FULL YEAR REPORT 2019

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BUSINESS HIGHLIGHTS

Rabobank Extends the Scope and Scale of Unstructured Data Management by Leveraging Expert System's Artificial Intelligence

For the Fourth Year in a Row, **AXA XL** Leads Advisen's Pacesetter Index

"Artificial Intelligence is a key pillar of our digitalization programs. By leveraging Expert System's cognitive capabilities, we can effectively access and understand unstructured information streams to improve and scale our operations while delivering an excellent customer experience."
Tim Brands, Product Manager Content Services at **Rabobank**

The list of AXA XL innovative developments includes its partnership with the Artificial Intelligence company, Expert System. The AXA XL risk team is leveraging the Expert System platform to help assess property site surveys.

Global innovation leaders including Rabobank, AXA XL, and MovieLabs adopted Expert System to gain insight and streamline business processes involving unstructured data in text and documents. Key customer wins across all markets and strategic verticals such as Banking, Insurance, and Intelligence.

Accelerating shift to recurring licenses - 76% of total licenses in 2019

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PARTNERSHIPS DEVELOPMENT

First results: revenues through partnerships have reached €3M (about 10% of the total).

ES Business Partners:

- Global System Integrators
- Global Consulting firms
- Local mid-size players

New Training and Certification program:

- Almost 500 Professionals accessed the program
  - from +40 companies
  - from +25 countries

Main deals from Channel:

- Multiyear Defense programs in 2 important EU Countries
- Automation project on EU primary bank
- Automation project for UK Gov Agency

FINANCIAL & MANAGEMENT HIGHLIGHTS

On April 23, 2019 a capital increase of €7m has been subscribed by a pool of private investors: entrepreneurs, managers and professionals including Claudio Costamagna, Diego Piacentini and Francesco Caio.

"As a group of financial investors, we are firmly convinced of the tremendous opportunity for the company to grow and expand in a technology sector with great potential, related to the understanding of unstructured information", said Claudio Costamagna, Chairman of CC & Soci.

On November 20, 2019 ES sold its subsidiary ADmantX to IAS, global leaders in digital ad verification, for an enterprise value of €16.000.000, which is equal to 8X of the 2018 sales of ADmantX.

"*Adding this sophisticated contextual technology to our global product suite unlocks unprecedented contextual classification at scale, enabling precise ad targeting for marketers.*" said IAS (Integral Ad Science) CEO Lisa Utzschneider.

On February 24, 2020 the Board of Directors of Expert System appointed Walt Mayo as Group Chief Executive Officer. Prior to joining ES, Walt Mayo led the growth of Endeavor, an impact capital organization focused on scale-up businesses, more than tripling its global market reach. Walt previously worked at Dell accelerating the company's international growth as General Manager for Southern Europe, Australia, Japan and Asia. He graduated from Harvard University and has an MBA from the University of Virginia Darden School.

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MARKET VALIDATION

FORRESTER®

Expert System has been included in "Now Tech: AI-Based Text Analytics Platforms, Q1 2020", a report by Forrester Research, Inc. The report is designed to empower business insight professionals working on text analytics initiatives to understand the value they can expect from an AI-based text analytics platform provider.

Gartner®

Expert System Recognized in Gartner's 2019 Magic Quadrant for Insight Engines for the Third Year in a Row
"Expert System has a **long pedigree** in the development of **AI technologies** across a number of use cases and **has developed a cache of semantic assets** (taxonomies, ontologies etc.) with a customer base that spans a range of industries for this market."

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2019 AT GLANCE

2019 in line with expectations:

- Revenues* amount to €31.6M, compared to €28.7M in 2018 (+10.1%), close to our strategic guidelines (€33M, -4%).

- EBITDA at €5.5M (€4.6M in 2018), in line with our strategic guidelines (€5M – €6M).

- Recurring licences on total licences sold have reached 76%.

- Value of production at €39.7M (€35.5M in 2018).

- Negative net result of -€1.0M (-€3.8M in 2018), which includes -€8.3M of D&A and +€2.2M of capital gain from the disposal of non-strategic participation (Admantx SpA).

- Net financial position of €(2.8M) (€(12.4M) in 2018) with €21.7M of cash (€7.9M in 2018).

* In this document "revenues" or "sales" stand for "revenues net of change of inventories"

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REVENUES BY REGION 2019

REVENUES FY 2019

24%

46%

30%

Italy ■EU ■USA
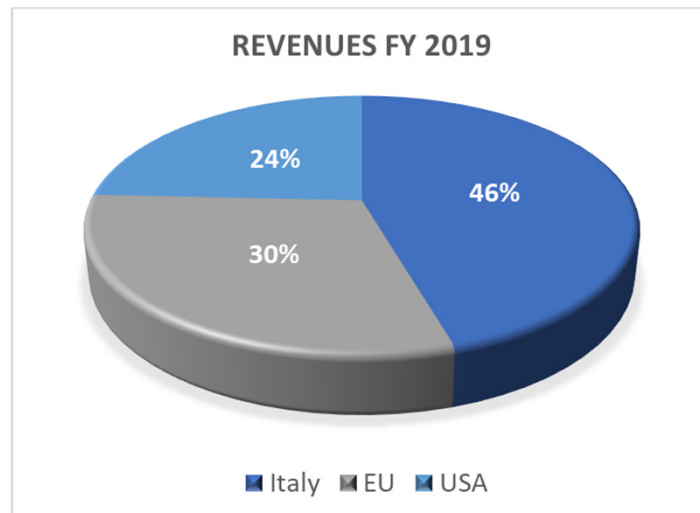
54% of sales are abroad, 30% in Europe and 24% in USA

Good YoY results in Italy, UK, and Germany.

Excellent YoY results from reorganization of business in France (sales +41%).

Investment in 2H2019 in US sales and support teams to support accelerated growth in key verticals of insurance, finance, and information/publishing/media.

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REVENUES BY TYPE 2019

REVENUES FY 2019

61,2%

35,6%

3,2%

■ License (inc. maint.) ■ Prof. Services ■ Other
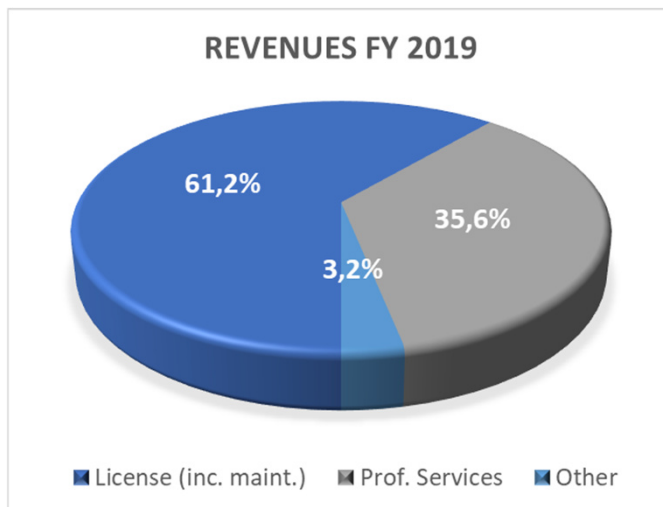
Recurring licenses: 76%

Perpetual licenses: 24%

Licences: the vast majority of new customers opted for a recurring license.

76% of new licenses sold in 2019 were recurring.

These results confirm our efforts in implementing a new business model based on recurring contracts.

We aim to a total switch to recurring licenses and release our new SaaS (Software as a Service) platform to directly serve all companies or individual users who decide to implement Cogito into their platforms, applications and IT systems.

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FROM EBITDA TO NET RESULTS 2018 VS 2019

EXPERT SYSTEM

Year ended 31 December - €/m	2018	2019	Δ
EBITDA	**4,6**	**5,5**	**0,8**
Amortization of Intangible Assets	(7,6)	(8,1)	(0,5)
Amortization of Tangible Assets	(0,2)	(0,2)	(0,0)
Depreciation	(0,1)	(0,0)	0,1
EBIT	**(3,2)**	**(2,9)**	**0,4**
Financial Income/(Expense)	(0,4)	1,7	2,1
Exch. Gains / (Losses) unrealized	0,5	0,4	(0,1)
Result before taxes	**(3,1)**	**(0,8)**	**2,4**
Taxes	(0,6)	(0,2)	0,4
Net Result	**(3,8)**	**(1,0)**	**2,8**

Amortization -€0.5M

Amortization is mainly related to R&D costs (€5.1M) and to the consolidation difference resulting from the acquisitions (€2.2M, 2019 is the last year of amortization).

Financial Income +€2.1M

+€2.2M of capital gain from the disposal of non-strategic participation in Admantx SpA.

-€0.5M of interest paid on debt vs -€0.4M in 2018 due to an higher financial debt. The average cost of the debt is very low at 2.2%.

Unrealized exchange profit for €0.4M

Related to a better €/$ exchange rate impacting intercompany exposure.

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COVID RESPONSE

- Expert System Clinical Research Navigator (CRN) provides access, insight, and organization of critical information from 100MM medical research and clinical trial documents.

- Offering CRN free for three months to accredited research and medical facilities to provide immediate access to researchers in the front-lines in the battle against COVID.

- Intelligence Platform for Medical provides "horizon scanning" to aggregate data and highlight leading indicators of emerging medical threats.

- Engaging government emergency management and early warning agencies.

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STRATEGIC GUIDELINES

- Invest in marketing, sales and customer success efforts for US corporate market focused on Insurance, Finance, and Information/Publishing/Media.

- Accelerate expansion of reach through partner channel, including select Global Solutions Integrators and local vertically and AI/RPA focused solutions providers.

- Expert System on the OEM side will also engage the fast growing number of SW companies in cognitive search, sales and marketing augmented insight, and point solutions that have language understanding at their core. We believe our technology can add compelling value and will seek to partner with them in offering the Expert System language understanding layer in their stack.

- Accelerate adoption of annual recurring and consumption-based pricing that expands opportunity with existing customers.

- Strengthen and optimize delivery and professional services to provide scale capacity.

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THANKS