method)	31/12/2023	31/12/2022
Profit (loss) for the period	(9,855,901)	(23,780,422)
Income taxes	12,293	(483,771)
Finance cost (Income)	1,028,887	1,187,549
Amortisation	8,579,172	8,700,801
EBITDA	**(235,550)**	**(14,375,843)**
Changes in net working capital		
Decrease/(Increase) in inventory	14,560	(14,560)
Decrease/(Increase) in trade receivables and other receivables	(3,831,390)	3,250,892
Increase/(Decrease) in trade payables and other payables	(2,373,505)	2,717,524
Decrease/(Increase) in other current assets	698,818	(1,274,797)
Increase/(Decrease) in other current liabilities	(419,036)	2,062,689
Net tax liabilities paid	963,794	(1,382,995)
Total changes in net working capital	**(4,946,760)**	**5,358,753**
Increase/(Decrease) in provisions for risks and charges	181,999	(45,020)
Increase/(Decrease) in deferred tax liabilities	123,632	58,551
Increase/(Decrease) in employee benefits	328,155	(373,845)
Total other changes in operating activities	**633,786**	**(360,314)**
Cash flow from operating activities (A)	**(4,548,524)**	**(9,377,404)**
Property, plant and equipment and rights of use		
(Investments)	(291,743)	(1,106,840)
Divestments	844,649	489,842
Intangible assets		
(Investments)	(6,720,174)	(8,943,404)
Divestments	-	-
Non-current financial assets		
(Investments)	-	-
Divestments	-	-
Decrease/(Increase) in investments and other non-current assets	1,663,930	(5,697,072)
Cash flow from investing activities (B)	**(4,503,338)**	**(15,257,474)**
Loan capital		
Increase/(Decrease) in financial payables	(4,746,211)	(1,993,538)
Decrease/(Increase) in current financial assets	(138)	(172)
Finance cost (Income)	(1,028,887)	(1,187,549)
Equity		
Capital increase against payment	4,098,215	1,043,725
Stock options and stock grants	833,082	1,575,510
Employee benefits	(104,394)	(393,791)
Other changes in equity	(244,728)	7,080,819
Cash flow from financing activities (C)	**(1,193,062)**	**6,125,004**
Increase (decrease) in cash and cash equivalents (A ± B ± C)	**(10,244,923)**	**(18,509,874)**
Opening cash and cash equivalents	12,024,125	30,533,999
Closing cash and cash equivalents	1,779,202	12,024,125
Increase (decrease) in cash and cash equivalents	**(10,244,923)**	**(18,509,874)**

Information following the Statement of cash flows

This statement allows you to evaluate:

- cash generated/absorbed by operating activities and how it is used/covered;
- the company's ability to meet its short-term financial commitments;
- the company's ability to finance itself.

The cash flows presented in the Statement of cash flows derive from operating, investing and financing activities. The algebraic sum of these cash flows represents the increase or decrease in cash and cash equivalents during the period.

Cash flows from operating activities include flows from the acquisition, production and distribution of goods and the provision of services, and other flows not included in investing and financing activities.

Cash flows from operating activities are determined using the indirect method, whereby profit (or loss) for the period is adjusted to take into account all those changes (amortisation/depreciation of non-current assets, accruals to provisions for risks and charges, post-employment benefits, impairments, changes in inventories, changes in trade receivables and trade payables, changes in accruals and deferrals, gains or losses from the disposal of assets) the purpose of which is to transform positive and negative income components into cash receipts and payments (i.e. changes in cash and cash equivalents).

Although EBITDA was essentially nil (Euro - 0.3 million), yet in sharp contrast to 2022 (Euro - 14.4 million), the Group's cash and cash equivalents decreased, albeit to a much lesser extent than in 2022 (cash absorption amounted to Euro 10.2 million in 2023 vs. Euro 18.5 million in 2022), for the reasons summarised below.

Net working capital management absorbed cash in the amount of about Euro 4.9 million (compared to cash generation in the previous period of about Euro 5.4 million); cash absorption is mainly attributable to the combined effect of the increase (approx. Euro 3.8 million) in trade and other receivables and the decrease (approx. Euro 2.4 million) in trade payables, these absorptions being partly offset by the increase in tax payables (Euro 1 million), which are in turn presented net of current tax assets (the latter decreasing from 2022).

Investing activities saw a much lower cash absorption (Euro 4.5 million) than in the previous period (Euro 15.2 million), considering that amortisation of approximately Euro 8.6 million was allocated.

In addition, with regard to financing activities, current and non-current financial debt decreased in the amount of Euro 4.7 million and equity increased in the amount of about Euro 4.6 million, generating, along with other minor changes, a cash absorption of about Euro 1.2 million.

In any event, there are no problems related to the Group's ability to meet its short-term financial commitments, also in view of the substantial capital increase to be resolved by the parent company Expert.ai S.p.A. in May 2024.

Statement of changes in equity from 1 January 2023 to 31 December 2023

BALANCES AS AT 01 January 2022	**523,907**	**101,554**	**71,185,405**	**(26,492)**	**(443,567)**	**1,575,510**	**(738,645)**	**(1,380,988)**	**7,187,820**	**523,980**	**6,325,145**	**(30,812,913)**	**(15,723,624)**	**31,966,280**
Allocation of profit for the period		0	0	0	0	0	0		0	0	-	(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)											-			0
Free share capital increase (Stock grant)											-			0
Changes from own shares											-			-
Change in area/extraordinary operations											-			-
Change in cash flow hedging transactions				473,597							-			473,597
Change in actuarial gains/losses on post-employment benefits							602,672				-			602,672
Profit for the period											-		(23,780,422)	(23,780,422)
Other changes						1,486,019		493,782		(5,667)	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)**	**(887,206)**	**7,187,820**	**518,313**	**6,818,928**	**(46,202,625)**	**(23,780,422)**	**17,492,122**

BALANCES AS AT 01 January 2023	**620,896**	**101,554**	**77,004,697**	**447,105**	**(443,567)**	**3,061,529**	**(135,973)**	**(887,206)**	**7,187,820**	**518,313**	**6,818,928**	**(46,202,625)**	**(23,780,422)**	**17,492,122**
Allocation of profit for the period		-	-	-	-	-	-		-	-	-	(23,780,422)	23,780,422	-
Dividends											-			-
Share capital increase for subscription of newly-issued shares	68,349		4,029,866								-			4,098,214.83
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				(186,817)							-			(186,817)
Change in actuarial gains/losses on post-employment benefits							(104,394)				-			(104,394)
Profit for the period											-		(9,855,901)	(9,855,901)
Other changes						833,082		(1,397,648)	(14,269)	21,168	(1,390,747)	1,332,836		775,171
BALANCES AS AT 31 DECEMBER 2023	**689,244**	**101,554**	**81,034,564**	**260,288**	**(443,567)**	**3,894,611**	**(240,367)**	**(2,284,853)**	**7,173,551**	**539,481**	**5,428,181**	**(68,650,211)**	**(9,855,901)**	**12,218,394**

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 Statement of financial position, while the step-by-step format with the classification of costs by nature has been adopted for the Statement of comprehensive income and the indirect method for the Statement of cash flows. 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 period ended 31 December 2023 have been prepared in accordance with IAS 1 and IAS 7 and consist of:

- Statement of financial position, 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 of the amounts expected to be settled or recovered within or beyond 12 months from the reporting date;
- statement of profit or loss, the form of analysis of which is the nature of cost method;
- Statement of comprehensive income;
- Statement of changes in equity;
- Statement of cash flows, 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 GOING CONCERN PRINCIPLE

The Consolidated financial statements of the Expert.ai Group have been prepared in accordance with IFRS, this meaning all the
'International Financial Reporting Standards', 'International Accounting Standards' (IAS), all the interpretations given by the 'International Financial Reporting Interpretations Committee' (IFRIC), previously referred to as 'Standing Interpretations Committee' (SIC) that, as of the date of the Consolidated financial statements, have been endorsed by the European Union in accordance with the procedure set forth in Regulation (EC) No. 1606/2002 of the European Parliament and the European Council of 19 July 2002 and pursuant to Legislative Decree 38/2005.

IFRS have been applied consistently to all periods discussed in this document.
The going concern issue is strictly related to the 'business outlook' section of the Management Report; the reasons for this close link are explained below.
The Board of Directors will meet in the early weeks of May to resolve on the proposal to increase the Share Capital by Euro 30 million, to be submitted to the Extraordinary Shareholders' Meeting, which will then decide thereon in the same month; to this end, the Company has already begun preparing the documents and, more specifically, the Prospectus (not yet final at the reporting date) relating to the pre-emptive offer to ordinary shareholders and the admission to trading on the EGM (Euronext Growth Milan) of the new shares arising from the capital increase pursuant to art. 2441, paragraph 1, of the Italian Civil Code.

In this regard, also taking into account the possible non-full subscription of the Capital Increase, the Board of Directors may exercise its delegated power to further increase the Issuer's share capital up to Euro 20 million (including any share premium). This power will be delegated to the Board by the Shareholders' Meeting when deciding on the Euro 30 million Capital Increase.

Pursuant to Regulation 1129/2017 and Regulation 980/2019, as well as the ESMA 'Guidelines on disclosure requirements under the Prospectus Regulation (04/03/2021 | ESMA32-382-1138)', the Company will represent in this Prospectus that it does not have sufficient working capital to meet its current financial requirements, i.e. those for the twelve months following the date of preparation of the Prospectus. At the same time, it will clarify that the Group expects to cover its Net Financial Requirements of approximately Euro 20 million for the 12 months following the date of preparation of the Prospectus by using the net proceeds from the said Capital Increase, as well as by completing the Rescheduling Plan, which would result in a Net Financial Requirement of approximately Euro 16 million for that period. In addition, should the amount subscribed be lower than the minimum amount, the Company may partially cover the Net Financial Requirement by (i) cutting planned costs and investments, which would only be incurred upon the successful completion of the Capital Increase, and taking alternative cost-cutting initiatives, (ii) possibly taking out new debt lines secured by collateral and (iii) using unutilised credit lines, in the form of cash lines, amounting to Euro 4 million, of which only Euro 3 million can actually be used.

Finally, it must be emphasised that the shareholder GUM Group S.p.A. has openly expressed its intention to subscribe to the capital increase up to the amount of Euro 15 million. In this case, the Group would have the minimum cash available to meet its financial requirements in the twelve months following the end of the period, assuming the debt rescheduling plan was perfected.

The capital increase will be functional to the Company's raising of a significant portion of the financial resources necessary to achieve the strategic objectives of the '2024-2026 Business Plan' approved by the Board of Directors on 8 February 2024.

It is precisely the aforementioned Industrial Plan that represents the first step and the basis of a complex restructuring operation that will concern not only the Company's cost structure, but also its commercial structure (in terms of investments in the most receptive markets and in strategic sectors) with the main objective of generating positive operating cash flows.

In addition, as mentioned above, should the capital increase be limited to a lower amount (a Euro 15 million threshold has been envisaged, equal to the possible subscription commitment by GUM Group S.p.A.), it is believed that the Company will still be able to continue to implement its Business Plan, thereby guaranteeing the achievement of its operational, financial and strategic restructuring objectives and, consequently, ensuring business continuity and development.
At the reporting date, there are no indications or information raising any uncertainties or doubts as to whether the path that began with the drafting of the Business Plan and continued with the planned capital increase as an indispensable element for its due implementation are being questioned.

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, 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 2023 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 the first half of 2024. 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. 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 measurement of financial assets and liabilities, where application of the fair value standard is required.

ACCOUNTING POLICIES, AMENDMENTS AND INTERPRETATIONS EFFECTIVE AS FROM 1 JANUARY 2023 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 2022 and which became effective on or after 1 January 2023:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendments to IAS 12 Income Taxes);

- International Tax Reform - Pillar Two Model Rules (Amendment to IAS 12 Income Taxes).

The adoption of these amendments had no impact on the Group's consolidated financial statements.

ACCOUNTING POLICIES, 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 policies and new accounting interpretations, as well as the amendments to the most significant policies 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 policies, as well as for revisions and amendments to existing policies, 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' and 'Non-current Liabilities with Covenants'

On 23 January 2020, the IASB published an amendment entitled 'Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current' and on 31 October 2022 it published a further amendment entitled 'Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants'.

The amendments require that an entity's right to defer settlement of a liability for at least twelve months after the reporting date must have substance and exist at the reporting date. The classification of a liability is not affected by the likelihood that the entity will exercise its right to defer its settlement for at least twelve months after the reporting date.

The amendments to IAS 1 'Non-Current Liabilities with Covenants' issued by the IASB on 31 October 2022 specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current, but the entity must disclose adequate information on the covenants in the notes to the financial statements.

The amendments will be effective for periods beginning on or after 1 January 2024, with early adoption being permitted.

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.

REPORTING DATE

The reporting date of the consolidated financial statements is 31/12/2023.

OPERATING SEGMENT DISCLOSURE

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

SCOPE OF CONSOLIDATION

The consolidated financial statements as at 31/12/2023 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 31/12/2023

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 31/12/2023.

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 non-current 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, impairment losses and reversals of impairment losses of equity investments in consolidated companies, as well as intercompany dividends, are also eliminated. The non-controlling interest in capital and reserves in subsidiaries and the non-controlling interest in the Profit or Loss for the year of consolidated subsidiaries, if any, are separately identified. Losses attributable to non-controlling interests that exceed the portion of interest in the capital of the investee company are allocated to equity attributable to non-controlling interests.

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 Equity attributable to owners of the parent 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 (equity 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 equity investment as an equity investment in an associated company, joint venture or financial asset. Finally, the Group will account for all amounts previously recognised in other comprehensive income with respect to that subsidiary, similar to what would be required if the parent had directly disposed of the related assets or liabilities. This might result in the reclassification of such Profits or Losses from Shareholders' Equity to Profit/(Loss) for the period. The financial statements of subsidiaries are adjusted in order to bring them into line with the accounting standards adopted by the Group. The reporting date of subsidiaries is aligned with that of the Parent Company; if this is not the case, the subsidiaries prepare special statements of financial position 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. Equity investments in associated companies are initially recorded at cost and subsequently valued using the Shareholders' Equity method described below. The accounting value of these equity 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 measured with the equity method are also adjusted to bring them into line with the accounting standards adopted by the Group.

Profits or losses attributable to the owner of the parent 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 measured using this method shows a negative Shareholders' Equity, the accounting value of the equity investment is cancelled and any surplus attributable to owners of the parent, where the latter has undertaken to meet the legal or implicit obligations of the investee company, or otherwise to cover its losses, is recognised in a specific provision; changes in the equity of companies accounted for by using the Equity method that are not reflected in the statement of profit or loss 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 measured by using the 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 acquisition date, 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 policies. 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 statement of profit or loss, as income. Incidental transaction costs are recognised in the statement of profit or loss 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 statement of profit or loss or other comprehensive income 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 statement of profit or loss. Acquisitions of non-controlling interests relating to entities for which control already exists or the sale of non-controlling 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 Equity attributable to owners of the parent.
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 non-controlling shareholdings is determined in proportion to the non-controlling interests held in the acquiree's identifiable net assets. Ancillary charges associated with the acquisition are recognised in the statement of profit or loss 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, statement of financial position items are converted at exchange rates at the reporting date, whilst statement of profit or loss items are converted at the average exchange rate for the period. 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 period. Any differences between the profit for the period, 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 31/12/2023	Average exchange rate in 2023	Exchange rate as at 31/12/2022	Average exchange rate in 2022
USD - US Dollar	1.1050	1.0813	1.0666	1.0530
CHF - Swiss Franc	0.9260	0.9718	0.9847	1.0047
GBP - pound sterling	0.8691	0.8698	0.8869	0.8528
CAD - Canadian dollar	1.4642	1.4595	1.4440	1.3695

MEASUREMENT CRITERIA

The accounting policies and measurement criteria adopted in preparing the Consolidated financial statements are shown below:

Intangible 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 recognised 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 statement of profit or loss in the period in which they are incurred. Intangible assets include those with a finite useful life or other intangible assets, the measurement 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 statement of profit or loss 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 recognised 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 assets

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

Rights of use

The accounting policy 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 accounting value of the asset consisting of the right of use is zero and there is a further reduction in the measurement of the lease liability, this difference is recognised in the profit (loss) for the period. 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 right of use, recognising any profit or loss related to the partial or total termination of the contract in the statement of profit or loss. No assets are recognised 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 statement of profit or loss, 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 statement of profit or loss 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 property, plant and equipment. The amortisation period corresponds to the duration of the respective contracts, also taking into account reasonably probable renewals.

Property, plant and equipment

These non-current assets, shown net of accumulated depreciation, are recorded at purchase or production cost, with the exception of assets whose value has been remeasured on the basis of legal provisions. Cost includes ancillary charges and costs directly attributable to the asset. Non-current assets, with the exception of land, are systematically depreciated each period 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, irrespective of the depreciation already recorded, the non-current asset is written down accordingly. Ordinary maintenance costs are charged in full to the

statement of profit or loss. 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 non-current 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 accounting 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 statement of profit or loss in the period in which they are incurred.

Impairment of non-financial assets

At each reporting date, 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 accounting value to the statement of profit or loss. 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, expected future cash flows are discounted using a discount rate that reflects the current market measurement 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 statement of profit or loss when the accounting value of the asset is greater than its recoverable amount. If the conditions for a previous write-down no longer apply, the accounting value of the asset, excluding goodwill, is reinstated and charged to the statement of profit or loss, within the limits of the net accounting 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

Equity 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 statement of profit or loss (FVPL) or, if the option provided for in the standard is exercised, in the statement of comprehensive income (FVOCI) under the item 'Reserve for instruments at FVOCI'. For equity investments measured at FVOCI, impairment losses are never recognised in the statement of profit or loss as are accumulated gains or losses when the equity investment is sold; only dividends distributed by the investee are recognised in the statement of profit or loss 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 measured at cost, adjusted if necessary for any impairment losses. The related dividends are posted among finance 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 accounting policy requires intangible assets, property, plant and equipment 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 non-current 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 measurements used to determine the recoverable value. A reversal of an impairment loss must be recognised immediately in the statement of profit or loss by adjusting the accounting value of the asset to its recoverable amount. The latter must not exceed the accounting value that would have been determined, net of amortisation and depreciation, if no impairment loss had been recognised in previous periods. 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 periods, 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). Finance cost is not included in the measurement 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 stated 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 stated 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 industrial margin, this is recognised in its entirety in the period 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 comprehensive income (FVOCI);
- assets at fair value through profit or loss for the period (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 recognised at fair value.

Employee benefits

The cost related to benefits provided to employees is determined using the Projected Unit Credit Method by performing actuarial measurements at the end of each period. Defined-benefit plans also include post-employment benefits due to employees of the Group's Italian companies pursuant to article 2120 of the Italian Civil Code, accrued prior to the reform of post-employment benefits in 2007, in that they are 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 post-employment benefits 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 'Measurement reserves' included in shareholders' equity, with immediate recognition in the statement of comprehensive income.

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 measurement method, as explained in Note 38.

This cost is recognised under personnel expenses 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 period 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 provision 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.

Derivatives

The derivatives held 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, derivatives are initially recognised at fair value and, if they cannot be classified as hedging instruments, any changes in fair value after their initial recognition are treated as an operating or financial component of the profit for the period in relation to the nature of the instrument. If, on the other hand, the derivatives meet the requirements to be classified as hedging instruments, any subsequent changes in fair value are accounted for by following the specific criteria indicated below.

For each derivative 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 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 statement of profit or loss. 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 reporting date (cash flow hedge), the changes in the fair value of the derivative after its initial recognition are accounted for, limited only to the effective portion, among comprehensive income items. When the economic effects arising from the hedged item become apparent, the reserve is reversed to the statement of profit or loss 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 recognised in the statement of profit or loss. If, during the life of a derivative, 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 statement of profit or loss for the period. On the other hand, if the derivative 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, recognised up to that moment, is maintained as a comprehensive income component and is reversed to the statement of profit or loss 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 prices at the reporting date. The fair value of unlisted instruments is measured with reference to financial measurement 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 statement of financial position when the right to receive cash flows from the instrument has expired and the company has essentially transferred all risks and benefits relating 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 reporting date. 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 value of repayment over the duration of the loan being charged to the statement of profit or loss 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 reporting date.

Trade and other payables

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

Capital grants 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 grants in the financial statements using the deferred income method and with recognition 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 recognised 'over time', that is, as activities gradually progress; 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 recognised '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 statement of profit or loss.
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 statement of profit or loss 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.

Finance income and cost

These include all the financial items posted to the statement of profit or loss 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 statement of profit or loss for the period in which they are realised/incurred.

Taxes

Income taxes for the period include current taxes and deferred tax liabilities. Income taxes for the period are recognised in the statement of profit or loss; however, when they refer to items recognised directly under 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 period 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 periods.

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

Deferred tax liabilities refer to:

(i) temporary differences between the taxable base of an asset or liability and its accounting 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) deferred tax assets are recorded in the financial statements;

(iv) 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) the carry forward 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.

Deferred tax assets and deferred tax liabilities are determined on the basis of the tax rates expected to apply to changes in income in the periods in which the temporary differences will reverse, based on tax rates and tax laws in force or substantially in force at the reporting date.

The effect of the change in tax rates on the aforesaid taxes is posted to the statement of profit or loss in the period in which such change takes place. Deferred tax assets 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 Statement of financial position, the Statement of comprehensive income, the Statement of changes in shareholders' equity and the Statement of cash flows, 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 that are most impacted by the use of estimates and measurements 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 property, plant and equipment and its 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 their accounting value cannot be recovered. The write-down is determined by comparing the accounting 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 accounting value is checked at least annually and otherwise when events occur that presuppose impairment. With reference to goodwill, the test 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 accounting 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 accounting value of the assets making up the cash generating unit.

Business Combinations

Recognition of Business Combinations involves allocating to the assets and liabilities of the acquired company the difference between the purchase cost and the net accounting 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 statement of profit or loss. In the allocation process, Management makes use of available information and, for the most significant Business Combinations, of external measurements.

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 expenses'.

Basic or diluted earnings per share

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

- profit for the period attributable to ordinary shares is increased by the amount, net of tax, of dividends and interest recognised during the period 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.

Events after the reporting period

As for events after the reporting period, 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

Statement of cash flows

The Statement of cash flows has been prepared using the indirect method. Cash and cash equivalents included in the Statement of cash flows include the statement of financial position balances of that item at the reporting 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 Statement of cash flows 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 period 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.

COMMENTS ON THE MAIN ITEMS OF THE STATEMENT OF FINANCIAL POSITION

1. Intangible assets

Intangible assets amount to Euro 19,373,084 (Euro 20,307,822 in the previous period), showing the following changes:

Description	Development costs	Industrial rights and patents	Concessions, licences and trademarks	Goodwill	Intangible assets in process	Other intangible assets	Total
01/01/2022	**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
Depreciation 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**
Increases for purchases	6,394,778	300,000	0	0	0		**6,694,778**
Decreases	0	0	0	0	0	0	**0**
Other changes	33,880	(8,484)	0	0	0	0	**25,396**
Depreciation for the period	(7,400,197)	(212,554)	(496)	0	0	(41,665)	**(7,654,912)**
31/12/2023	**15,247,260**	**553,010**	**12,537**	**3,421,599**	**2,800**	**135,878**	**19,373,084**

HISTORICAL COST	Development costs	Industrial rights and patents	Concessions, licences and trademarks	Goodwill	Intangible assets in process	Other intangible assets	Total
01/01/2022	**55,510,604**	**1,589,232**	**2,005,329**	**3,421,599**	**2,800**	**259,285**	**62,788,849**
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	(1,047,869)	0	0	0	(930,758)
31/12/2022	**64,495,834**	**1,992,033**	**957,460**	**3,421,599**	**2,800**	**282,607**	**71,152,333**
Increases for purchases	6,394,778	300,000	0	0	0	0	6,694,778
Decreases	0	0	0	0	0	0	0
Other changes	(32,117)	(9,312)	(32,181)	0	0	0	(73,610)
31/12/2023	**70,858,495**	**2,282,721**	**925,279**	**3,421,599**	**2,800**	**282,607**	**77,773,501**

ACCUMULATED DEPRECIATION	Development costs	Industrial rights and patents	Concessions, licences and trademarks	Goodwill	Intangible assets in process	Other intangible assets	Total
01/01/2022	**41,086,320**	**1,305,741**	**1,830,162**	**0**	**0**	**63,398**	**44,285,621**
Amortisation	5,694,394	211,611	651	0	0	336,135	6,242,791
Decreases	0	0	0	0	0	(294,470)	(294,470)
Other changes	768,074	(132,999)	(940,845)	0	0	1	610,569
31/12/2022	**48,277,035**	**1,517,985**	**944,427**	**0**	**0**	**105,064**	**50,844,511**
Amortisation	7,400,197	212,554	497	0	0	41,666	7,654,914
Decreases	0	0	0	0	0	0	0
Other changes	(65,997)	(829)	(32,181)	0	0	0	(99,008)
31/12/2023	**55,611,235**	**1,729,711**	**912,742**	**0**	**0**	**146,729**	**58,400,417**

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 periods 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 2023 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 policies. In detail, goodwill refers:

- For Euro 320,020, to the subsidiary Expert System Iberia S.L.U. following acquisition of the 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 2023. 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 2023.
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 measured 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 cash inflows that are largely independent of the cash inflows from other assets or groups of assets having functional autonomy'.

CGU 31.12.2023	goodwill value	recoverable amount	WACC	g rate	cash flow period
Expert System France / Iberia	3,421,597	value in use	11.3%	1.9%	3 years

Tests were performed based on cash flows inferred from forecasts prepared by management of the subsidiary for the period 2024-2026, based on expected growth.
No impairment loss was found during the impairment test as the recoverable amount is higher than the accounting value of the CGU.
On the basis of the assumptions described above, the Enterprise Value of the entire group was calculated, quantified as Euro 54.6 million with respect to a net invested capital of Euro 34.0 million.
By varying the WACC and g by +1% and -1%, respectively, the Enterprise Value varies between Euro 44.2 million (WACC 12.3%, g 0.9%) and Euro 70.4 million (WACC 10.3%, g 2.9%).

2. Property, plant and equipment

Property, plant and equipment amount to Euro 664,716 (Euro 825,387 in the previous period), showing the following changes:

Description	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other goods	Total
01/01/2022	**318,388**	**12,436**	**0**	**562,213**	**893,037**
Increases for purchases	0	39,876	0	127,268	167,144
Decreases	0	0	0	(17,577)	(17,577)
Other changes	(1)	0	0	3,366	3,365
Depreciation for the period	(11,087)	(7,542)	0	(201,953)	(220,582)
31/12/2022	**307,300**	**44,770**	**0**	**473,317**	**825,387**
Increases for purchases	0	10	0	7,376	7,386
Decreases	0	0	0	(56,882)	(56,882)
Other changes	0	(9)	0	79,172	79,163
Depreciation for the period	(11,087)	(11,529)	0	(167,721)	(190,337)
31/12/2023	**296,213**	**33,241**	**0**	**335,262**	**664,716**

HISTORICAL COST	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other goods	Total
01/01/2022	**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**
Increases for purchases	0	0	10	7,376	7,386
Sales	0	0	0	0	0
Other changes	0	0	0	(56,869)	(56,869)
31/12/2023	**456,980**	**275,937**	**2,047**	**2,897,457**	**3,632,421**

ACCUMULATED DEPRECIATION	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other goods	Total
01/01/2022	**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**
Depreciation for the period	11,087	11,529	0	167,721	190,337
Sales	0	0	0	0	0
Other changes	(0)	(0)	10	(79,159)	(79,150)
31/12/2023	**160,767**	**242,696**	**2,047**	**2,562,194**	**2,967,705**

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

- Office furniture for Euro 70,692
- Electronic office machines for Euro 239,550
- Cell phones for Euro 5,580
- Motorcycles for Euro 0
- Local installations for Euro 1,462

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	
01/01/2022	2,453,906
Purchases	448,496
Amortisation	(1,110,331)
Other changes	(63,994)
31/12/2022	**1,728,077**
Purchases	395,786
Amortisation	(733,921)

Other changes	(190,592)
31/12/2023	**1,199,350**

Rights of use - HISTORICAL COST	
01/01/2022	**4,611,381**
Purchases	448,496
Sales	
Other changes	(63,994)
31/12/2022	**4,995,883**
Purchases	395,786
Sales	
Other changes	(190,592)
31/12/2023	**5,201,077**

Rights of use - ACCUMULATED AMORTISATION	
01/01/2022	2,157,475
Purchases	
Amortisation	1,110,331
Other changes	
31/12/2022	**3,267,806**
Purchases	
Amortisation	733,921
Other changes	
31/12/2023	**4,001,727**

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

Company	**Properties**	**Vehicles**
EXPERT SYSTEM ENTERPRISE CORP	115,447	-
EXPERT SYSTEM FRANCE S.A.S.	0	-
EXPERT SYSTEM USA INC	-	-
EXPERT SYSTEM IBERIA S.L.U.	30,165	0
EXPERT SYSTEM COGITO LTD	19,757	-
EXPERT.AI S.p.A.	590,234	443,746
Total	**755,603**	**443,746**

4. Equity Investments and Securities

Equity investments and Securities amount to Euro 331,065 (Euro 544,374 in the previous period).

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

Description	31/12/2023	31/12/2022	Change
Equity investments	**70,777**	**70,777**	**0**
Equity investments in Cy4gate			0
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	17,205	0
Securities	260,288	473,597	(213,309)
Other securities	260,288	473,597	(213,309)
Total	**331,065**	**544,374**	(213,309)

Equity investments not included in the scope of consolidation amount to Euro 70,077 (Euro 70,777 in the previous period). The item 'Other Securities' of Euro 260,288 represents the positive fair value of derivatives, 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 7,448,904 (Euro 9,700,442 in the previous period).

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

Description	31/12/2023	31/12/2022	Change
Other prepaid expenses over 5 years	281,579	100,296	181,283
Miscellaneous security deposits over 12 months	101,170	131,600	(30,430)
EXTRA-EEC customers for invoices to be issued > 12 months	2,600,234	2,511,845	88,389
EEC customers for invoices to be issued > 12 months	441,500	637,200	(195,700)
National customers for invoices to be issued > 12 months	1,180,526	2,575,887	(1,395,361)
Receivables for grants for research projects over 12 months	2,843,895	3,743,614	(899,719)
Total	7,448,904	9,700,442	(2,251,538)

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
2022	3,539,643	192,821	11,150	3,743,614
2023	2,843,895	0	0	2,843,895
Total	6,383,538	192,821	11,150	6,587,509

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

- Emilia-Romagna Region for Euro 1,019,817
- HORIZON for Euro 1,192,460
- Lazio Region for Euro 83,143
- MISE (Ministry for Economic Development) for Euro 548,475.

6. Non-current tax assets

Non-current tax assets amount to Euro 2,752,065 (Euro 2,892,667 in the previous period).

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

Description	31/12/2023	31/12/2022	Change
Deferred tax assets after 12 months	2,752,065	2,892,667	(140,602)
Total	2,752,065	2,892,667	(140,602)

7. Inventories

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

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

Description	31/12/2023	31/12/2022	Change
Work in process on long-term contracts	0	14,560	(14,560)
Total	0	14,560	(14,560)

8. Trade and other receivables

Trade and other current receivables amounted to Euro 23,855,041 (Euro 20,023,651 in the previous period).

This item is detailed in the table below:

Description	31/12/2023	31/12/2022	Change
Trade receivables	22,331,185	18,413,046	3,918,139
Bad debt provision	(783,178)	(276,572)	(506,606)
Group current trade receivables	0	0	0
Receivables from others	2,307,034	1,887,177	419,857
Total	23,855,041	20,023,651	3,831,390

Changes in the bad debt provision during the period were as follows:

Description	31/12/2022	Used	Provision	31/12/2023
Bad debt provision	276,572	0	506,606	783,178

The bad debt provision was adjusted in line with the best estimate of the credit risk and expected losses at the reporting date, 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	31/12/2023	31/12/2022	Change
Italy	11,384,548	8,126,265	3,258,283
EEC countries	2,310,941	2,844,390	(533,449)
USA	5,324,245	5,027,716	296,529
Rest of the world	3,311,451	2,414,675	896,776
Total	22,331,185	18,413,046	3,918,139

The following table shows the receivables classified by seniority.

	31/12/2023	31/12/2022	Change
Current receivables (not past due)	16,617,722	14,841,837	1,775,885
Expired up to 30 days	2,984,795	911,219	2,073,576
Expired up to 60 days	106,798	334,562	(227,764)
Expired up to 90 days	43,400	481,976	(438,576)
Expired over 90 days	2,578,470	1,843,452	735,018
Total	22,331,185	18,413,046	3,918,139

Other receivables are detailed in the following table.

Description	31/12/2023	31/12/2022	Change
Adjustment of foreign currency receivables			0
Advances	9,168	52,426	(43,258)
Miscellaneous security deposits within 12 months	387,285	436,300	(49,015)
Sundry receivables	1,910,582	1,398,451	512,131
Total	2,307,034	1,887,177	419,857

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
2022	1,114,618	134,877	0	1,249,495
2023	1,712,101	50,594	0	1,762,695
Total	2,826,719	185,471	0	3,012,190

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

- MISE for Euro 844,373;
- MIUR [Ministry for Education, Universities and Research] for Euro 208,525;
- Tuscany Region for Euro 110,171;
- EC for Euro 549,032.

9. Current tax assets

Current tax assets amounted to Euro 4,324,187 (Euro 5,123,998 in the previous period).

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

Description	31/12/2023	31/12/2022	Change
Tax assets	3,136,106	4,105,239	(969,133)
Deferred tax assets	1,188,081	1,018,759	169,322
Total	4,324,187	5,123,998	(799,811)

A breakdown of tax assets is provided below:

Description	31/12/2023	31/12/2022	Change
VAT receivable	329,086	300,473	28,613
Due from tax authorities for withholdings	69,000	170	68,830
IRAP [Corporate Income Tax] receivable	64,147	69,064	(4,917)
Non-taxable R&D tax assets	2,624,697	2,974,487	(349,790)
Decree Law 66/14 bonus receivables	1,397	11,568	(10,171)
Treasury for VAT settlement	(132,532)	703,630	(836,162)
IRES [Regional Tax on Production] receivable	166,097	31,633	134,464
VAT credit to be offset	14,214	14,214	(0)
Total	3,136,106	4,105,239	(969,133)

10. Other current assets

Other current assets consist of accrued income and prepaid expenses amounting to Euro 895,882 (Euro 1,594,700 in the previous period).

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

Description	31/12/2023	31/12/2022	Change
Current accrued income	0	0	0
Current prepaid expenses	895,882	1,594,700	(698,818)
Total	895,882	1,594,700	(698,818)

The most significant portions of costs (including the non-current portion) are attributable to Expert.ai S.p.A., specifically the most significant items are listed below:

- Insurance for Euro 49,307;
- Public Relations for Euro 42.115;

- Software purchases for Euro 19,910;
- Internet&Hosting expenses for Euro 29.172;
- Sponsorship expenses for Euro 23.305.

11. Current financial assets

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

Description	31/12/2023	31/12/2022	Change
Equity investments in Eurofidi	8,400	8,400	0
Other securities	8,259	8,122	137
Certificates of Deposit	122	122	0
Total	16,781	16,644	137

The item 'other securities' includes Euro 8,259 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 1,779,202 (Euro 12,024,125 in the previous period).

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

Description	31/12/2023	31/12/2022	Change
Bank and postal deposits	1,777,650	12,022,338	(10,244,688)
Bank cheques			0
Accrued bank interest income	0	116	(116)
Cash on hand	1,552	1,671	(119)
Total	1,779,202	12,024,125	(10,244,923)

13. Shareholders' Equity

The following tables show the reconciliations of the parent company's shareholders' equity and consolidated shareholders' equity as at 31 December 2023

Descriptions	Shareholders' Equity 31/12/2023	Result 31.12.23
Expert.ai SPA	**50,123,173**	**(23,262,877)**
Elimination of the accounting values of subsidiaries	(46,454,937)	18,882,544
Shareholders' Equity of subsidiaries	3,983,800	(5,504,383)
Adjustments to the sale of non-current assets	(0)	0
Other adjustments	1,144,758	28,816
Suspension of goodwill amortisation	3,421,599	
Total adjustments	(37,904,779)	13,406,977

Expert.ai Group	**12,218,394**	**(9,855,901)**

Description	31/12/2023	31/12/2022	Change
Share capital	689,245	620,896	68,349
Share premium	81,034,563	77,004,697	4,029,866
Legal reserve	101,554	101,554	(0)
Cash flow hedge reserve	260,288	447,105	(186,817)
Conversion reserve	(2,284,854)	(887,206)	(1,397,648)
FTA reserve	(449,234)	(449,234)	(0)
IFRS 2 reserve	3,894,611	3,061,529	833,082
IAS 19 reserve	(240,367)	(135,973)	(104,394)
Other reserves	7,718,702	7,711,800	6,902
Undivided profit (loss)	(68,650,211)	(46,202,625)	(22,447,586)
Net profit (loss) for the period	(9,855,901)	(23,780,422)	13,924,521
Equity attributable to owners of the parent	12,218,394	17,492,121	(5,273,727)
Capital/reserve attributable to non-controlling interests			0
Profit for the period attributable to non-controlling interests			0
Total	12,218,394	17,492,121	(5,273,727)

With regard to changes in shareholders' equity and the breakdown of individual reserves, reference should also be made to the statement of changes in 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 statement of profit or loss. When this condition is met, it is reversed to the statement of profit or loss, offsetting the effects generated by the economic manifestation of the hedged transaction.
The actuarial measurement reserve is generated by the recognition of actuarial gains and losses in the statement of comprehensive income.
In terms of changes, in addition to the profit for the period, the effect of exchange rate differences on foreign subsidiaries and the change in the provision for risks on derivatives, the events reported below had an impact.

Changes in capital and number of shares

The shares of Expert.ai S.p.A. as of 31 December 2023 have no par value and are fully paid up. There are no shares issued that are not fully paid.
On 27/01/2023, 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), 393,400 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.
On the same date, with reference to the 2020-2023 Stock Grant Plan - 2nd tranche (the 'Incentive Plan') approved by the Shareholders' Meeting on 29 June 2020 and amended by the Shareholders' Meeting on 2 May 2022, the Company's Board of Directors resolved to increase the share capital free of charge through the use of provisions, by issuing 665,000 newly issued ordinary shares having the same characteristics as those already outstanding, to serve the Incentive Plan.
On 15 May 2023, with reference to the 2020-2023 Stock Grant Plan - 3rd tranche (the 'Incentive Plan') approved by the Shareholders' Meeting on 29 June 2020 and amended by the Shareholders' Meeting on 2 May 2022, the Company's Board of Directors resolved to increase the share capital free of charge through the use of provisions, by issuing 761,920 newly issued ordinary shares having the same characteristics as those already outstanding, to serve the Incentive Plan.
Shares at the beginning of the period totalled 62,089,562. Due to the events described in the Management Report, 1,820,320 shares were subscribed during the year, resulting in a total of 63,909,882 shares at the end of the period, as shown in the summary table.

number of shares 31/12/2022	**62,089,562**
Shares subscribed for capital increase	1,820,320
number of shares 31/12/2023	**63,909,882**

14. Provisions for risks and charges

The provisions for risks and charges are recorded under liabilities for a total of Euro 201,342 (Euro 19,342 in the previous period).
The composition of and changes in individual items are represented as follows:

Description	31/12/2022	Used	Provision	Other changes	31/12/2023
Provision for customer allowances	4,341			0	4,341
Provision for legal disputes	15,000			182,000	197,000
Other funds	1	0	0	0	1
Total	19,342	0	0	182,000	201,342

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 the reporting date.
The general criteria of prudence and accrual are respected in the measurement of these provisions and no generic risk provisions without economic justification are established.
The increases relate to provisions for the period. The decreases relate to uses during the period.
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 3,728,865 (Euro 3,143,791 in the previous

period).

The composition of the individual items is represented as follows:

Description	31/12/2023	31/12/2022	Change
Advances from customers beyond 12 months		0	0
Advances on contributions beyond 12 months	450,151	0	450,151
Tax payables beyond 12 months		0	0
Accrued expenses and deferred income beyond 12 months	3,278,714	3,143,791	134,923
Total	3,728,865	3,143,791	585,074

Advances on contributions beyond 12 months amounted to Euro 450,151.

Deferred income mainly refer to grants for research and development projects.

16. Post-employment benefits

Post-employment benefits are recorded under liabilities for a total of Euro 4,123,112 (Euro 3,794,957 in the previous period).

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

Description	31/12/2022	Used	Provision	Other changes	31/12/2023
Post-employment benefits	3,794,957	(498,695)	689,489	137,361	4,123,112
Post-employment benefits used				0	
Post-employment benefits for blue-collars				0	
Total	3,794,957	(498,695)	689,489		4,123,112

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 reporting 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.

Post-employment benefits, which represent a deferred payment plan in favour of all employees of the company Expert.ai S.p.A., amount 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 accounting 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 measurement 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 post-employment benefits are 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 gains/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 post-employment benefits, including the choice left to workers as to the use of their accruing benefits. In particular, the new post-employment benefits may be channelled by the worker into chosen pension forms or kept within the company (in which case the latter will pay post-employment benefits to a treasury account set up at INPS [National Social Security Office[).

17. Provisions for deferred tax liabilities

The provisions for deferred tax liabilities are recorded under liabilities for a total of Euro 1,363,604 (Euro 1,355,988 in the previous period).

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

Description	31/12/2022	Used	Provision	Other changes	31/12/2023
Provision for deferred tax liabilities	389,729	(14,004)		803,597	1,179,322
Other deferred tax liabilities	966,259		54,587	(836,565)	184,281
Total	1,355,988	(14,004)	54,587	(32,967)	1,363,604

18. Current and non-current financial liabilities

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

Description	31/12/2023	31/12/2022	Change
Banks for ordinary accounts	287,652	66,195	221,457
Banks for advances (subject to clearance operations, advance on contracts/invoices/currency)	1,124,575	594,151	530,424
Bank debt for current accounts and advances	**1,412,227**	**660,346**	**751,881**
Mortgage loans (<12 months)	5,012,162	5,088,120	(75,958)
Mortgage loans (>12 months)	9,418,829	13,196,930	(3,778,101)
Bank debt for interest accrued	150,251	80,544	69,707
Bank debt for mortgages and loans	**14,581,243**	**18,365,594**	**(3,784,351)**
Other current loans and borrowings	80,875	145,946	(65,071)
Other non-current loans and borrowings	778,023	885,147	(107,124)
Other loans and borrowings	**858,898**	**1,031,093**	**(172,195)**
Non-current bonds	0	4,113,600	(4,113,600)
Current bonds	5,068,200	1,909,100	3,159,100

Bonds	**5,068,200**	**6,022,700**	**(954,500)**
Payables for IFRS 16 (< 12 months)	567,994	726,624	(158,630)
Payables for IFRS 16 (> 12 months)	654,068	1,055,992	(401,924)
Payables for IFRS 16	**1,222,062**	**1,782,616**	**(560,554)**
Payables for derivative liabilities < 12 months	0	7,631	(7,631)
Payables for derivative liabilities > 12 months	0	18,861	(18,861)
Payables for derivative liabilities	**0**	**26,492**	**(26,492)**
Total	**23,142,630**	**27,888,841**	**(4,746,211)**
Of which due within 1 year	12,291,710	8,618,311	3,673,399
Of which due between 1 and 5 years	10,150,920	18,570,525	(8,419,605)
Of which due beyond 5 years	700,000	700,005	(5)

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 other loans and borrowings

Exposure to the banking system and other loans and borrowings did not change significantly compared to the previous period; during the period, expert.ai S.p.A. obtained moratoria from various credit institutions, with suspension of principal, for a maximum duration of 12 months.

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 31/12/2023, according to the repayment schedule.
The balance of the debt for bonds, amounting to Euro 5,068,200, is due:

- for Euro 1,818,200.00, to the issue of a bond 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	30/06/2025, 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 3,250,000, 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	02/08/2027, 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	01/01/2023	Refunds	Increases	31/12/2023
Expert System Enterprise Corp	217,441	99,610	0	117,830
Expert System France Sas	15,964	15,964	0	0
Expert System Iberia Slu	87,586	57,204	0	30,381
Expert System Cogito LTD	19,783	0	407	20,190
Expert.AI S.p.a.	1,441,842	388,182	0	1,053,660
Total	**1,782,616**	**560,961**	**407**	**1,222,062**

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

Derivatives

The parent company Expert.ai S.p.A. uses derivatives 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 statement of comprehensive income in a dedicated line.
Please refer to Appendix A to the financial statements for details of derivatives.

19. Trade and other payables

Trade and other payables are recorded under current liabilities for a total of Euro 10,577,633 (Euro 13,536,213 in the previous period).

The composition of the individual items is represented as follows:

Description	31/12/2023	31/12/2022	Change
Advances	578,181	904,747	(326,566)
Trade payables	5,193,239	6,543,906	(1,350,667)
Due to social security and welfare institutions	613,626	796,831	(183,205)
Group current trade payables		0	0
Other payables	4,192,587	5,290,729	(1,098,142)
Total	10,577,633	13,536,213	(2,958,580)

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

Geographical area	31/12/2023	31/12/2022	Change
Italy	4,443,252	5,449,102	(1,005,850)
EEC countries	258,477	358,332	(99,855)
USA	204,593	557,661	(353,068)
Rest of the world	286,917	172,046	114,871
Total	5,193,239	6,543,906	(1,350,667)

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

Description	31/12/2023	31/12/2022	Change
Payables to personnel	587,211	810,002	(222,791)
Payables to directors	7,011	8,382	(1,371)
Payables to collaborators	0	(2,825)	2,825
Payables to trade unions	0	66	(66)
Customers for credit notes to be issued	111,475	69,819	41,656
Payables to employees for deferred charges	3,430,973	4,397,786	(966,813)
Payables to personnel for accrued vacations and leaves of absence			0
Payables to personnel for accrued vacations and leaves of absence	7,739	7,499	240
Other current payables	48,179	7,498	40,681
Rounding down	0	1	(1)
Total	4,192,587	5,290,729	(1,098,142)

20. Current tax payables

Current tax payables are recorded under current liabilities for a total of Euro 1,264,646 (Euro 1,112,956 in the previous period).

The composition of the individual items is represented as follows:

Description	31/12/2023	31/12/2022	Change
Payables for withholdings	877,645	749,516	128,129
Other tax payables	387,000	363,440	23,560
Total	1,264,646	1,112,956	151,690

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 6,033,202 (Euro 6,452,238 in the previous period).

The composition of the individual items is represented as follows:

Description	31/12/2023	31/12/2022	Change
Accrued expenses	**220,500**	**240,823**	**(20,323)**
Accrued expenses	220,500	240,823	(20,323)
Deferred income	**5,812,702**	**6,211,415**	**(398,713)**
Deferred income	2,690,433	2,550,169	140,264
Deferred income for R&D tax assets	983,595	913,707	69,888
Deferred income for grants for research projects	2,138,673	2,747,539	(608,866)
Total	6,033,202	6,452,238	(419,036)

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 period accounted for on an accrual basis.

Deferred income, including the non-current portion, mainly consists of hosting fees, grants for research projects, R&D tax assets, licences, maintenance and professional services.

The most significant portions of revenues (including the non-current portion) are attributable to Expert.ai S.p.A., specifically the most significant items are listed below:

- Hosting fees for Euro 231,319;
- Maintenance for Euro 384,240;
- Licences for Euro 160,007;
- Professional services for Euro 134,083;
- Tax asset on R&D activities for Euro 1,904,271;
- Grants for research projects for Euro 3,300,853.

As at 31/12/2023, 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 period totalled Euro 29,781,082 (Euro 28,451,514 in the previous period).

The following is a breakdown of revenues by geographical area:

Geographical area	31/12/2023	%	31/12/2022	%	Change
Italy	14,675,685	49%	13,330,652	47%	1,345,033
EEC countries	3,926,172	13%	2,827,910	10%	1,098,262
USA	9,010,515	30%	8,158,164	29%	852,351
Rest of the world	2,168,710	7%	4,134,788	15%	(1,966,078)
Total	29,781,082	100%	28,451,514	100%	1,329,568

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 period:

Description	31/12/2023	31/12/2022	Change
Closing inventory	0	14,560	(14,560)
Opening inventory	14,560	0	14,560
Total	14,560	14,560	0

24. Other revenues and income

Other revenues and income are recorded under value of production of the statement of profit or loss for a total of Euro 9,284,163 (Euro 12,075,736 in the previous period).

This item breaks down as follows:

Description	31/12/2023	31/12/2022	Change
Revenues for tax assets	1,029,351	1,077,715	(48,364)
Capital grants	1,622,121	1,698,500	(76,379)
Grants for current expenses	55,150	35,620	19,530
Miscellaneous refunds	11,948	146,111	(134,164)
Other revenues	114,855	183,339	(68,484)
Contingent assets	19,008	65,042	(46,034)
Increases in internally generated assets	6,431,731	8,869,409	(2,437,678)
Total	9,284,163	12,075,736	(2,791,573)

The company receives grants 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 grants are reclassified under capital grants as they are intended to finance multi-year

investments. The indirect method is used for the accounting of these grants, as established by IAS 20, which provides for their recognition in proportion to the amortisation of the related R&D costs.

25. Raw materials and consumables

The cost of purchasing raw materials and consumables at the end of the period amounted to Euro 2,055,918 (Euro 1,122,837 in the previous period).

This item breaks down as follows:

Description	31/12/2023	31/12/2022	Change
Fuel	89,945	83,130	6,815
Stationery and printers	1,935	22,878	(20,943)
Purchases of raw materials, semi-finished products, materials	1,964,039	2,265,201	(301,162)
Total	2,055,918	2,371,209	(315,291)

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 statement of profit or loss.

26. Costs for services

Costs for services are recorded under costs of production of the statement of profit or loss for a total of Euro 8,223,024 (Euro 14,468,820 in the previous period).

The composition of the individual items is as follows:

Description	31/12/2023	31/12/2022	Change
Utilities	130,762	226,268	(95,506)
Maintenance and repair costs	180,974	185,253	(4,279)
Consulting services	5,080,706	9,629,589	(4,548,883)
Directors' fees	473,992	715,654	(241,662)
Remuneration of the Management Control Committee and Audit Firm	82,289	133,520	(51,231)
Commissions payable	0	0	0
Advertising	292,126	600,094	(307,968)
Services for personnel	405,671	824,752	(419,081)
Services (directors and consultants) for stock options	28,876	32,584	(3,708)
Fairs and corporate events	233,657	330,842	(97,185)
Condominium expenses	51,787	55,004	(3,217)
Services from financial enterprises and banks of a non-financial nature	66,500	53,458	13,042
Insurance	218,630	186,407	32,223
Entertainment expenses	11,119	64,845	(53,726)

Travel and business trip expenses	263,778	334,220	(70,442)
Rental costs	27,823	191,669	(163,846)
Other	674,334	904,661	(230,327)
Total	8,223,024	14,468,820	(6,245,796)

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

27. Rental and lease expenses

Rental and lease expenses are recorded under costs of production of the statement of profit or loss for a total of Euro 3,343,064 (Euro 2,985,277 in the previous period).

The composition of the individual items is as follows:

Description	31/12/2023	31/12/2022	Change
Lease expenses	38,105	84,192	(46,087)
Rentals and other	3,304,959	2,901,085	403,874
Total	3,343,064	2,985,277	357,787

Rental and lease expenses 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 expenses

Personnel expenses are recorded in the statement of profit or loss for a total of Euro 23,838,943 (Euro 34,887,828 in the previous period).

The composition of the individual items is as follows:

Description	31/12/2023	31/12/2022	Change
Wages and salaries	17,019,006	25,771,633	(8,752,627)
Social security charges	4,629,659	5,719,960	(1,090,301)
Post-employment benefits	793,687	944,117	(150,430)
Other personnel expenses	583,676	987,769	(404,093)
Stock grants	805,209	1,445,276	(640,067)
Stock options	7,706	19,073	(11,367)
Total	23,838,943	34,887,828	(11,048,885)

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

The average number of employees of the Group as of 31 December 2023 is as follows:

Average number of employees by qualification	31/12/2023	31/12/2022	Change
Executives	0	0	0
Middle managers	68	83	(15)
Employees	184	228	(44)
Total	252	311	(59)

29. Other provisions and other costs

Other costs are recorded in the statement of profit or loss for a total of Euro 1,825,286 (Euro 204,519 in the previous period).

The composition of the items is as follows:

Description	31/12/2023	31/12/2022	Change
Bad debt provision	516,218	9,612	506,606
Losses on receivables	829,994	991	829,003
Taxes and fees	64,414	58,001	6,413
Magazine and newspaper subscriptions	22,354	23,791	(1,437)
Allocation to provision for legal disputes	182,000	0	182,000
Other operating expenses	210,306	112,124	98,182
Total	1,825,286	204,519	1,620,767

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 period.

The composition of the items is as follows:

Amortisation of intangible assets	31/12/2023	31/12/2022	Change
Amortisation of goodwill	0	0	0
Amortisation of development costs	7,400,197	7,106,470	293,727
Amortisation of other intangible assets	254,717	253,774	943
Total	7,654,914	7,360,244	294,670

Depreciation of property, plant and equipment	31/12/2023	31/12/2022	Change
Depreciation of buildings	11,087	11,087	0
Depreciation of plants and machinery	11,529	7,542	3,987
Depreciation of other property, plant and equipment	167,721	201,953	(34,232)
Total	190,337	220,582	(30,245)

Amortisation of rights of use	31/12/2023	31/12/2022	Change
Amortisation of rights of use	733,921	1,110,331	(376,410)

Total	733,921	1,110,331	(376,410)

Total amortisation	8,579,172	8,691,157	(111,985)

31. Finance income and cost

The item '**Finance income**' amounted to a total of Euro 307,421 in 2023 (Euro 12,692 in 2022). '**Finance cost**' amounted to a total of Euro 1,152,225 in 2023 (Euro 723,574 in 2022), the exchange rate delta liability amounted to Euro 184,082 in 2023 (Euro 470,321 in 2022). This item includes:

Description	31/12/2023	31/12/2022	Change
Interest income	4,444	6,346	(1,902)
Other finance income	302,801	5,381	297,420
Interest income	176	965	(789)
Total	307,421	12,692	294,729

The item '**Finance cost**' includes:

Description	31/12/2023	31/12/2022	Change
Commissions for sureties	9,817	9,938	(121)
Overdraft charges	39,185	31,518	7,667
Interest expense on leases under IFRS 16	33,354	62,638	(29,284)
Interest on debt for bonds	257,404	251,770	5,634
Commissions on financing	74,539	42,958	31,581
Other finance cost	75,414	20,547	54,867
Interest on loans	662,511	304,205	358,306
Total	1,152,225	723,574	428,651

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

Description	31/12/2023	31/12/2022	Change
Foreign exchange gains	168,943	310,892	(141,949)
Foreign exchange losses	(353,025)	(781,213)	428,188
Total	(184,082)	(470,321)	286,239

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 the reporting date.

32. Income taxes

This item includes:

Description	31/12/2023	31/12/2022	Change
IRAP			0
IRES	0	118	(118)
deferred tax liabilities/(deferred tax assets)	12,293	(483,889)	496,182
Total	12,293	(483,771)	496,064

Deferred tax assets are recognised since there is reasonable certainty of the existence, in the periods 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 tax liabilities have 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 period. As previously mentioned, changes in deferred tax liabilities (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.

OTHER INFORMATION

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	1,030	75,736				76,541
Expert System Cogito LTD	0	802,069				654,165
Expert System Iberia Slu	56,665	642,406			56,665	445,395
Expert System Enterprise Corp	1,667,405	5,800,091			953,310	3,670,024
Expert System France Sas	230,938	389,736			91,143	373,101
Expert System Deutschland Gmbh	34,057	62,622			34,057	62,622
Expert System Canada Technologies Sémantiques INC	0	26,884				6,699
Expert System Helvetia Sàrl	143,142	53,858				0
Total	**2,133,237**	**7,853,401**	**0**	**0**	**1,135,175**	**5,288,546**

Financial relations

	Payables	Receivables	Guarantees	Commitments	Charges	Income
Expert System USA INC	0	230			0	230
Expert System Cogito LTD	0	7,170			0	0
Expert System Iberia Slu	0	998			0	998
Expert System Enterprise Corp	0	0			0	0
Expert System France Sas	0	33,804			0	9,407
Expert System Deutschland Gmbh	0	11,981			0	0
Expert System Canada Technologies Sémantiques INC	0	4,486			0	4,486
Expert System Helvetia Sàrl	0	0			0	0
Total	**0**	**58,669**	**0**	**0**	**0**	**15,120**

Trade and financial relations

	Financial payables	Financial receivables	Trade receivables	Trade payables	Sales	Purchases
Expert System USA INC	0	230	75,736	1,030	76,770	0

Expert System Cogito LTD	0	7,170	802,069	0	654,165	0
Expert System Iberia Slu	0	998	642,406	56,665	446,392	56,665
Expert System Enterprise Corp	0	0	5,800,091	1,667,405	3,670,024	953,310
Expert System France Sas	0	33,804	389,736	230,938	382,508	91,143
Expert System Deutschland Gmbh	0	11,981	62,622	34,057	62,622	34,057
Expert System Canada Technologies Sémantiques INC	0	4,486	26,884	0	11,184	0
Expert System Helvetia Sàrl	0	0	53,858	143,142	0	0

Total	**0**	**58,669**	**7,853,401**	**2,133,237**	**5,303,666**	**1,135,175**

These relations, which do not include atypical and/or unusual transactions, are regulated at arm's length.
Information on the nature of these transactions is provided below:

With the subsidiary Expert System HELVETIA SÀRL.:

- No relations with this parent;

With the subsidiary Expert System USA Inc:

Sale

- Maintenance fees for Euro 55,489;
- Provision of professional services for Euro 244;
- Interest income on loans granted in the amount of Euro 230;
- Concession of licences for Euro 20,808.

With the subsidiary Expert System Cogito Ltd:

Sale

- Provision of professional services for Euro 305,385;
- Concession of licences for Euro 59,315;
- Reimbursement of miscellaneous expenses for Euro 289,466.

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

Sale

- Provision of professional services for Euro 193,899;
- Concession of licences for Euro 76,096;
- Reimbursement of miscellaneous expenses for Euro 130,074;
- Maintenance fees for Euro 45,325;
- Interest income on loans granted in the amount of Euro 998.

Purchase

- Provision of professional services by the subsidiary for Euro 56,665.

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

Sale

- Provision of professional services for Euro 100,377;

- Concession of licences for Euro 130,001;
- Maintenance fees for Euro 100,028;
- Reimbursement of miscellaneous expenses for Euro 42,695;
- Interest income on loans granted in the amount of Euro 9,407.

Purchase

- Professional services provided by the subsidiary for Euro 91,046;
- Costs for miscellaneous reimbursements for Euro 98.

With the subsidiary Expert System Enterprise Corp.:

Sale

- Concession of licences for Euro 1,699,535;
- Provision of professional services for Euro 776,117;
- Maintenance fees for Euro 158,258;
- Reimbursement of miscellaneous expenses for Euro 1,036,114;
- Interest income on loans granted in the amount of Euro 0.

Purchase

- Provision of professional services by the subsidiary for Euro 30,622;
- Costs for miscellaneous reimbursements for Euro 922,648.

With the subsidiary Expert System Deutschland Gmbh:

Sale

- Provision of professional services for Euro 27,084;
- Concession of licences for Euro 12,000;
- Reimbursement of miscellaneous expenses for Euro 23,538;

Purchase

- Provision of professional services by the subsidiary for Euro 34,057;

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

Sale

- Maintenance fees for Euro 0;
- Concession of licences for Euro 0;
- Provision of professional services for Euro 6,299;
- Reimbursement of miscellaneous expenses for Euro 400;
- Interest income on loans granted in the amount of Euro 4,486.

34. Guarantees and commitments and contingent liabilities

The table below shows commitments, guarantees and contingent liabilities not shown on the statement of financial position:

Description	Initial balance	Change	Final balance
Memorandum accounts	2,481,704	1,647,385	834,319

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

Guarantor	Beneficiary	Guarantee Amount	date of issue	expiration date
BPER	Office rental (Rovereto facility extension)	5,621.76	21/02/2018	31/12/2023
BPER	Office rental	1,975.00	01/10/2018	30/09/2024
BPER	MIUR - C4E PROJECT	462,500.00	12/01/2019	to be released by beneficiary
COFACE	PCM S.S.	45,616.50	17/10/2019	to be released by beneficiary
Tokio Marine HCC	CONSOB	36,000.00	04/12/2019	36 months - to be released by beneficiary
ELBA ASSICURAZIONI S.P.A.	PCM Susi	18,442.60	20/05/2020	to be released by beneficiary
Tokio Marine HCC	SOGEI	40,247.50	20/11/2020	to be released by beneficiary
BPER	Office rental	7,381.96	17/12/2020	to be released by beneficiary
Unicredit	Office rental	6,105.00	12/03/2021	12/03/2033
Tokio Marine HCC	TELEDIFE	21,331.82	11/10/2021	to be released by beneficiary
Assicuratrice Milanese S.p.A.	FASTWEB	60,000.00	07/03/2022	31/12/2023
COFACE	CASSA DEPOSITI E PRESTITI	14,602.50	20/06/2022	to be released by beneficiary
Tokio Marine HCC	PCM P.S.	15,500.00	25/08/2022	to be released by beneficiary
COFACE	SOGEI	60,494.50	14/10/2022	to be released by beneficiary
Assicuratrice Milanese S.p.A.	TALETE SPA	6,820.65	17/05/2022	to be released by beneficiary
Tokio Marine HCC	PCM GG	4,725.00	13/01/2023	to be released by beneficiary

Tokio Marine HCC	PCM P.S.	14,754.10	03/03/2023	to be released by beneficiary
Tokio Marine HCC	CONSOB	9,750.00	16/03/2023	to be released by beneficiary
Tokio Marine HCC	CINECA	2,450.00	11/06/2023	to be released by beneficiary
TOTAL		**834,318.89**		

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 below.

Qualification	31/12/2023	31/12/2022	Change
Directors	**473,992**	**602,333**	**(128,341)**
- Stock option fees			0
- Fixed fees	473,992	602,333	(128,341)
- Number of Shares			0
Management Control Committee	13,273	16,000	(2,727)
Auditing	69,015	101,432	(32,417)
Total	556,280	719,765	(163,485)

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. 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 periods ending on 31 December 2020, 2021, 2022 2022 and 2023, respectively, and solely for 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 relation to employee performance in 2023, it is therefore finalised after the approval of the financial statements as at 31 December 2023. 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 grant 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. The consideration to be paid by each Beneficiary to the Company for the exercise of each Vested Option in order to subscribe for a Share shall be determined from time to time by the Board of Directors and shall be equal to the higher of (a) the price recorded at the close of the first trading day prior to the Verification Date; and (b) the price resulting from the weighted average price of the Company's shares in the 90 days prior to the Verification Date (the 'Exercise Price'). Therefore, the consideration owed on each occasion to the Company by each Beneficiary will be equal to the product between (i) the Exercise Price and (ii) the Number of Vested Options exercised (the 'Subscription Price').

The value of the Expert.ai S.p.A. share on the grant date is Euro 0.8510.

With reference to the fourth cycle of the plan, which is the subject of this assessment, the number of rights analysed at the grant date is 1,623,500 (960,000 rights relating to the fourth tranche while the remainder refers to the residual rights of the second and third tranches), of which 182,400 rights are attributable to performance targets and the remainder to the continued service target.

As of 31 December 2023, a total of 2 beneficiaries had left (13,500 rights were granted to these beneficiaries, of which 2,400 were referred to the performance target and 11,100 to the continued service target).

Stock grants were measured taking into account financial market conditions at the grant date; the quantification was based on certain technical bases that were established together with the competent offices of the Company. The method used to estimate the fair value follows the risk neutral approach typical of these issues. Therefore, with reference to the date in question, when the so-called resetting takes place, the unit fair value of stock grants remains unchanged on the basis of the measurements made on the grant date, while the number of vesting rights is remeasured on the basis of the remaining rights and the likelihood of achieving the relevant targets. With regard to performance targets, based on the information gathered by the Company, it was decided not to consider the achievement of these targets (i.e. 0% rate); therefore, the non-vesting of rights related to these targets is assumed. With regard to the possibility of beneficiaries leaving, it was decided with the Company not to consider this probability (i.e. a probability of 0.00%) for the purposes of unit fair value measurement.
The following table shows the unit fair value of the rights at the grant date and the total fair value based on the number of options under consideration at the measurement date and the number of rights that will vest based on the turn-over rate and the assumptions regarding performance targets.

Table 4.1: Unit fair value and total fair value

Number of outstanding rights	Number of vesting rights	Total fair value (EUR)	Total fair value (EUR)
1,610,000	1,430,000	0.8510	1,216,930

With reference to the charges as at 31 December 2023, the amount is equal to Euro 913,949.

With reference to the third cycle of the stock option plan (2023), the number of rights granted is 210,000.

The measurement was carried out taking into account the financial market conditions at the grant date; the quantification was based on certain technical bases that were established together with the competent offices of the Company.

The method used to estimate the fair value follows the risk neutral approach typical of these issues and the valuation was made by reflecting the 'no arbitrage' and 'risk neutral framework' features that are common to fundamental option pricing models (such as the binomial model, the Black & Scholes model, and so on).

Therefore, with reference to the date in question, when the so-called resetting takes place, the unit fair value of stock options remains unchanged on the basis of the measurements made on the grant date, while the number of vesting rights is remeasured on the basis of the remaining rights and the likelihood of achieving the relevant targets.

With regard to performance targets, based on the information gathered by the Company, it was decided not to consider the achievement of these targets (i.e. 0% rate); therefore, the non-vesting of rights related to these targets is assumed.

With regard to the possibility of beneficiaries leaving, it was decided with the Company not to consider this probability (i.e. a probability of 0.00%) for the purposes of unit fair value measurement.

With reference to the fourth cycle of the plan, which is the subject of this assessment, the number of rights granted is 240,000, of which 56,000 rights are attributable to performance targets and 184,000 rights to the continued service objective.

According to the information gathered, as of 31 December 2023, a total of 1 beneficiary had left (30,000 rights were granted to this beneficiary, of which 12,000 were referred to the performance target and 18,000 to the continued service target).

The following table shows the unit fair value of the rights at the grant date and the total fair value based on the number of options under consideration at the measurement date and the number of rights that will vest based on the turn-over rate and the assumptions regarding performance targets.

Table 4.1: Unit fair value and total fair value	Number of vesting rights	Total fair value (EUR)	Total fair value (EUR)
Number of outstanding rights			
210,000	166,000	0.2613	43,382

With reference to the charges as at 31 December 2023, the amount is equal to Euro 32,581

37. Events after the reporting period and business outlook

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

The Board of Directors plans to meet in the early weeks of May 2024 to resolve on the proposed Capital Increase in the amount of Euro 30 million and to call the Extraordinary Shareholders' Meeting in the same month for approval.

This operation will provide the Company and the Group with the necessary resources for a twofold objective:

- Stabilise the current financial situation, for which a turnaround has already been initiated, thanks also to the ongoing discussions on debt rescheduling;

- Enable and support growth through both internal lines and extraordinary transactions involving targeted synergetic acquisitions.

Specifically, of the Euro 30 million that the Group proposes to raise, about 14% will be allocated to internal restructuring activities, about 34% to support current management (both operational and investment in technological development)

and financial debt for the next three periods, and about 50% (together with the positive cash flows projected in the Company's financial plan) to the implementation of inorganic growth strategies, including M&A transactions.

In particular, internal restructuring activities will be mainly represented by an efficiency and reskilling plan concerning some of the Company's employees, whose skills are now relatively obsolete based on the evolution of the Group's business model.

As regards opportunities for inorganic growth through the acquisition of one or more small/medium-sized companies operating on the national and/or international scene, the aim is to (i) acquire complementary solutions to those already in our portfolio; (ii) diversify the reference end market; (iii) quickly increase EBITDA.

In this sense, the Group's main objectives are to (i) increase its current technical know-how with the aim of developing/expanding its product portfolio (ii) and/or expand its customer base.

Lastly, with regard to the financial sustainability of the strategic initiatives outlined above, in addition to the aforesaid Capital Increase, the Group has begun to negotiate a debt rescheduling plan with the relevant banks so as to redefine the repayment plan for principal and interest with respect to the originally scheduled maturities.

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, 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 2023 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 the first half of 2024. 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 relation to the ongoing conflict in Gaza, regrettably it seems that it might escalate further in a region that produces around 35% of the world's oil exports and 14% of gas exports; as a result of the hostilities between Israel and Hamas, since the second half of last November, Huthi militias, which control part of Yemen, have attacked a number of merchant ships in the Bab el-Mandeb strait, at the end of the Red Sea. Approximately 12 per cent of world trade passes through the strait, located on the route between the Suez Canal and the Indian Ocean. Increasing risks to the safety of crews and the security of cargo have progressively prompted major shipping companies to divert ship traffic to the longer route circumnavigating Africa. In the second half of December 2023, the volumes going through the strait were almost 40 per cent lower than in the same period last year.

The ongoing war in Ukraine and the Israeli-Palestinian conflict risk generating new negative supply shocks for the global recovery, with soaring food, energy and transport costs.

In any case, inflation remains a central issue. Please refer to the Management Report; in any case, the priority for the current year in most economies will be to slow down inflation.

FINANCIAL EVENTS

On **10 January 2024**, the Board of Directors of expert.ai announced the new share capital resulting from the allocation of shares following the vesting of additional rights from the second tranche of the 2020-2023 Stock Grant Plan.

On **18 January 2024**, expert.ai announced the 'Sanità Digitale 3' Consip Framework Agreement, as a result of which expert.ai is the

main provider of artificial intelligence solutions and services supporting the National Health Service with a potential contract value of up to Euro 10 million over the 2024-2027 period.

On **8 February 2024**, the Board of Directors of expert.ai approved the 2024-2026 business plan and acknowledged the preliminary consolidated revenues for 2023.

CUSTOMERS, PARTNERSHIPS AND AWARDS

On **27 February 2024**, expert.ai announced a new partnership with FINIX Technology Solutions, an Italian IT services company specialising in migration to the Cloud and artificial intelligence adoption, to provide companies and public administrations with AI-based tools capable of managing information-intensive contexts and transforming data into knowledge.

On **28 February 2024**, expert.ai announced that it had won the Artificial Intelligence Awards of the Corporate Vision magazine. It also announced the new release of its hybrid artificial intelligence platform.

On **13 March 2024**, expert.ai announced that it was one of the top '100 Companies that matter in Knowledge Management', the prestigious list of the American magazine KMWorld dedicated to the best companies in the field of corporate knowledge management.

On **10 April 2024**, expert.ai announced the enhancement of its offering to the bank and financial institution market with 'Adverse News Screening' solutions for projects in the areas of anti-money laundering, intelligent research serving clients, ESG risk management and regulatory tracking & change management processes.

On **15 April 2024**, expert.ai announced the launch of 'Insight Engine for Life Sciences', an innovative solution for the pharmaceutical industry, and was one of the finalists for the prestigious 'Best of Show' award at the industry's flagship event, Bio-IT World.

In the light of the above remarks, it is thus believed that the events that occurred after the reporting date have no effect on the 2023 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) 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 (31/12/2023): Euro 2,750,000;
- amount of liability hedged at the reference date (31/12/2023): Euro 3,250,000;
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: mark-to-model fair value positive by Euro 124,914.76;

- Fair value when the hedge was created: zero.

b) 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 (31/12/2023): Euro 306,727;
- amount of liability hedged at the reference date (31/12/2023): Euro 306,727;
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: mark-to-model fair value positive by Euro 1,412.49;
- fair value when the hedge was created: zero.

c) INTESA SANPAOLO

- Type of derivative contract: Unlisted I.R.S. no. 36814343 signed on 25/09/2020 and expiring on 30/06/2026;
- 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 30/06/2026;
- Notional amount at the reference date (31/12/2023): Euro 1,562,500;
- amount of liability hedged at the reference date (31/12/2023): Euro 1,718,750.
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: mark-to-model fair value positive by Euro 67,340;
- 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 500,000;
- Hedged liability: loan of original Euro 500,000 signed on 25/09/2020 and expiring on 25/09/2026;
- Notional amount at the reference date (31/12/2023): Euro 343,750;
- amount of liability hedged at the reference date (31/12/2023): Euro 343,750.
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: mark-to-model fair value positive by Euro 15,686;
- fair value when the hedge was created: zero.

e) 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 (31/12/2023): Euro 511,111;
- amount of liability hedged at the reference date (31/12/2023): Euro 511,111.
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: mark-to-model fair value positive by Euro 3,187.61;
- fair value when the hedge was created: zero.

f) 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 (31/12/2023): Euro 1,037,127.13;
- amount of liability hedged at the reference date (31/12/2023): Euro 1,222,911;
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: mark-to-model fair value positive by Euro 47,746.87.

Modena, 24 April 2024 For the Board of Directors

The Chairman
Dario Pardi



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AUDIT FIRM'S REPORT AS AT 31/12/2023

EXPERT.AI S.p.A.

Relazione della società di revisione indipendente ai sensi dell'art. 14 del D. Lgs. 27 gennaio 2010, n. 39

Bilancio consolidato al 31 dicembre 2023

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40125 Bologna

Relazione della società di revisione indipendente
ai sensi dell'art. 14 del D. Lgs. 27 gennaio 2010, n. 39

Agli azionisti della
EXPERT.AI S.p.A.

Relazione sulla revisione contabile del bilancio consolidato

Giudizio

Abbiamo svolto la revisione contabile del bilancio consolidato della Società EXPERT.AI S.p.A. e delle sue controllate (di seguito anche il "Gruppo"), costituito dallo stato patrimoniale al 31 dicembre 2023, dal conto economico, dal conto economico complessivo, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario consolidato per l'esercizio chiuso a tale data e dalle note al bilancio che includono le informazioni rilevanti sui principi contabili applicati.

A nostro giudizio, il bilancio consolidato fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria del Gruppo al 31 dicembre 2023, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli International Financial Reporting Standards adottati dall'Unione Europea.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio consolidato* della presente relazione. Siamo indipendenti rispetto alla società EXPERT.AI S.p.A. in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio

Richiamo di informativa

Nel rinviare ai documenti per una completa informativa si riporta, in sintesi, quanto detto dagli amministratori nella relazione finanziaria al paragrafo Base di preparazione e continuità aziendale e al paragrafo Fatti di rilievo intervenuti dopo la chiusura del periodo ed evoluzione prevedibile della gestione: "*Il Consiglio di Amministrazione si riunirà nelle prime settimane di maggio per deliberare la proposta di Aumento di Capitale Sociale per Euro 30 milioni da sottoporre poi all'Assemblea Straordinaria dei Soci che, nello stesso mese di maggio, delibererà in tal senso; a tal fine la Società ha già iniziato a predisporre i documenti e, più in particolare, il Prospetto Informativo (redatto in forma non ancora definitiva alla data di redazione del presente bilancio) relativo all'offerta in opzione ai titolari di azioni ordinarie e all'ammissione alle negoziazioni sul mercato EGM (Euronext Growth Milan) delle nuove azioni relative all'aumento di capitale ai sensi dell'art. 2441, comma 1, del Codice Civile. Al riguardo, anche tenendo conto della possibile non integrale sottoscrizione dell'Aumento di Capitale, il Consiglio di Amministrazione si riserva di esercitare la Delega ad aumentare ulteriormente il capitale sociale dell'Emittente per un importo (inclusivo dell'eventuale sovrapprezzo) fino ad un massimo di Euro 20 milioni. Tale delega gli verrà conferita dall'Assemblea nella medesima seduta in cui delibererà l'Aumento di capitale di 30 milioni. Ai sensi del Regolamento 1129/2017 e del Regolamento 980/2019, nonché delle indicazioni fornite da ESMA negli "Orientamenti in materia di obblighi di informativa ai sensi del regolamento sul prospetto (04/03/2021 | ESMA32-382-1138)", la Società rappresenterà in tale Prospetto Informativo di non disporre del capitale circolante sufficiente per far fronte ai propri fabbisogni finanziari correnti, per tali intendendosi quelli relativi ai dodici mesi successivi alla data di redazione del Prospetto stesso. Al contempo verrà precisato che il Gruppo prevede di coprire il Fabbisogno finanziario netto, pari ad Euro 20 milioni circa per i 12 mesi successivi alla data di redazione del Prospetto attraverso l'utilizzo dei proventi netti derivanti dall'Aumento di Capitale citato, nonché mediante il perfezionamento del Piano di Riscadenziamento, che porterebbe ad un*

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Codice Fiscale, Partita IVA e Registro Imprese di Milano n. 07722780967 - R.E.A. Milano 1977842
Iscritta al Registro dei Revisori Legali al n. 167911 con D.M. del 15/03/2013 G.U. n. 26 del 02/04/2013
BDO Italia S.p.A., società per azioni italiana, è membro di BDO International Limited, società di diritto inglese (company limited by guarantee), e fa parte della rete internazionale BDO, network di società indipendenti.

Fabbisogno Finanziario Netto di circa Euro 16 milioni per tale periodo. Risulta necessario sottolineare, infine, che il socio GUM Group S.p.A. ha apertamente manifestato l'intenzione a sottoscrivere l'aumento di capitale fino ad un ammontare pari ad Euro 15 milioni. In tal caso, il Gruppo avrebbe la disponibilità liquida minima per far fronte ai propri fabbisogni finanziari nei dodici mesi successivi alla data di chiusura dell'esercizio assumendo l'avvenuto perfezionamento del piano di riscadenziamento del debito. L'aumento di capitale sarà funzionale alla raccolta, da parte della Società, di una parte rilevante delle risorse finanziarie necessarie per la realizzazione degli obiettivi strategici del "Piano Industriale 2024-2026" approvato dal Consiglio di Amministrazione in data 8 febbraio 2024. A ciò si aggiunga che, come riportato in precedenza, anche nell'eventualità in cui l'aumento di capitale dovesse limitarsi ad un importo inferiore (si è individuata una soglia di Euro 15 milioni pari all'eventuale impegno di sottoscrizione da parte di GUM Group S.p.A.), si ritiene che la Società sarà comunque in grado di proseguire nell'attuazione del Piano Industriale con ciò garantendo il raggiungimento degli obiettivi di ristrutturazione operativa, finanziaria e strategica e, di conseguenza, assicurando la continuità e lo sviluppo dell'attività d'impresa. In questa sede ed alla data di stesura del presente documento non vi sono indicazioni o informazioni che lascino incertezze o dubbi sul fatto che il percorso iniziato con la redazione del Piano Industriale e proseguito con il progettato aumento di capitale come elemento imprescindibile al suo corretto avveramento siano messi in discussione.".

Quanto scritto dagli Amministratori è conforme a quanto riportato nell'assemblea straordinaria del 22 maggio 2024. Il nostro giudizio non è espresso con rilievi con riferimento a tali aspetti.

Responsabilità degli amministratori e del comitato di controllo sulla gestione per il bilancio consolidato

Gli amministratori sono responsabili per la redazione del bilancio consolidato che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli amministratori sono responsabili per la valutazione della capacità del Gruppo di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio consolidato, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio consolidato a meno che abbiano valutato che sussistono le condizioni per la liquidazione della capogruppo EXPERT.AI S.p.A. o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il comitato di controllo sulla gestione ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria del Gruppo.

Responsabilità della società di revisione per la revisione contabile del bilancio consolidato

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio consolidato nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente.

Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche prese dagli utilizzatori sulla base del bilancio consolidato.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio consolidato, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti o eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno del Gruppo;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli amministratori, inclusa la relativa informativa;
- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità del Gruppo di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio, ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che il Gruppo cessi di operare come un'entità in funzionamento;
- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio consolidato nel suo complesso, inclusa l'informativa, e se il bilancio consolidato rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione;
- abbiamo acquisito elementi probativi sufficienti e appropriati sulle informazioni finanziarie delle imprese o delle differenti attività economiche svolte all'interno del Gruppo per esprimere un giudizio sul bilancio consolidato. Siamo responsabili della direzione, della supervisione e dello svolgimento dell'incarico di revisione contabile del Gruppo. Siamo gli unici responsabili del giudizio di revisione sul bilancio consolidato.

Abbiamo comunicato ai responsabili delle attività di governance, identificati ad un livello appropriato come richiesto dagli ISA Italia, tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Relazione su altre disposizioni di legge e regolamentari

Giudizio ai sensi dell'art. 14, comma 2, lettera e) del D. Lgs. 39/10

Gli amministratori della EXPERT.AI S.p.A. sono responsabili per la predisposizione della relazione sulla gestione del Gruppo EXPERT.AI S.p.A. al 31 dicembre 2023, inclusa la sua coerenza con il relativo bilancio consolidato e la sua conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione con il bilancio consolidato del Gruppo EXPERT.AI S.p.A. al 31 dicembre 2023 e sulla conformità delle stesse alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione sopra richiamata è coerente con il bilancio consolidato del Gruppo EXPERT.AI S.p.A. al 31 dicembre 2023 ed è redatta in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'art. 14, comma 2, lettera e) del D. Lgs. 39/10, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

Bologna, 29 maggio 2024

BDO Italia S.p.A.

Gianmarco Collico
Socio

REPORT OF THE MANAGEMENT CONTROL COMMITTEE AS AT 31/12/2023

Relazione del Comitato per il Controllo sulla Gestione all'Assemblea degli Azionisti di Expert.Ai S.p.A. sull'attività di vigilanza svolta nell'esercizio chiuso al 31 Dicembre 2023

Ai sensi dell'art. 153 del D.lgs. n. 58/1998

All'Assemblea degli Azionisti della Società Expert.Ai S.p.A

Il Comitato per il Controllo sulla Gestione (di seguito anche il "Comitato") di Expert.Ai S.p.A., ai sensi dell'art. 153 del D.Lgs. n. 58 del 1998, è chiamato a riferire all'Assemblea degli Azionisti, convocata per l'approvazione del Bilancio, sull'attività di vigilanza svolta nel corso dell'esercizio nell'adempimento dei propri doveri, sulle omissioni e sui fatti censurabili eventualmente rilevati e sui risultati dell'esercizio sociale, oltreché a formulare proposte in ordine al Bilancio, all'approvazione dello stesso e alle materie di propria competenza.

Nel corso dell'esercizio chiuso al 31 dicembre 2023 e sino alla data odierna, il Comitato di controllo sulla gestione ha effettuato l'attività di vigilanza attenendosi a quanto previsto dalla Legge, dalle Norme di comportamento del collegio sindacale di società quotate emanate dal Consiglio Nazionale del Dottori Commercialisti e degli Esperti Contabili, dalle disposizioni CONSOB in materia di controlli societari, nonché dalle previsioni contenute nell'art. 19 del D.Lgs. 39/2010.

Il Bilancio della società è stato redatto in base ai principi contabili internazionali IAS/IFRS emessi dall'International Accounting Standards Board (IASB) e omologati dall'Unione Europea, nonché conformemente ai provvedimenti emanati dalla CONSOB in attuazione dell'art. 9, comma 3, del D.Lgs. 38/2005. Il Bilancio della Società è stato redatto a norma di legge ed è accompagnato dai documenti prescritti dal Codice Civile e dal T.U.F. Inoltre la Società, secondo le disposizioni di legge, ha predisposto la relazione finanziaria di Expert Group per l'esercizio 2023.

Il Comitato di controllo sulla gestione ha acquisito le informazioni strumentali allo svolgimento dei compiti di vigilanza ad esso attribuiti mediante la partecipazione alle riunioni del Consiglio di Amministrazione e dei Comitati endoconsiliari, le audizioni del management della Società e del Gruppo, le informazioni acquisite dalle competenti strutture aziendali, nonché mediante le ulteriori attività di controllo effettuate.

Il Comitato di controllo sulla gestione in carica alla data della presente Relazione è stato nominato dall'Assemblea degli Azionisti del 3 Maggio 2023 nelle persone di Andrea Gabola (Presidente), Stefano Pedrini (Membro Effettivo), Cecilia Garattini (Membro Effettivo fino al 25 Luglio 2023) sostituita da Marco Di Teodoro (Membro Effettivo).
Il Comitato di controllo sulla gestione all'atto della nomina ha verificato la sussistenza del requisito di indipendenza; la verifica è stata effettuata sulla base dei criteri previsti dalle norme applicabili agli amministratori indipendenti.

1) *Attività di vigilanza sull'osservanza della legge e dello statuto*

Il Comitato di controllo sulla gestione nell'espletamento dei compiti di sua competenza ha svolto l'attività prescritta dall'art. 2409 *octiesdecies* del Codice Civile e dalle disposizioni, ove compatibili, previste per il collegio sindacale, dall'art. 149 del D.Lgs. n. 58 del 1998, dall'art. 19 del D.Lgs. 39/2010, dalle raccomandazioni della CONSOB in materia di controlli societari e attività del Collegio Sindacale e facendo riferimento, ove applicabili, alle Norme di comportamento del Collegio Sindacale di società quotate.
Il Comitato dà atto che ciascun organo o funzione della società ha adempiuto agli obblighi informativi previsti dalla normativa applicabile.
Nell'ambito delle sue funzioni, quindi, il Comitato di controllo sulla gestione:

- ha partecipato alle riunioni dell'Assemblea degli Azionisti vigilando sul rispetto delle norme statutarie, legislative e regolamentari che disciplinano il funzionamento degli organi della Società;

- ha inoltre partecipato a tutte le riunioni del Consiglio di Amministrazione, nonché dei comitati endoconsiliari (Comitato Esecutivo e Comitato Parti Correlate);
- ha effettuato, nel corso dell'esercizio e fino alla data di rilascio della presente relazione, n. 8 riunioni.

2) *Attività di vigilanza sul rispetto dei principi di corretta amministrazione*

Sulla base delle informazioni acquisite, si dà atto che le scelte gestionali sono ispirate al principio di corretta informazione e di ragionevolezza e che gli amministratori sono consapevoli della rischiosità e degli effetti delle operazioni compiute. Si rileva la presenza di un piano pluriennale, con aggiornato budget annuale.
Il Comitato ha constatato che i flussi tra le strutture aziendali, il Presidente ed il Consigliere Delegato sono continui. Lo scambio di informazioni si basa su report con cadenza mensile o trimestrale focalizzati sull'andamento della gestione sotto un profilo sia economico che finanziario e finalizzato a adottare le necessarie azioni correttive.
Il Comitato ha valutato e vigilato sull'adeguatezza del sistema amministrativo e contabile nonché sull'affidabilità di quest'ultimo a rappresentare correttamente i fatti di gestione, attraverso le informazioni dei responsabili delle rispettive funzioni, l'esame di documenti aziendali. La struttura organizzativa e il sistema amministrativo contabile sono risultati adeguati e funzionali ai compiti che sono chiamati a svolgere.

3) *Attività di vigilanza sull'adeguatezza dell'assetto organizzativo*

Sulla base delle informazioni acquisite, il Comitato riferisce nella relazione circa gli esiti dell'attività di vigilanza sull'adeguatezza dell'assetto organizzativo, in termini di struttura, procedure, competenze e responsabilità, alle dimensioni della società e del gruppo, alla natura e alle modalità di perseguimento dell'oggetto sociale.
Si rilevano le materie riservate alla competenza del consiglio di amministrazione, tipicamente individuate nella predisposizione degli indirizzi strategici e organizzativi della società e nella definizione della struttura societaria del gruppo. Si rileva la corrispondenza tra la struttura decisionale della società e le deleghe depositate presso il registro delle imprese.
Il Comitato:

- ha vigilato, per quanto di sua competenza, sull'adeguatezza della struttura organizzativa della Società e sul rispetto dei principi di corretta amministrazione, tramite osservazioni dirette, raccolta di informazioni dai responsabili di alcune funzioni aziendali avvenuti nel corso dell'esercizio e incontri con la Società di Revisione nell'ambito di un reciproco scambio di dati ed informazioni; in tale ambito il Comitato ha preso atto della rilevante rotazione di risorse nella funzione amministrazione, finanza e controllo e delle azioni adottate dagli organi delegati al fine di assicurare un'adeguata operatività;
- ha vigilato sull'adeguatezza del flusso reciproco di informazioni tra Expert.Ai e le sue controllate ai sensi dell'art. 114, comma 2, del D. Lgs. n. 58 del 1998, assicurato dalle istruzioni emanate dalla direzione della Società nei confronti delle Società del Gruppo;
- ha verificato, nell'ambito della vigilanza sulle modalità di concreta attuazione delle regole di governo societario, la corretta applicazione dei criteri e delle procedure di accertamento adottati dal Consiglio di Amministrazione, in merito alla valutazione positiva dell'indipendenza degli Amministratori.

4) *Attività di vigilanza sull'adeguatezza del sistema amministrativo contabile e sull'attività di revisione legale dei conti*

Il Comitato ha ottenuto dagli Amministratori adeguate informazioni sull'attività svolta e sulle operazioni di maggior rilievo economico, finanziario e patrimoniale effettuate dalla Società e dalle società controllate. Al riguardo il Comitato ha posto particolare attenzione sul fatto che le operazioni deliberate e poste in essere fossero conformi alla legge, allo statuto sociale e non fossero imprudenti o azzardate, in contrasto con le delibere assunte dall'Assemblea, in potenziale conflitto d'interessi o tali da compromettere l'integrità del patrimonio aziendale, data la situazione economico finanziaria attuale.

Il Comitato ha tenuto riunioni con i rappresentanti della Società di Revisione in data 14 Settembre 2023, 2 Maggio e 31 Maggio 2024 ai sensi dell'art. 150, comma 3 del T.U.F. e non sono emersi dati e/o informazioni rilevanti che debbano essere evidenziati nella presente Relazione.
Il Collegio dà inoltre atto che ha rilasciato in data 5 Luglio 2023 il parere sulla congruità del prezzo di emissione delle azioni per aumento del capitale sociale con esclusione del diritto di opzione.

5) *Proposte in ordine al bilancio di esercizio e al bilancio consolidato, alla loro approvazione e alle materie di competenza del Comitato*

È stato esaminato il progetto di bilancio d'esercizio chiuso al 31 Dicembre 2023 messo a disposizione nei termini di cui all'art 2429 c.c., in merito al quale si riferisce quanto segue.
Non esercitando la funzione della revisione legale del bilancio, è stata svolta un'attività di vigilanza sull'impostazione generale data allo stesso, sulla sua generale conformità alla legge per quel che riguarda la sua formazione e struttura e a tale riguardo non vi sono osservazioni particolari da riferire.
La Società di revisione ha rilasciato le proprie relazioni in data 29 Maggio 2024 esprimendo un giudizio positivo sul bilancio d'esercizio e sul bilancio consolidato della società con un richiamo di informativa recante:

"Il Consiglio di Amministrazione si riunirà nelle prime settimane di maggio per deliberare la proposta di Aumento di Capitale Sociale per Euro 30 milioni da sottoporre poi all'Assemblea Straordinaria dei Soci che, nello stesso mese di maggio, delibererà in tal senso; a tal fine la Società ha già iniziato a predisporre i documenti e, più in particolare, il Prospetto Informativo (redatto in forma non ancora definitiva alla data di redazione del presente bilancio) relativo all'offerta in opzione ai titolari di azioni ordinarie e all'ammissione alle negoziazioni sul mercato EGM (Euronext Growth Milan) delle nuove azioni relative all'aumento di capitale ai sensi dell'art. 2441, comma 1, del Codice Civile. Al riguardo, anche tenendo conto della possibile non integrale sottoscrizione dell'Aumento di Capitale, il Consiglio di Amministrazione si riserva di esercitare la Delega ad aumentare ulteriormente il capitale sociale dell'Emittente per un importo (inclusivo dell'eventuale sovrapprezzo) fino ad un massimo di Euro 20 milioni. Tale delega gli verrà conferita dall'Assemblea nella medesima seduta in cui delibererà l'Aumento di capitale di 30 milioni. Ai sensi del Regolamento 1129/2017 e del Regolamento 980/2019, nonché delle indicazioni fornite da ESMA negli "Orientamenti in materia di obblighi di informativa ai sensi del regolamento sul prospetto (04/03/2021 | ESMA32-382-1138)", la Società rappresenterà in tale Prospetto Informativo di non disporre del capitale circolante sufficiente per far fronte ai propri fabbisogni finanziari correnti, per tali intendendosi quelli relativi ai dodici mesi successivi alla data di redazione del Prospetto stesso. Al contempo verrà precisato che il Gruppo prevede di coprire il Fabbisogno finanziario netto, pari ad Euro 20 milioni circa per i 12 mesi successivi alla data di redazione del Prospetto attraverso l'utilizzo dei proventi netti derivanti dall'Aumento di Capitale citato, nonché mediante il perfezionamento del Piano di Riscadenziamento, che porterebbe ad un Fabbisogno Finanziario Netto di circa Euro 16 milioni per tale periodo. Risulta necessario sottolineare, infine, che il socio GUM Group S.p.A. ha apertamente manifestato l'intenzione a sottoscrivere l'aumento di capitale fino ad un ammontare pari ad Euro 15 milioni. In tal caso, il Gruppo avrebbe la disponibilità liquida minima per far fronte ai propri fabbisogni finanziari nei dodici mesi successivi alla data di chiusura dell'esercizio assumendo l'avvenuto perfezionamento del piano di riscadenziamento del debito. L'aumento di capitale sarà funzionale alla raccolta, da parte della Società, di una parte rilevante delle risorse finanziarie necessarie per la realizzazione degli obiettivi strategici del "Piano Industriale 2024-2026" approvato dal Consiglio di Amministrazione in data 8 febbraio 2024. A ciò si aggiunga che, come riportato in precedenza, anche nell'eventualità in cui l'aumento di capitale dovesse limitarsi ad un importo inferiore (si è individuata una soglia di Euro 15 milioni pari all'eventuale impegno di sottoscrizione da parte di GUM Group S.p.A.), si ritiene che la Società sarà comunque in grado di proseguire nell'attuazione del Piano Industriale con ciò garantendo il raggiungimento degli obiettivi di ristrutturazione operativa, finanziaria e strategica e, di conseguenza, assicurando la continuità e lo sviluppo dell'attività d'impresa. In questa sede ed alla data di stesura del presente documento non vi sono indicazioni o informazioni che lascino incertezze o dubbi sul fatto che il percorso iniziato con la redazione del Piano Industriale e proseguito con il progettato aumento di capitale come elemento imprescindibile al suo corretto avveramento siano messi in discussione."

Con riferimento a quanto riportato il Comitato dà atto che l'assemblea straordinaria tenutasi in data 22 Maggio u.s. ha deliberato favorevolmente circa l'aumento di capitale sociale di 30 milioni di euro conferendo altresì delega al consiglio di amministrazione per aumentare ulteriormente il capitale sociale fino a 20 milioni di euro.
Il Comitato dà altresì atto che:

- GUM Group S.p.A. ha formalizzato in data 28 Maggio u.s. un impegno irrevocabile a sottoscrivere l'aumento di capitale deliberato fino ad un importo di 5 milioni di euro manifestando altresì interesse a sottoscrivere, a propria discrezione, le eventuali quote inoptate fino ad un importo complessivo massimo di 15 milioni di euro; ai presenti fini GUM Group S.p.A. si è inoltre impegnata ad effettuare un versamento in conto futuro aumento di capitale di importo pari alla quota in opzione relativa all'aumento di capitale di propria spettanza, stimata in circa Euro 2,2 milioni;
- Sofia Holding s.r.l. ha formalizzato in data 29 Maggio u.s. un impegno a sottoscrivere l'aumento di capitale deliberato fino ad un importo complessivo massimo di circa 1,2 milioni di euro.

E' stata verificata l'osservanza delle norme di legge inerenti alla predisposizione della relazione sulla gestione e a tale riguardo non vi sono osservazioni particolari da riferire; si precisa la verifica della relazione della società di revisione in relazione alle procedure indicate nel principio di revisione (ISA Italia) n. 720B contenente il giudizio, dichiarato coerente, sulla relazione della gestione con il bilancio d'esercizio della EXPERT.AI S.p.A. al 31 dicembre 2023 e sulla conformità della stessa alle norme di legge.

È stato altresì esaminato il bilancio consolidato chiuso al 31.12.2023 e messo a nostra disposizione nei termini di cui all'art 2429 c.c.
Il bilancio consolidato è stato redatto conformemente alle disposizioni di legge.
Nella nota integrativa sono analiticamente indicati i criteri e le aree di consolidamento e non si rilevano difformità rispetto all'esercizio precedente in ordine ai criteri utilizzati per la redazione del bilancio consolidato.
In ordine alla relazione sulla gestione, si rileva la completezza informativa e la congruenza dei dati con quelli risultanti dal bilancio consolidato; anche in relazione al bilancio consolidato si precisa l'esame della relazione della società di revisione contenente le procedure indicate nel principio di revisione (ISA Italia) n. 720B al fine di esprimere un giudizio, espresso coerente sulla relazione sulla gestione con il bilancio consolidato del Gruppo EXPERT.AI S.p.A. al 31 dicembre 2023 e sulla conformità delle stesse alle norme di legge.

A seguito dell'attività di vigilanza e controllo svolta nell'esercizio, il Comitato può attestare che:

- nel corso dell'attività svolta, non sono emerse omissioni, irregolarità né fatti censurabili o comunque significativi tali da richiederne la segnalazione agli organi di controllo o menzione nella presente Relazione;
- non sono pervenuti al Comitato denunce ai sensi dell'art. 2408 Codice Civile né esposti da parte di terzi;
- non sono state individuate operazioni né con terzi, né infragruppo e/o con parti correlate tali da evidenziare profili atipici e/o inusuali, per contenuti, natura, dimensioni e collocazione temporale; tali operazioni sono state oggetto di esame da parte del comitato preposto;
- il complesso delle operazioni e delle scelte gestionali adottate sono ispirate al principio di corretta amministrazione e di ragionevolezza e sono conformi al Piano Industriale approvato dal Consiglio di Amministrazione.

Modena, lì 5 Giugno 2024

Per il Comitato per il Controllo sulla Gestione
Il Presidente
Andrea Gabola

