

Expert.ai's Board of Directors Approves Consolidated Half-Year Financial Report as of June 30th, 2024

ALL ECONOMIC INDICATORS ARE IMPROVING IN LINE WITH THE TRENDS OF THE 2024-2026 BUSINESS PLAN

- **Total Revenues: Euro 12,0 million (Euro 13,1 million)¹**
- **Production Value: Euro 13,9 million (Euro 16,9 million)**
- **EBITDA: Euro -0,8 million (Euro -3,2 million)**
- **EBIT: Euro -4,5 million (Euro -7,2 million)**
- **Net Financial Debt: Euro 18,0 million (Euro 21,8 million as of Dec 31, 2023)**
- **Shareholders' Equity: Euro 8,0 million (Euro 12,2 million as of Dec 31, 2023), prior to the capital increase of Euro 29,7 million**

September 27, 2024

The Board of Directors of expert.ai S.p.A. (the "**Company**"), leader in the implementation of enterprise artificial intelligence solutions to create business value, convened today under the chairmanship of Dario Pardi, and approved the consolidated half-year Financial Report as of June 30th, 2024.

The first half of 2024 highlights a marked improvement in the operating margin, demonstrating the effects of the initiatives undertaken in 2023 aimed at optimizing operational areas and returning to profitability with a view to sustainable growth. In particular, this past half-year saw the launch of new solutions based on generative AI integration and the implementation of a new partnership strategy aimed at double-digit growth, a vertical industry specialization, and the replicability of use case solutions. However, the Net Result reflects the extraordinary restructuring costs amounting to Euro 1,9 million, related to external consulting expenses for the capital increase, renegotiation of financial debt, and reorganization at both the national and international levels.

Dario Pardi, Chairman and CEO of expert.ai, commented: *"We consider the first half of 2024 positive, an undoubtedly transitional period of relaunch due to the reorganization of both front-end and back-end business units, with improved volumes and margins, reflecting the effectiveness of the initiatives taken to bring the Group back to profitability and cash generation. Given that our business is historically influenced by the seasonality of our clients' investments, which increase more than proportionately in the second half of*

¹ The income and balance sheet data in parentheses refer to the consolidated financial statements as of June 30, 2023.



the year, these numbers confirm that we are in line with the trends of recently approved business plan. I would like to emphasize that we are continuing to invest in company efficiency, which has already yielded concrete results through cost reductions while maintaining the continuity of R&D investments in strategic verticals where the Company has been successful, which is essential for the future growth of expert.ai. We are proud to have been recognized as 'Leader' in Forrester's report on Document Mining and Analytics Platforms, and to have achieved the highest score in Generative AI. These recognitions reaffirm our commitment to providing innovative solutions, always keeping human value and social responsibility at the center. Lastly, the successful capital increase, with 100% of the new shares subscribed, puts us in a favorable financial position to pursue new growth objectives and further consolidate our leadership in the sector".

Key Consolidated Financial Results as of June 30th, 2024

Total Revenues amount to Euro 12,0 million, compared to Euro 13,1 million in the first half of 2023. The decline was mainly recorded in professional services and was evenly distributed between the EMEA and US regions.

The recurring revenue component, that is Euro 7,8 million and consists of temporary licenses (57%) and maintenance and hosting, reached 73% of the total. After Italy, the American market continues to be the Group's reference area, despite an absolute decrease in revenues from US customers by Euro 1,5 million.

The **Production Value** amounts to Euro 13,9 million, compared to Euro 16,9 million in the first half of 2023, a reduction largely due to lower capitalizations of internally incurred costs.

EBITDA is negative at Euro 0,8 million but significantly improved compared to a negative EBITDA of Euro 3,2 million on June 30th, 2023. The results highlight the effectiveness of the initiatives, undertaken in 2023, aimed at returning the group to profitability. In 2024, actions continued not only to streamline expenses but also implement a substantial corporate reorganization which has already borne fruit in terms of further improvement in cost structure and, consequently, in profitability.

EBIT is negative at Euro 4,5 million (negative at Euro 7,2 million on June 30th, 2023), due to amortization of intangible assets amounting to Euro 3,6 million, primarily related to capitalized development costs with amortization of Euro 3,3 million.

Financial Management Result, negative at Euro 0,2 million, reflects an improvement from June 30th, 2023 (negative at Euro 0,5 million) primarily due to exchange gains.

During the semester, restructuring costs were recorded as extraordinary expenses for a total of Euro 1,9 million, exceptionally recognized for the current year, and related to



external consulting and employee expenses. External consulting costs, amounting to Euro 0,7 million, are comprised of consultants and professional firms involved in the Capital Increase, renegotiation of financial debt, and reorganization of operational and staff departments. Employee expenses amount to Euro 1,2 million and refer to redundant personnel, some of whom were incentivized to leave, while others resigned.

The **net result** for the period shows a loss of Euro 6,6 million (Euro 7,7 million on June 30th, 2023).

Net Working Capital amounts to Euro 3,1 million, compared to a Net Working Capital of Euro 11,2 million as of December 31st, 2023. The decrease was primarily attributable to the reduction in trade receivables.

Net Financial Debt amounts to Euro 18,0 million with liquid assets amounting to Euro 1,7 million, compared to net financial debt of Euro 21,8 million as of December 31st, 2023.

Shareholders' Equity amounts to Euro 8,0 million, compared to Euro 12,2 million as of December 31st, 2023. This value does not include the capital increase of Euro 29,7 million completed on July 31st, 2024.

KEY EVENTS IN THE FIRST HALF OF 2024

FINANCIAL EVENTS

On **February 8, 2024**, the Board of Directors of expert.ai announced the approval of the 2024-2026 business plan.

On **May 2, 2024**, the Board of Directors of expert.ai approved the proposals to increase the paid-in share capital for the maximum amount of Euro 30 million and granting a proxy for the additional increase of share capital up to the amount of Euro 20 million; additionally, Dario Pardi was appointed as CEO.

On **May 22, 2024**, the Extraordinary Shareholders' Meeting approved certain amendments to the bylaws, a capital increase to be offered to shareholders by way of option for a maximum amount of Euro 30 million and the granting of authority to the Board of Directors to increase the share capital by a maximum amount of Euro 20 million.

On **May 28, 2024**, GUM GROUP S.P.A. formalized a subscription commitment in relation to the capital increase option approved by the Shareholders' Meeting.

On **May 30, 2024**, Sofia Holding s.r.l. formalized a subscription commitment in relation to the capital increase option approved by the Shareholders' Meeting.



On **June 18, 2024**, Ergo s.r.l. formalized a subscription commitment in relation to the capital increase option approved by the Shareholders' Meeting.

On **June 21, 2024**, the Ordinary Shareholders' Meeting approved the financial statements as of December 31st, 2023, and appointed the new Board of Directors.

On **June 24, 2024**, the newly appointed Board of Directors resolved to appoint the Chairman, Dr. Dario Pardi, as Chief Executive Officer, appointed the members of the Management Control Committee (Independent Directors Andrea Gabola, Stefano Pedrini, and Marco di Teodoro), and established the Related Party Committee.

On **June 28, 2024**, the Board of Directors approved the terms of the paid capital increase by way of option and set the offering schedule.

CLIENTS, PARTNERSHIPS, AND RECOGNITIONS

On **February 27, 2024**, expert.ai announced a new partnership with FINIX Technology Solutions to provide companies and public administrations with AI-based tools capable of managing high-density information environments and transforming data into knowledge.

On **February 28, 2024**, expert.ai announced winning the Artificial Intelligence Awards from Corporate Vision magazine and the release of a new version of its hybrid AI platform.

On **March 13, 2024**, expert.ai announced that it is among the top "100 Companies that Matter in Knowledge Management," the prestigious list by the American magazine KMWorld dedicated to the best companies in the field of enterprise knowledge management.

On **April 10, 2024**, expert.ai announced the enhancement of its offering to banks and financial institutions thanks to "Adverse News Screening" solutions for anti-money laundering projects, intelligent research services for clients, ESG risk management, and regulatory tracking & change management processes.

On **April 15, 2024**, expert.ai announced the launch of an innovative solution for the pharmaceutical industry, positioning itself among the finalists for the prestigious "Best of Show" award at Bio-IT World, the leading event in the sector.

On **May 20, 2024**, expert.ai announced its victory at the American Business Awards, and on May 30th, 2024, it won the "People's Choice Stevie® Award" in the category dedicated to innovation in the insurance sector.

On **June 3, 2024**, expert.ai announced that it was named 'Leader' by Forrester in the report on document mining and analytics platforms, achieving the highest score in Generative AI ("The Forrester Wave™: Document Mining and Analytics Platforms, Q2 2024").



On **June 5, 2024**, expert.ai announced that it was named 'Leader' by Forrester in the report on text mining and analytics platforms ("The Forrester Wave™: Text Mining and Analytics Platforms, Q2 2024").

On **June 11, 2024**, expert.ai announced its victory in the Duck Creek competition dedicated to the most innovative solutions for the insurance industry.

On **June 25, 2024**, expert.ai announced that it had been included in the "AIFinTech100" list, which highlights the world's most innovative companies specializing in AI solutions for the financial sector.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

FINANCIAL EVENTS

On **July 25, 2024**, expert.ai announced the conclusion of the rights offering related to the capital increase offer, with 88.10% of the new shares subscribed, for a total amount of Euro 26,137,108.80.

On **July 29, 2024**, expert.ai announced the early closure of the rights issue on the Stock Exchange, with 8,201,961 option rights valid for the subscription of 3,209,463 new shares placed on the market.

On **July 31, 2024**, expert.ai announced that GUM Group S.p.A. had subscribed to the unexercised shares related to the capital increase, with the final results showing that the capital increase was fully subscribed raising a total of Euro 29,667,518.10.

On **August 1 and August 6, 2024**, expert.ai announced the variation in share capital (in the second communication, following the exercise of stock grants).

CLIENTS, PARTNERSHIPS, AND RECOGNITIONS

On **July 16, 2024**, expert.ai announced it had been selected as a tech partner by Banca Investis S.p.A. to develop an innovative app that offers customers new ways to interact with the Bank and their bankers particularly leveraging the potential of generative AI.

On **September 4, 2024**, expert.ai has announced that it has been selected by CNBC and the research company Statista in the report "The World's Top InsurTech Companies 2024" dedicated to the 150 most important players in the insurtech sector worldwide.

PREDICTABLE EVOLUTION OF MANAGEMENT



The capital increase, completed on July 31st, 2024, with 26,970,471 new shares for a total of Euro 29,67 million, has three strategic functions:

- internal restructuring (14% of the funds): aimed at improving operational efficiency, which will incur initial extraordinary costs in the second semester of the year (within the set target) but will generate future annual savings of Euro 4 million;
- support for operational and financial management (34%): funds used to support daily activities and investments necessary for corporate stability;
- external growth strategies (50%): resources dedicated to M&A operations to acquire new solutions and expertise, diversifying the target markets.

Alongside the capital increase, expert.ai has initiated a debt rescheduling plan with major financial institutions. As of today, all the completion clauses of the aforementioned plan have been fulfilled, making it operational and set to bring significant financial benefits to the Company and the Group in the coming years. These measures will free up over Euro 3,5 million in 2024 and over 3 million in 2025, providing the Company with greater financial flexibility and the resources needed to invest in growth and revitalization, both through internal expansion and strategic acquisitions in line with 2024-2026 business plan.

With regard to the objectives contained in the 2024-2026 business plan, approved by the Board of Directors on February 8, 2024, it should be noted that revenues are historically concentrated mostly in the last quarter of each fiscal year, a distinctive feature of expert.ai's business model. Therefore, the results achieved in the first semester of 2024 in terms of revenue do not indicate a year-on-year decline. Additionally, expert.ai launched several initiatives in 2023 to optimize operational areas and return to profitability with a focus on sustainable growth. These initiatives continued in 2024, yielding further positive results in cost structure and margins. The company thus confirms the profitability targets communicated on February 8, 2024 and reported in the Information Prospectus related to the capital increase of approximately EURO 30 million, approved by Consob on July 3rd, 2024.

Key targets of the Business Plan for the fiscal year 2024:

- revenues in a range between Euro 32,3-36,1 million;
- gross profit in a range between Euro 23,2-26,0 million;
- EBITDA in a range between Euro 8,7-10,4 million;
- cash EBITDA in a range between Euro 4,3-5,8 million.

DOCUMENTATION

The consolidated half-year Financial Report as of June 30th, 2024 will be made available to the public within the terms and in the manner prescribed by the EGM Issuers' Regulations, on the Company's website, www.expertai.ai, in the "Investor Relations/Financial Report" section, as well as on the website www.borsaitaliana.it, in the "Azioni/Documenti" section.



INVESTOR MEETINGS

Please, note that the consolidated results of expert.ai as of June 30th, 2024 will be presented to the financial community on October 1st, 2024 during a Video Conference at 10:30 a.m. (CET).

This press release is available on the Company's website www.expert.ai and on www.emarketstorage.com

Expert.ai is a company specialized in the implementation of enterprise artificial intelligence solutions to create business value, listed on the Euronext Growth Milan market (EXAI) and active in Europe and North America. By applying a proven innovation framework, expert.ai supports businesses and public administrations in their digital transformation, harnessing AI's potential across various processes and *use case* through a responsible, transparent, and sustainable approach that focuses on people, problems to solve, and goals to achieve. The company has over 25 years of experience in *natural language* solutions and has successfully implemented hundreds of projects by integrating the best available technologies in the market with its proprietary ones (knowledge graph, machine/deep learning techniques, large language models, and generative AI). Banks and financial institutions, insurance companies, publishing firms, and organizations in public administration, healthcare, defense, and intelligence sectors choose expert.ai's solutions to automate knowledge on a large scale, effectively manage massive volumes of information, improve decision-making processes, and enable new levels of efficiency by leveraging the right data at the right time with great speed. The company's clients, either directly or through partners, include AXA XL, Zurich Insurance Group, Generali, Sanofi, EBSCO, The Associated Press, Bloomberg, INDG, Dow Jones, and other major players. Dario Pardi, who boasts decades of experience in prominent multinational ICT companies, is Chairman, CEO, and a key shareholder of expert.ai.

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

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Attached (Data in Euro):

- Consolidated Balance Sheet as of 06/30/2024
- Consolidated Income Statement as of 06/30/2024
- Consolidated Net Financial Debt as of 06/30/2024

Please note that the reported financial data is undergoing certification by the appointed Auditing Firm.

Consolidated Balance Sheet	30/06/2024	31/12/2023	Variation
Net intangible assets	18.013.414	19.373.084	(1.359.670)
Net rights of use	1.161.579	1.199.350	(37.770)
Net tangible assets	618.497	664.716	(46.220)
Equity investments and other non - current financial assets	11.320.565	10.545.183	775.382
Fixed capital	31.114.055	31.782.332	(668.278)
Short-term financial assets	0	0	0
Inventory	0	0	0
Trade receivables	13.998.248	21.548.007	(7.549.759)
Other receivables	5.529.870	6.631.221	(1.101.351)
Accrued income and prepaid expenses	1.483.938	895.882	588.056
Short-term assets	21.012.056	29.075.109	(8.063.053)
Trade payables	(5.711.894)	(5.193.239)	(518.655)
Advances received	(617.379)	(578.181)	(39.199)
Tax and social security liabilities	(2.994.385)	(1.878.272)	(1.116.113)
Other payables	(3.920.292)	(4.192.587)	272.295
Accrued expenses and deferred income	(4.647.209)	(6.033.201)	1.385.992
Short-term liabilities	(17.891.159)	(17.875.479)	(15.680)
Net working capital	3.120.897	11.199.630	(8.078.733)
Employee severance indemnity	(4.383.457)	(4.123.112)	(260.345)
Accrued expenses and deferred income over 12 months	(2.370.136)	(3.278.714)	908.578
Other medium-long term liabilities	(1.550.371)	(1.564.945)	14.573
Medium-long term liabilities	(8.303.964)	(8.966.771)	662.806
INVESTED CAPITAL	25.930.988	34.015.192	(8.084.204)
Shareholders' equity	(7.977.001)	(12.218.394)	4.241.394
Net medium-long term financial position	(13.266.303)	(11.301.071)	(1.965.231)
Net short term financial position	(4.687.685)	(10.495.726)	5.808.042
OWN EQUITY AND NET FINANCIAL DEBT	(25.930.988)	(34.015.192)	8.084.204

Consolidated Income Statement	30/06/2024	30/06/2023	Variation
Net revenues	10.673.668	11.885.102	(1.211.435)
Other revenues	1.295.155	1.253.250	41.905
Inventory change	0	(14.560)	14.560
Total revenues	11.968.823	13.123.792	(1.154.969)
Own work capitalized	1.963.002	3.815.345	(1.852.343)
Production value	13.931.825	16.939.137	(3.007.311)
External operating costs	(4.780.644)	(7.073.475)	2.292.831
Economic value added (EVA)	9.151.181	9.865.662	(714.481)
Cost of labour	(9.960.788)	(13.019.743)	3.058.955
EBITDA	(809.607)	(3.154.081)	2.344.474
Amortizations, depreciations, and other provisions	(3.699.041)	(4.081.701)	382.660
EBIT	(4.508.648)	(7.235.782)	2.727.134
Financial income and expenses	(207.923)	(497.269)	289.347
Ordinary Result	(4.716.570)	(7.733.051)	3.016.481
Extraordinary expenses	(1.913.956)	0	(1.913.956)
Pre – tax results	(6.630.527)	(7.733.051)	1.102.524
Income taxes	52.025	47.944	4.081
Net result	(6.578.502)	(7.685.107)	1.106.605

Consolidated Net financial debt	30/06/2024	31/12/2023	Variation
A - Cash on hand	1.696.056	1.779.202	(83.145)
B - Cash equivalents	0	0	0
C - Other current financial assets	8.523	16.782	(8.259)
D - Liquidity (A + B + C)	1.704.579	1.795.983	(91.405)
E - Current financial debt (including debt instruments but excluding the current portion of non-current financial debt)	4.819.896	7.279.547	(2.459.651)
F - Current portion of non-current financial debt	1.572.367	5.012.162	(3.439.795)
G - Current financial debt (E + F)	6.392.264	12.291.710	(5.899.446)
H - Net current financial debt (D-G)	(4.687.685)	(10.495.726)	5.808.042
I - Non-current financial debt (excluding current portion and debt instruments)	12.709.773	10.850.920	1.858.853
J - Debt instruments	0	0	0
K - Trade payables and other non-current payables	556.530	450.151	106.378
L - Non-current financial debt (I+J+K)	13.266.303	11.301.071	1.965.231
M - Net financial debt (H-L)	(17.953.987)	(21.796.798)	3.842.811