



Expert.ai Presents First Half 2023 Financial Report

Expert.ai, a global leader in AI language solutions to accelerate processes and drive insights at scale in the enterprise, announced today consolidated first half 2023 financial results that delivered strong year over year profitability improvement. With a commitment to returning to profitability while sustaining growth through innovation to continue creating value for its clients, expert.ai enhanced efficiencies across the Group, aligning resources to core verticals and markets, and focusing on profitable revenue.

- **Profitability and Costs**

- Consolidation of operation, optimization of external vendors and focus on core markets drove cost reductions of ~ Euro 9 million.
- EBITDA improved 71% to negative Euro 3.2 million in 1H 2023 from 1H 2022 negative Euro 11.1 million.

- **Revenues and Growth**

- Revenue is 6% lower at Euro 13.1 million 1H 2023 versus 1H 2022 Euro 13.9 million with consolidation to key markets and verticals.
- US revenue grew 10% year over year and delivered a contribution of 36% of total revenue.
- International revenues amount to 47% of total revenues.
- Strength in core vertical solutions across the business included new information services customers, major wins in banking for risk and compliance, and expansion in insurance automation solutions.



- Customer retention and expansion remained strong with key high-value customers (such as in verticals like information services) and successful transition and expansion to our SaaS hybrid AI platform.
- Innovation remains core to the company continued leadership in the AI language sector with investments in developing large language models that offer practical and powerful new capabilities in core vertical markets such as Insurance.

Walt Mayo, CEO of expert.ai, stated:

"Our first half focused on aligning our resources on core markets, verticals, and solutions that offer strong growth potential. The results are solid: operational margin improvement, internal and external cost reductions, and strong progress toward EBITDA profitability. Core customers are migrating and expanding their business with us from our legacy technology to our new suite of solutions powered by AI that delivers real value. We are building enhanced offerings to cut costs and improve outcomes in insurance claims, reduce risk for global banks, and deliver insights for life sciences. And we continue to innovate to solve real-world problems with the power of AI, announcing a purpose-built enterprise language model for insurance that offers enhanced accuracy, flexibility, and governance. With a new and significant investment in the company and a committed and engaged Board chair, we are actively refining and accelerating our plan for value creation."

September 28, 2023

The Board of Directors of expert.ai convened today and approved the Consolidated Financial Report as of June 30, 2023.

KEY CONSOLIDATED ECONOMIC-FINANCIAL RESULTS AS OF JUNE 30, 2023



Total revenues¹ amount to Euro 13.1 million (compared to Euro 13.9 million in the first half of 2022), reflecting a slight decline due to increased focus on higher-value sectors and geographies, especially in the US, where steady growth continues. **Revenues** generated by US branches amount to Euro 4.3 million compared to Euro 3.9 million in the first half of 2022, representing 36% of sales revenues. Recurring revenues (temporary licenses, maintenance, and hosting) now consistently represent over two-thirds of the total.

The **Production Value** is Euro 16.9 million, down from the first half of 2022 (Euro 18.5 million), a result of both the slight revenue decline and reduced capitalization, which peaked in the previous fiscal year.

EBITDA, at negative Euro 3.2 million, significantly improved from the first half of 2022 negative Euro 11.1 million, thanks to initiatives aimed at achieving positive EBITDA within the current fiscal year. Following the peak of investments required to make the new technological platform available and gain greater insight into Go-to-Market strategies, contracts related to one-time technology consultancy, low-ROI commercial and communication activities were terminated, and general administrative expenses were optimized. Simultaneously, the Group's workforce was streamlined and organized to align with the strategic guidelines of the 2022B-2024E Industrial Plan. These actions collectively resulted in savings of over Euro 8 million in consolidated EBITDA compared to the previous semester.

EBIT stands at negative Euro 7.2 million (compared to negative Euro 14.9 million as of June 30, 2022), with significant amortization of intangible assets of Euro 4 million, primarily related to capitalized development costs, with amortization totaling Euro 3.4 million.

The financial management reports a negative result of Euro 0.5 million (compared to negative Euro 0.2 million as of June 30, 2022).

The **net result for the period** shows a loss of approximately Euro 7.7 million (compared to a loss of Euro 14.7 million as of June 30, 2022).

Net Financial Debt is at negative Euro 19.6 million, compared to a net financial debt of Euro 15.8 million as of December 31, 2022.

Shareholders' Equity amounts to Euro 10.3 million, compared to Euro 17.5 million as of December 31, 2022.

Regarding the objectives outlined in the consolidated 2022B-2024E Industrial Plan, reviewed on January 27th 2023, it is worth noting that revenues historically concentrate mostly (approximately 45%) in the last quarter of each fiscal year, a distinctive characteristic of expert.ai's business model. The

¹ Net sales revenues, including changes in inventory and other income.



Group's top management is continually committed to achieving economic and equity objectives for the years 2023E and 2024E. The Group's goal remains to close the fiscal year with a positive EBITDA, continuing with the cost-saving actions already undertaken, as evidenced by the consolidated results for the first half of 2023, which will continue to have an impact until the end of the current fiscal year.

KEY EVENTS IN THE FIRST HALF OF 2023

FINANCIAL EVENTS

January 27, 2023: The Board of Directors of expert.ai approved a reserved capital increase, including a portion allocated to Walt Mayo, CEO of the Company; updated estimates of the consolidated industrial plan for 2022B-2024E; allocated a total of 665,000 Stock Grants from the second tranche of the 2020-2023 Stock Grant Plan; and appointed the oversight body.

February 14, 2023: The Ordinary Shareholders' Meeting appointed BDO Italia S.p.A. as the statutory auditor for the 2022-2024 fiscal years.

May 3, 2023: The Ordinary Shareholders' Meeting appointed the new Board of Directors, including Alan Packer, formerly Technical Director of Amazon's Alexa team with 30 years of experience in artificial intelligence, machine learning, and natural language understanding.

May 5, 2023: expert.ai's Board of Directors approved the appointment of members of the Management Control Committee.

May 15, 2023: The Board of Directors approved the allocation of 790,360 ordinary shares of the issuer, following the maturity of the third tranche of the 2020-2023 Stock Grant Plan.

June 19, 2023: expert.ai announced, in accordance with Article 17 of the Euronext Growth Milan Issuers Regulation, the appointment of MIT SIM S.p.A. as the Specialist Operator.

PRODUCTS, CLIENTS, PARTNERSHIPS, AND RECOGNITIONS

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

March 8, 2023: expert.ai announced its inclusion in KMWorld's top 100 best companies in knowledge management.



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

March 28, 2023: expert.ai announced a partnership with Vection Technologies, a leading company in INTEGRATEDXR® (ASX: VR1, OTC: VCTNY), to develop an artificial intelligence-based solution for digitizing technical manuals.

April 4, 2023: expert.ai obtained SOC 2 Type 2 security certification, further confirming the company's dedication to customer data protection and cybersecurity.

April 5, 2023: expert.ai and Reveal Group, a U.S.-based company specializing in process automation, entered into a partnership to offer organizations simplified workflows through "intelligent robots" by combining robotic process automation with natural language understanding/processing.

April 11, 2023: expert.ai announced that Generali España had chosen expert.ai's artificial intelligence platform to improve operational efficiency, streamline business processes, and reduce internal workloads.

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

April 26, 2023: expert.ai announced its collaboration with Microsoft Italy as a partner for the "Ambizione Italia Cloud Region Partner Alliance," an initiative aimed at accelerating digital transformation in Italy, including the opening in Milan of Microsoft's first Italian Cloud Region.

May 16, 2023: expert.ai launched a new AI platform for Life Sciences leveraging up-to-date, trusted domain knowledge, advanced natural language understanding, machine learning and large language models in a seamlessly integrated way to transform health and scientific data into insights.

June 13, 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.



June 26, 2023: expert.ai launched a new artificial intelligence platform for the insurance market, enabling the development and enhancement of AI solutions for policy underwriting and claims management.

RELEVANT EVENTS OCCURRED AFTER THE REPORTING PERIOD

FINANCIAL EVENTS

July 5, 2023: expert.ai's Board of Directors announced the signing of an investment agreement to support the development strategy and strengthen governance between the major shareholders of expert.ai and GUM Group S.p.A., an investment vehicle controlled by Dario Pardi. This agreement included a capital increase in favor of GUM Group S.p.A. for a total of Euro 3,843,744.52 and a restructuring of internal organizational and governance structures. Dario Pardi joined the Board of Directors as Chairman, and an executive committee was established.

July 11, 2023: expert.ai disclosed that GUM Group S.p.A. declared ownership, as of July 5, 2023, of 4,991,876 ordinary shares of expert.ai, representing a 7.24% stake.

July 25, 2023: The Ordinary and Extraordinary Shareholders' Meeting confirmed the appointment of Administrator Dario Pardi, who was also appointed Chairman of the Board of Directors. The meeting increased the number of serving directors and appointed Independent Director Marco di Teodoro. The company updated its bylaws. On the same day, the Board of Directors decided to establish an Executive Committee composed of 3 members (Dario Pardi, serving as Committee Chairman, Walter Lloyd Mayo III, and Marco Varone), appointed Stefano Spaggiari as Vice-Chairman, and nominated Marco di Teodoro as a member of the Management Control Committee (Andrea Gabola, Stefano Pedrini, Marco di Teodoro).

PRODUCTS, CLIENTS, PARTNERSHIPS, AND RECOGNITIONS

August 1, 2023: expert.ai introduced the new release of the Expert.ai Platform, optimizing security and infrastructure while enhancing core technology features. This update offers organizations increased security and greater flexibility in the development and enhancement of natural language solutions.

September 19, 2023: expert.ai announced the strengthening of its collaboration with multinational company Sopra Steria, an European leader in technology consulting, digital services, and software development.



September 20, 2023: expert.ai communicated its selection by Fin Tech Global for the prestigious "InsurTech 100" list, which recognizes the world's most cutting-edge technology companies in the insurance market. This year, the selection process included over 1,900 companies.

September 25, 2023: expert.ai revealed that it had been awarded the "LT-Innovate" prize by the Language Technology Industry Association for its innovative scope and over 30 years of experience in the field of AI-based language technologies.

September 26, 2023: expert.ai launched "ELMI, Enterprise Language Model for Insurance," a language model specifically designed to provide insurance companies with generative artificial intelligence tools to accelerate strategic processes, from underwriting to claims management.

BUSINESS OUTLOOK

In the first half of 2023, expert.ai continued its journey of business evolution and transformation. Simultaneously, measures were taken to optimize cost components through streamlining and optimization across all operational areas. These measures yielded results in the first half that aligned with the consolidated industrial plan for 2022B-2024E, allowing the company to confirm its objectives for the full fiscal year: the operational costs in the second half are expected to be further optimized compared to the first half.

Regarding the business, it's crucial to consider seasonality. Historically, a significant portion of opportunities materializes in the final quarter of the year. The Company intends to maintain its focus on the most receptive markets (Italian and American) and in sectors with the highest potential (insurance, banking, media, healthcare, and pharmaceuticals). In these sectors, interest in cognitive AI solutions is growing, and new, exciting opportunities are emerging. The increased public attention towards large-scale language models (such as those underpinning ChatGPT) has sparked significant interest in *natural language processing* (NLP) technologies. This phenomenon has attracted new potential clients within the knowledge management sphere in which the company operates; however, it has also generated confusion and unrealistic expectations regarding what can practically be achieved through artificial intelligence. In the coming months, there will be a need for market "education" to guide and support companies in their decision-making processes.

DOCUMENTATION



The consolidated first half Financial Report as of June 30, 2023, will be available to the public in accordance with the Euronext Growth Milan Issuers Regulation, on the company's website, www.expertai.ai, under the "Investor Relations/Financial Report" section, as well as on www.borsaitaliana.it, under the "Shares/Documents" section.

Expert.ai's consolidated results for June 30, 2023, will be presented to the financial community on September 29, 2023, during a webinar scheduled for 3:00 p.m. (CEST) and 9:00 a.m. (EDT).

This press release is available on the company's website, www.expertai.ai, and also on www.emarketstorage.com.

Expert.ai (EXAI:IM) is the leading enterprise AI company solving complex language challenges. Our solutions deliver key information for publishers, streamline operations for insurers, drive revelations for pharmaceutical giants, and enhance customer interactions within financial services – all while automating traditional labor-intensive methods. By combining deep domain expertise with the finest attributes of Large Language Models, Machine Learning, and Symbolic AI, we are at the leading edge of linguistic advancements in hybrid AI. With a global presence in Europe and North America, we proudly serve clients that include AXA XL, Zurich Insurance Group, Generali, Sanofi, EBSCO, The Associated Press, Bloomberg INDG, and Dow Jones.

For more information: <https://www.expert.ai/>

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Attached:

- Consolidated Income Statement as of 30/06/2023
- Consolidated Balance Sheet as of 30/06/2023
- Consolidated Net Financial Debt as of 30/06/2023

Consolidated Income Statement	30/06/2023	30/06/2022	Variazione
Net revenues	11.885.102	12.681.887	(796.785)
Other revenues	1.253.250	1.170.242	83.008
Inventory change	(14.560)	0	(14.560)
Total revenues	13.123.792	13.852.129	(728.337)
Own work capitalized	3.815.345	4.607.827	(792.482)
Production value	16.939.137	18.459.956	(1.520.819)
External operating costs	(7.073.475)	(10.124.737)	3.051.262
Economic value added (EVA)	9.865.662	8.335.219	1.530.443
Cost of labour	(13.019.743)	(19.397.343)	6.377.600
EBITDA	(3.154.081)	(11.062.124)	7.908.043
Amortizations, depreciations, and other provisions	(4.081.701)	(3.848.567)	(233.134)
EBIT	(7.235.782)	(14.910.691)	7.674.909
Financial income and expenses	(497.269)	(169.986)	(327.283)
Pre – tax results	(7.733.051)	(15.080.677)	7.347.626
Income taxes	47.944	342.598	(294.654)
Net result	(7.685.107)	(14.738.079)	7.052.972

Consolidated Balance Sheet	30/06/2023	31/12/2022	Variazione
Net intangible assets	20.869.672	20.307.822	561.850
Net rights of use	1.439.787	1.728.077	(288.290)
Net tangible assets	748.232	825.387	(77.155)
Equity investments and other non - current financial assets	10.579.245	13.137.483	(2.558.238)
Fixed capital	33.636.936	35.998.769	(2.361.833)
Short-term financial assets	-	-	-
Inventory	-	14.560	(14.560)
Trade receivables	14.223.546	18.136.474	(3.912.928)
Other receivables	6.898.900	7.011.175	(112.275)
Accrued income and prepaid expenses	1.536.645	1.594.700	(58.055)
Short-term assets	22.659.091	26.756.909	(4.097.818)
Trade payables	(5.003.849)	(6.543.906)	1.540.057
Advances received	(904.747)	(904.747)	-
Tax and social security liabilities	(1.935.333)	(1.909.787)	(25.546)
Other payables	(4.281.562)	(5.290.729)	1.009.167
Accrued expenses and deferred income	(5.623.394)	(6.452.238)	828.844
Short-term liabilities	(17.748.885)	(21.101.407)	3.352.522

Net working capital	4.910.206	5.655.502	(745.296)
Employee severance indemnity	(3.897.763)	(3.794.957)	(102.806)
Accrued expenses and deferred income over 12 months	(3.221.489)	(3.143.791)	(77.698)
Other medium-long term liabilities	(1.508.382)	(1.375.330)	(133.052)
Medium-long term liabilities	(8.627.634)	(8.314.078)	(313.556)
INVESTED CAPITAL	29.919.508	33.340.193	(3.420.685)
Shareholders' equity	(10.303.148)	(17.492.121)	7.188.973
Net medium-long term financial position	(14.663.712)	(19.270.531)	4.606.819
Net short term financial position	(4.952.648)	3.422.458	(8.375.106)
OWN EQUITY AND NET FINANCIAL DEBT	(29.919.508)	(33.340.194)	3.420.686

Consolidated Net financial debt	30/06/2023	31/12/2022	Variazione
A - Cash on hand	4.208.602	12.024.125	(7.815.523)
B - Cash equivalents	-	-	-
C - Other current financial assets	16.730	16.644	86
D - Liquidity (A + B + C)	4.225.332	12.040.769	(7.815.437)
E - Current financial debt (including debt instruments but excluding the current portion of non-current financial debt)	5.858.917	3.530.191	2.328.726
F - Current portion of non-current financial debt	3.319.063	5.088.120	(1.769.057)
G - Current financial debt (E + F)	9.177.980	8.618.311	559.669
H - Net current financial debt (D-G)	(4.952.648)	3.422.458	(8.375.106)
I - Non-current financial debt (excluding current portion and debt instruments)	14.085.627	15.156.930	(1.071.303)
J - Debt instruments	454.500	4.113.600	(3.659.100)
K - Trade payables and other non-current payables	123.585	1	123.584
L - Non-current financial debt (I+J+K)	14.663.712	19.270.531	(4.606.819)
M - Net financial debt (H-L)	(19.616.360)	(15.848.073)	(3.768.287)