



The Board of Directors:
APPROVED THE CONSOLIDATED HALF-YEARLY FINANCIAL REPORT
AS OF JUNE 30, 2020

Solid financial position and results of operations to support the development of the strategic plan 2020-2024 "Path to Lead"

Main consolidated results as of 06/30/2020:

- Value of Production: Euro 13.7 million (Euro 15.4 million as of 06/30/2019)
- EBITDA: Euro -4.6 million (Euro -0.43 million as of 06/30/2019)
- Significant capital gain from the sale of the CY4GATE shareholding: Euro 5.1 million
- Net Result: Euro -3.1 million (Euro -4.0 million as of 06/30/2019)
- Net Financial Position: positive by Euro 3.8 million (negative by Euro 2.8 million as of 12/31/2019)
- Shareholders' Equity: Euro 21.0 million (Euro 20.9 million as of 12/31/2019)

APPROVED A REBRANDING PROJECT FOCUSED ON "expert.ai" THAT SYNTHESIZES THE COMPANY'S VISION AND MISSION CONSISTENTLY WITH ITS EVOLUTION AND GROWTH PATH

Modena, September 28, 2020

The Board of Directors of the Artificial Intelligence company Expert System (EXSY:MIL), met today and approved the Consolidated Half-Yearly Financial Report as of June 30, 2020.

Walt Mayo, CEO of Expert System, commented: *"Despite the unprecedented challenges of the first half of the year, we made strong progress towards our goal of becoming the global leader in AI-based language understanding. The COVID-19 pandemic highlighted the market need for AI language understanding to gain knowledge and insight to make better, faster decisions. And it confirmed our direction to build on our experience in the market and offer a flexible, practical SaaS platform to serve that need.*

"We've completed the preliminary steps to accelerate our growth, including a \$29.4M capital raise and adding



key hires to the leadership team to scale up the business in North American and support our global expansion. We also have made major investments in our technology team and launched expert.ai NL API as the first new offering in our SaaS and cloud strategy. We will add to the capabilities of NL API and launch additional products through the balance of 2020, bringing our message to the market as expert.ai. The opportunity is compelling and we are completely focused on the path ahead."

Main consolidated economic and financial results as of June 30, 2020

Production Value amounted to Euro 13.7 million, compared with Euro 15.4 million in the first half of the previous year.

Revenues as of June 30, 2020 amounted to Euro 9.6 million, down 19.2% compared to the figure as of June 30, 2019 (Euro 11.9 million) mainly due to the general economic recession caused by the COVID-19 pandemic. In addition, it should be noted that infra-annual revenues were particularly affected by the postponement of projects, potentially altering, even significantly, the temporary results.

EBITDA was negative by Euro 4.6 million (negative by Euro 0.43 million as of June 30, 2019). The decrease in EBITDA in the first half of 2020 compared to the first half of 2019 is due to the combined effect of: i) the drop in revenues mainly due to the crisis caused by the COVID-19 pandemic; ii) the increase in personnel costs to implement the "Path to Lead" Strategic Plan; iii) one-off costs mainly related to extraordinary operations amounting to approximately Euro 0.4 million.

EBIT was negative by Euro 7.8 million (negative by Euro 4.2 million as of June,30 2019), against amortisation of intangible assets for Euro 3.2 million, mainly relating to capitalised development costs.

Financial management showed a positive result of Euro 4.6 million (negative by Euro 0.04 million as of June 30, 2019), essentially due to the significant capital gain on the sale of the shareholding in CY4GATE S.p.A..

Net result posted a Euro 3.1 million loss (Euro 4.0 million as of June 30, 2019).

The **Net Financial Position** was positive by Euro 3.8 million, a marked improvement compared to a negative position of Euro 2.8 million as of December 31, 2019, mainly due to the successful conclusion of a Euro 3 million capital increase reserved for institutional investors and to the sale of the shareholding in CY4GATE.

Shareholders' equity amounted to Euro 21.0 million, compared to Euro 20.9 million as of December 31, 2019.



Main corporate events during the first half of 2020

4 February 2020 - Expert System was confirmed as being one of the world's leading vendors of artificial intelligence applied to text analysis (Forrester Research, "Now Tech: AI-Based Text Analytics Platforms, Q2 2020").

24 February 2020 - Walt Mayo was appointed new Group CEO to Scale Up Business in the US and Accelerate Global Growth.

5 March 2020 - The company "Expert System Helvetia SARL" was established, based in Geneva, Switzerland, and 100% controlled by Expert System with a view to achieving consolidation in the artificial intelligence sector.

9 March 2020 - The American magazine KMWorld confirmed Expert System as one of the 100 companies that matter in Knowledge Management.

9 March 2020 - Expert System and the CBRNe Security and Defence Observatory (OSDIFE) developed a platform to improve the analysis of risks related to the spread of biological agents and public health threats (such as SARS, MERS-CoV, COVID-19).

25 March 2020 - Gabriele Donino was appointed new Group Chief Operating Officer (COO) with the aim of strengthening global operations and increasing synergies between countries.

26 March 2020 - Expert System was one of the founding members of the Italian Insurtech Association (IIA), the non-profit entity that brings together insurance companies and brokers, banks and financial intermediaries, technology and service providers to promote the development of the digital insurance market.

31 March 2020 - Expert System joined the fight against COVID-19 and offered access to its Clinical Research Navigator platform to biomedical and scientific researchers from all over the world.

9 April 2020 - Lutech, a European player developing end-to-end solutions for digital evolution, chose Expert System for text analysis and understanding.

29 April 2020 - A partnership was launched between Expert System and SDL, a leading LSE-listed company specialising in content creation, translation and distribution, to extend intelligent content automation and knowledge discovery to other languages.

4 May 2020 - A resolution was passed for a divisible share capital increase, excluding pre-emption rights, by issuing ordinary shares offered for subscription to two institutional investors, namely Indaco Venture Partners SGR and Invesco, to support business in the USA and international growth, for a maximum amount of Euro 2,999,999.70.

18 May 2020 - Bizmatica, a leading company in the international innovation scenario, became Expert System's



partner in the field of artificial intelligence solutions.

4 June 2020 - The French National Institute for Health and Medical Research (Inserm) chose Expert System's artificial intelligence to support studies on COVID-19.

9 June 2020 - Expert System announced "Path to Lead" strategic plan for 2020-2024 aimed at significantly accelerating the Group's growth in the rapidly expanding market of artificial intelligence.

18 June 2020 - UTWIN, a French broker specialising in loan insurance, chose Expert System to improve process automation.

18 June 2020 - Forrester Research confirmed Expert System as a "Strong Performer" in its main report dedicated to artificial intelligence for text analysis (The Forrester Wave™: AI-Based Text Analytics Platforms, Q2 2020", People-Focused and Document-Focused).

19 June 2020 - The company completed the total sale, for a value of approximately Euro 5.4 million, of its 17% minority shareholding in CY4GATE, which successfully completed its IPO.

26 June 2020 - ING increased process automation by leveraging Artificial Intelligence for Expert System's natural language understanding.

29 June 2020 - The Shareholders' General Meeting resolved to confer proxy powers to the Board of Directors for the purpose of increasing the share capital and issuing convertible bonds within five years from the relative resolution, up to a maximum total amount, including any surcharge, of Euro 25,000,000. Expert System approved its 2020-2023 Stock Grant and Stock Option Plans to support the growth targets of its "Path to Lead" Strategic Plan and renewed its Board of Directors, appointing both national and international professionals and experts, and its Board of Statutory Auditors.

Significant events occurred since the end of the first half of 2020

8 July 2020 - The Board of Directors decided to partially exercise the power granted by the Shareholders' Meeting of June 29, 2020 and to increase the share capital by a maximum total amount of Euro 7,931,668.50 by issuing a maximum number of 2,937,655 ordinary shares, with no par value, having the same characteristics as the outstanding shares, with normal dividend entitlement, to be offered in option to shareholders. The capital increase was aimed at gathering the necessary resources to implement the 2020-2024 Strategic Plan with which the company aims to become the global reference platform in the artificial intelligence market.

10 July 2020 - SEC Newgate, Italy's leading Communications, Advocacy and Research company, launched an innovative reputation measurement system based on Expert System's artificial intelligence.

17 July 2020 - Fincons Group, an IT Business Consulting and System Integration company, signed a partnership



with Expert System to enhance digital transformation.

27 July 2020 - Expert System presented "expert.ai Natural Language API". The API marks the launch of Expert System's cloud strategy for the development and easy management of new applications based on natural language understanding, along a path that will make the company become the key artificial intelligence platform to solve problems related to this language.

28 July 2020 - The capital increase option offer was successfully concluded: it was 100% subscribed for an amount of Euro 79 million.

30 July 2020 - The share capital increase for a maximum amount of Euro 17,068,330.80 (including share premium) was successfully concluded, issuing a maximum of 6,321,604 ordinary shares with no par value, reserved for Institutional Investors through an Accelerated Book Building procedure.

5 August 2020 - Colin Matthews became the company's new Chief Revenue Officer (CRO) and Keith C. Lincoln became the new Chief Marketing Officer (CMO). These initiatives further pursued the growth and consolidation of Expert System's global leadership in the large-scale offering of technology and tools for the creation, development and implementation of artificial intelligence business applications based on language understanding.

26 August 2020 - Expert System won the national "2020 Innovative SME" award and came first as the "Best Company" in the development of natural language at the prestigious AI Breakthrough Awards.

4 September 2020 - Expert System's artificial intelligence platform was awarded as a "2020 Trend-Setting Product" by the US magazine KMWorld.

Business Outlook

The trend of the year is inevitably influenced by the evolution of the COVID-19 health crisis. However, as shown by the trend of previous years linked to the Expert System business model, most of the turnover should be concentrated in the last part of the year, in order to seize and finalize all the potential opportunities identified in these months, with the intention of recovering also the inevitable slowdown of the first half of the year, hoping that the market will not be further negatively affected by this extraordinary and momentous event.

Despite this difficult situation, thanks to the substantial raising of new funds through a capital increase that was completed in July and the sale of a shareholding that was no longer considered strategic, we will be able to strengthen and accelerate the investments underlying our 2020-2024 "Path to Lead" strategic plan with which we have defined the guidelines for business development.

New brand expert.ai.

In addition, the Board of Directors approved a rebranding project focused on "expert.ai".



In line with the growth and development of our business, the new brand expert.ai aims to synthesize the distinctive elements of our company, based on the uniqueness and excellence of its artificial intelligence platform and on more than 20 years of experience in the natural language understanding and processing market. The brand expert.ai will be launched on the first days of October along with a new logo and website and it will be promptly communicated to the market.

Appointment of Investor Relations Manager

Lastly, the Board of Directors, in compliance with new provisions of Borsa Italiana S.p.A. concerning the amendments to the AIM Issuers' Regulation regarding the appointment of the Investor Relations Manager, appointed Mr. Stefano Spaggiari (Chairman of the Company) as the company's Investor Relations Manager.

Documentation

The consolidated half-yearly financial report as of June 30, 2020 will be made available to the public by the deadlines and at the conditions set out in the AIM Italia Issuers' Regulations, as well as on the Company's website, www.expertsystem.com/it in the "Investor Relations/Financial Report" section.

This communication is available on the Company's Website www.expertsystem.com/it and on www.emarketstorage.com.

Expert System's results for the first half of 2020 will be presented to the financial community on 29 September 2020 during a webinar at 4:00 p.m. (CEST) 10:00 a.m. (EDT)

For information, please use the contact details at the bottom of this communication.

About Expert System

Expert System is a global leader in artificial intelligence applied to text. Its flagship platform provides a unique mix of natural language understanding and machine learning algorithms to help organizations bring human-like comprehension of any kind of text to accelerate



business processes, enhance knowledge discovery and improve decision making. Headquartered in Italy (EXSY:MIL), Expert System operates throughout Europe, the Americas, Canada and the Middle East across a vast range of sectors and use cases including content enrichment, customer care, compliance, third party risk mitigation and intelligence applications. It has cemented itself at the forefront of the artificial intelligence sector, working with global businesses such as AXA XL, Lloyd's of London, Zurich Insurance Group, Generali, Bloomberg BNA, BNP Paribas, Rabobank, Dow Jones, Gannett, IMF and EBSCO.

For more information visit <https://expertsystem.com>. Follow us on [LinkedIn](#) and [@Expert_System](#) on Twitter.

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Attached:

- Consolidated Income Statement as of 30 June, 2020
- Consolidated Balance Sheet as of 30 June, 2020
- Consolidated Net Financial Position as of 30 June, 2020
- Expert System SpA Income Statement as of 30 June, 2020
- Expert System SpA Balance Sheet as of 30 June, 2020
- Expert System SpA Net Financial Position as of 30 June, 2020

Profit & Loss Account Consolidated Report	30/06/2020	30/06/2019	Change
Net revenue	9.573.487	11.872.691	(2.299.204)
Inventory change	(49.960)	(93.190)	43.231
Own work capitalised	3.110.558	2.762.333	348.225
Other income	1.098.782	814.099	284.683
Production value	13.732.867	15.355.933	(1.623.066)
External operating costs	(7.415.971)	(6.347.444)	(1.068.527)
Economic value added (EVA)	6.316.896	9.008.488	(2.691.593)
Cost of labour	(10.877.698)	(9.441.534)	(1.436.164)
EBITDA	(4.560.803)	(433.046)	(4.127.757)
Amortization, depreciation and other provisions	(3.267.879)	(3.790.374)	522.495
Net operating profit	(7.828.682)	(4.223.420)	(3.605.262)
Financial income and expenses	4.592.376	(39.944)	4.632.320
Ordinary profit	(3.236.306)	(4.263.364)	1.027.058
Pre - tax results	(3.236.306)	(4.263.364)	1.027.058
Income taxes	182.505	240.131	(57.626)
Net profit (loss)	(3.053.801)	(4.023.233)	969.432

Balance Sheet Consolidated Report	30/06/2020	31/12/2019	Change
Net intangible assets	13.085.979	13.091.778	(5.799)
Net tangible assets	685.111	701.666	(16.555)
Equity investments and other non – current financial assets	4.155.806	4.489.459	(333.653)
Fixed capital	17.926.896	18.282.903	(356.007)
Warehouse inventories	8.649	58.608	(49.960)
Trade receivables	14.178.623	20.446.973	(6.268.350)
Other receivables	5.793.592	5.305.441	488.152
Accrued income and prepaid expenses	425.867	433.468	(7.601)
Short-term assets	20.406.732	26.244.489	(5.837.758)
Trade Payables	(4.108.126)	(4.247.286)	139.160
Advance payments	(814.794)	(311.099)	(503.695)
Tax and social security payables	(1.957.069)	(1.617.620)	(339.449)
Other payables	(2.183.320)	(2.229.701)	46.382
Accrued expenses and deferred income	(4.205.796)	(4.210.877)	5.081
Short-term liabilities	(13.269.105)	(12.616.584)	(652.521)
Net working capital	7.137.627	13.627.906	(6.490.279)
Employee severance indemnity	(2.487.676)	(2.312.384)	(175.292)
Tax and social security payables	-	(21.902)	21.902
Accrued expenses and deferred income after 12 months	(3.735.960)	(4.307.010)	571.050
Other medium and long – term liabilities	(1.631.230)	(1.563.316)	(67.915)
Medium/long – term liabilities	(7.854.868)	(8.204.612)	349.744
INVESTED CAPITAL	17.209.655	23.706.197	(6.496.542)
Shareholders' equity	(21.041.093)	(20.900.905)	(140.188)
Net medium/long – term financial position	(21.551.568)	(18.588.011)	(2.963.557)
Net short – term financial position	25.383.006	15.782.719	9.600.286
OWN EQUITY AND NET FINANCIAL DEBT	(17.209.655)	(23.706.197)	6.496.542

Net Financial Position Consolidated Report	30/06/2020	31/12/2019	Change
Bank deposits	31.612.917	21.644.993	9.967.924
Cash at bank and in hand	2.465	2.449	16
Cash and cash equivalents and treasury shares	31.615.382	21.647.442	9.967.940
Current financial assets	15.989	28.596	(12.608)
Bonds and convertible bonds (within 12 months)	(909.100)	(909.100)	-
Payables due to banks (within 12 months)	(3.951.410)	(4.831.142)	879.732
Payables due to other lenders (within 12 months)	(1.387.855)	(153.077)	(1.234.778)
Short-term financial payables	(6.248.365)	(5.893.319)	(355.046)
Net short-term financial position	25.383.006	15.782.719	9.600.286
Bonds and convertible bonds (over 12 months)	(8.636.400)	(9.090.900)	454.500
Payables due to banks (after 12 months)	(11.090.587)	(8.439.239)	(2.651.348)
Payables due to other lenders (after 12 months)	(1.824.581)	(1.057.872)	(766.709)
Net medium/long-term financial position	(21.551.568)	(18.588.011)	(2.963.557)
Net financial position	3.831.438	(2.805.291)	6.636.729

Profit & Loss Account Expert System S.p.A.	30/06/2020	30/06/2019	Change
Net revenue	7.085.177	7.584.544	(499.367)
Own work capitalised	2.489.751	1.858.514	631.237
Other income	760.620	509.559	251.061
Production value	10.335.548	9.952.617	382.931
External operating costs	(5.808.801)	(4.515.965)	(1.292.836)
Economic value added (EVA)	4.526.748	5.436.652	(909.905)
Cost of labour	(5.513.156)	(4.713.485)	(799.671)
EBITDA	(986.409)	723.167	(1.709.575)
Amortization, depreciation and other provisions	(1.823.243)	(1.619.757)	(203.485)
Net operating profit	(2.809.651)	(896.591)	(1.913.061)
Financial income and expenses	4.910.907	(57.074)	4.967.981
Ordinary profit	2.101.255	(953.665)	3.054.920
Pre - tax results	2.101.255	(953.665)	3.054.920
Income taxes	15.812	(21.262)	37.074
Net profit (loss)	2.117.067	(974.927)	3.091.994

Balance Sheet Expert System S.p.A.	30/06/2020	31/12/2019	Change
Net intangible assets	8.727.327	7.947.601	779.726
Net tangible assets	580.672	580.337	335
Equity investments and other non – current financial assets	33.718.771	33.574.842	143.930
Fixed capital	43.026.771	42.102.780	923.991
Trade receivables	9.881.257	13.650.700	(3.769.443)
Other receivables	12.775.647	11.572.275	1.203.372
Accrued income and prepaid expenses	289.490	235.783	53.707
Short-term assets	22.946.394	25.458.758	(2.512.365)
Trade Payables	(3.947.862)	(3.907.968)	(39.893)
Advance payments	(792.594)	(311.099)	(481.495)
Tax and social security payables	(913.825)	(1.111.606)	197.781
Other payables	(2.188.809)	(1.852.173)	(336.636)
Accrued expenses and deferred income	(1.573.682)	(1.311.895)	(261.787)
Short-term liabilities	(9.416.772)	(8.494.741)	(922.031)
Net working capital	13.529.622	16.964.017	(3.434.395)
Employee severance indemnity	(2.487.676)	(2.312.384)	(175.292)
Accrued expenses and deferred income after 12 months	(2.235.526)	(2.362.899)	127.373
Other medium and long – term liabilities	(624.147)	(575.440)	(48.708)
Medium/long – term liabilities	(5.347.350)	(5.250.722)	(96.628)
INVESTED CAPITAL	51.209.043	53.816.074	(2.607.032)
Shareholders' equity	(53.519.786)	(48.446.737)	(5.073.049)
Net medium/long – term financial position	(20.324.456)	(17.919.628)	(2.404.828)
Net short – term financial position	22.635.199	12.550.290	10.084.909
OWN EQUITY AND NET FINANCIAL DEBT	(51.209.043)	(53.816.074)	2.607.032

Net Financial Position Expert System S.p.A.	30/06/2020	31/12/2019	Change
Bank deposits	27.614.093	18.408.703	9.205.389
Cash at bank and in hand	2.216	2.200	16
Cash and cash equivalents and treasury shares	27.616.309	18.410.903	9.205.406
Current financial assets	8.400	8.400	0
Bonds and convertible bonds (within 12 months)	(909.100)	(909.100)	0
Payables due to banks (within 12 months)	(3.951.639)	(4.831.142)	879.503
Payables due to other lenders (within 12 months)	(128.771)	(128.771)	0
Short-term financial payables	(4.989.509)	(5.869.013)	879.503
Net short-term financial position	22.635.199	12.550.290	10.084.909
Bonds and convertible bonds (over 12 months)	(8.636.400)	(9.090.900)	454.500
Payables due to banks (after 12 months)	(11.090.587)	(8.439.239)	(2.651.348)
Payables due to other lenders (after 12 months)	(597.469)	(389.489)	(207.980)
Net medium/long-term financial position	(20.324.456)	(17.919.628)	(2.404.828)
Net financial position	2.310.743	(5.369.337)	7.680.081