



EXPERT.AI GROUP

FINANCIAL REPORT

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

AS AT 31/12/2021

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EXPERT.AI MANAGEMENT REPORT AS AT 31/12/2021

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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.

LETTER TO SHAREHOLDERS

We entered 2021 with a clear point of view - that Artificial Intelligence (AI) applied to language presents a huge market opportunity and that expert.ai is uniquely positioned to become the global technology leader. Our goal was to create the foundation for accelerated growth by offering the best AI language platform in the world and to build the team that could win in the market. And to transform our business model to deliver the value creation offered by a high-growth enterprise SaaS company. We delivered - a world-class platform, a talented team taking it to market, and meaningful growth in our recurring revenue software business.

Technology: Leveraging our years of real-world experience working with enterprises across almost every language problem and vertical sector, we built and launched the best AI language platform in the market. We provide an answer to the challenge that businesses face in understanding the potential of AI applied to language but struggling with the complexity of the current state of practice. Simple, powerful, integrated tools that enable a business to turn language into data and then power it at scale and speed. Our unique HybridNL technology offers the only combination of the knowledge and learning AI approaches required to deliver real-world results. And AI market analysts increasingly have pointed to this approach as the most powerful model to deliver real results.

Team: We accelerated our investments in research and development, product, and sales and marketing to deliver on the opportunity. Across our business, we have in place now the scalable processes to support our product cycles, presence in the market, and sales efforts. With new leaders and deeper teams in Europe and the US and with the strength of our existing business relationships, we have the capacity to deliver to our growth.

Business: The value creation of enterprise software companies lies in the superior economics of the on-going value creation and sharing between the provider and the customer. With recurring revenue streams from strong existing relationships and low churn, expert.ai saw in 2021 the power of this model. We delivered 37% annual growth in our Annual Recurring Revenue (ARR) - the benchmark figure for value creation in software. And we will build this revenue stream with new customers and by expanding our existing customers.

We are extraordinarily excited about the journey ahead for expert.ai and have even more conviction about the opportunity available and the strength of our position as a leader. And we fully recognise that with ambitions as high as ours that we will have to be relentless in our execution. But given the changes we executed in 2021 and the talent and commitment in the expert.ai team, we are all ready and eager for the challenge.

Walter Lloyd Mayo III

(CEO expert.ai)

CORPORATE BODIES

Board of Directors

<i>Chairman of the Board of Directors - Executive Chairman</i>	STEFANO SPAGGIARI
<i>Director - CTO</i>	MARCO VARONE
<i>Director - CEO</i>	WALTER LLOYD MAYO III
<i>Director</i>	SARA POLATTI
<i>Director</i>	ETTORE LEALE
<i>Director</i>	KAREN JO CAMBRAY
<i>Chairman of the Management Control Committee</i>	PAOLA ALESSANDRA PARIS
<i>Member of the Management Control Committee</i>	ALBERTO SANGIOVANNI VINCENTELLI
<i>Member of the Management Control Committee</i>	STEFANO PEDRINI

Stefano Spaggiari - Executive Chairman - one of the founding partners of the company which, under his leadership, has become an artificial intelligence technology market leader.

Marco Varone - Co-founder and Chief Technology Officer, one of the world's leading experts in semantic technology applied to natural language understanding and processing.

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

Sara Polatti - 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 management.

Ettore Leale - U.S.-based 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 - 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&As.

Paola Alessandra Paris - Independent Director, Chairman of the Management Control Committee, Chartered Accountant and Auditor since 1993 and contract professor since 2009 at Luigi Bocconi University of Milan, Accounting Department.

Alberto Sangiovanni Vincentelli - Independent Director, Fellow of the Institute of Electrical and Electronics Engineers, member of the USA National Academy of Engineering and, since 1976, holder of the Chair of Electrical Engineering and Computer Sciences at the University of California, Berkeley.

Stefano Pedrini - Professor of Business Economics at the Polytechnic of Turin and of Strategic Management at the University of Bergamo, expert in management consulting and advisory in corporate finance, management control and strategy.

The Extraordinary and Ordinary Shareholders' Meeting of Expert.ai, held on 14 October 2021, approved the adoption of the one-tier management and control model and the related amendments to the Articles of Association, in order both

to ensure a better integration of control activities within the Board of Directors, through the establishment of the Management Control Committee, and to encourage the alignment of the Company's governance to international best practices. Therefore, the Board of Directors was supplemented with the appointment of an additional Independent Director meeting the necessary requirements to serve as Chairman of the Management Control Committee.

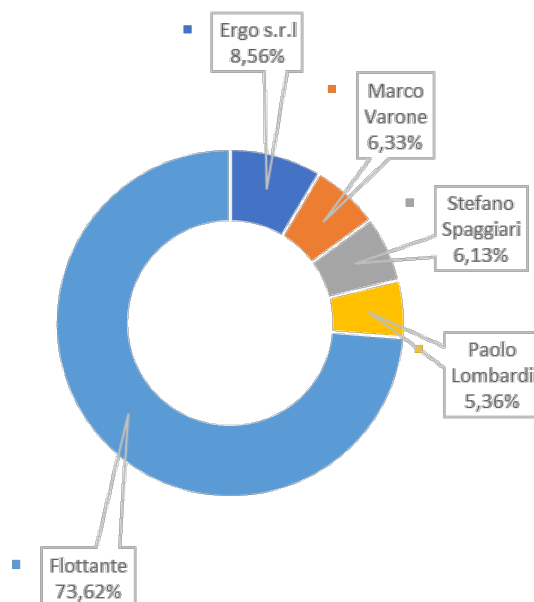
Audit Firm

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
<i>Ergo S.r.l.</i>	8.56
<i>Marco Varone</i>	6.33
<i>Stefano Spaggiari</i>	6.13
<i>Paolo Lombardi</i>	5.36
<i>Floating</i>	73.62
Total	100

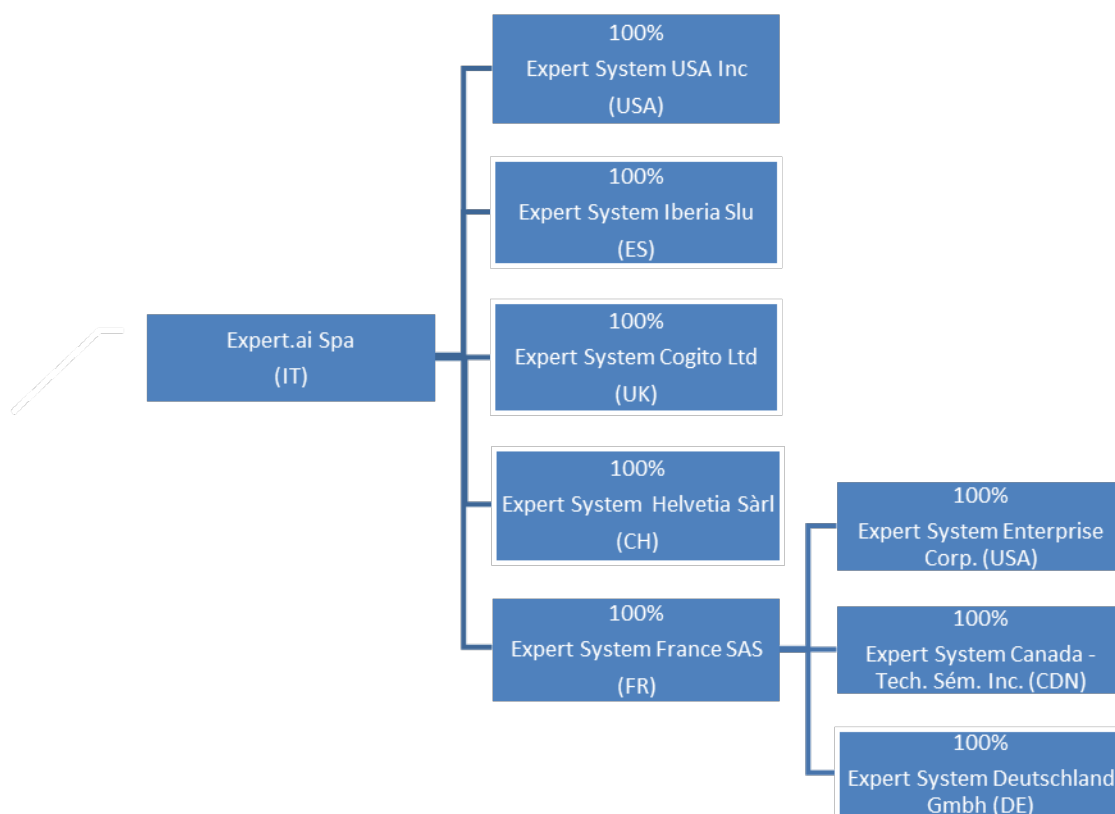


APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements as at 31/12/2021 were approved by the Board of Directors on 29/03/2022 and have been audited.

GROUP STRUCTURE

Over the last few years, 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:

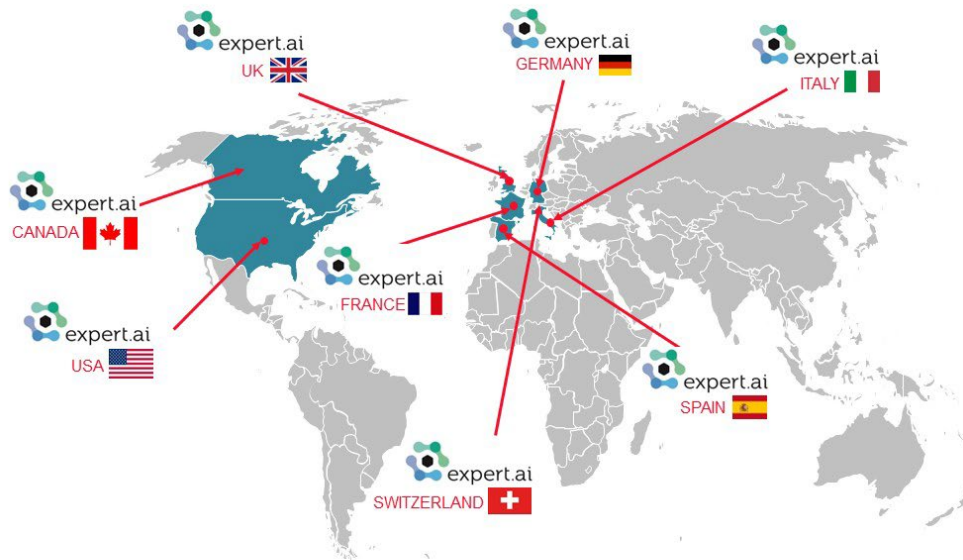


The current corporate organisational chart has not changed substantially from that of 31/12/2020. The following are the changes made to company names:

- In March 2021, Expert System France S.A. changed its name to Expert System S.A.S. The company name change stems from a change in its corporate form that is more consistent with the need for flexibility arising from the industry;
- by resolution of the shareholders' meeting of 29 April 2021, Expert System S.p.A. changed its name to EXPERT.AI GROUP

"Expert.ai S.p.A."

The **expert.ai** group currently has a global presence and infrastructure, with offices in Italy, Spain, France, Germany, UK, Switzerland, USA and Canada:



BUSINESS

Expert.ai is a market leader in artificial intelligence (or "AI") technologies applied to Natural Language Understanding and Natural Language Processing (NLU/NLP). The company, founded in Modena in 1989 (under the name Expert System), has about 360 professionals with solid technical and business skills, dedicated research laboratories and a significant international presence. The Group, in fact, operates in two continents, with branches and offices in Italy (Modena, Rovereto, Milan, Siena, Rome and Naples), the UK (London), Switzerland (Geneva), Germany (Frankfurt), Spain (Barcelona, Madrid), France (Paris), the USA (Boston, Rockville, Alexandria) and Canada (Montréal).

The business of expert.ai is focused on software development and its associated licensing. The **expert.ai** software offering, with the "expert.ai Platform" as its flagship product, is based on artificial intelligence algorithms that aim to reproduce the human ability to understand language and thus understand the correct meaning of words based on context and the meaning of information contained in any type of text.

Since the first experiments with artificial intelligence technologies applied to language analysis, the ability to reproduce human reading and understanding processes has always been one of the most fascinating challenges in computational science. And today, more than fifty years later, NLU and NLP are at the heart of innovation and of deep digital transformation processes being pursued worldwide by public organisations and private enterprises in every sector. Indeed, the explosion of information in the digital age has accelerated the need to have more advanced technological solutions, capable of increasing human capabilities 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 strategic information, provide faster and more accurate answers to customers, make more informed and timely decisions.

In this scenario, **expert.ai** has consolidated its position, capitalising on the experience gained from hundreds of successful implementations in different market sectors (insurance, banking and financial services, publishing and media industry, defence and intelligence, etc.).

CUSTOMERS

The solutions of **expert.ai** are used in all major market sectors and the company works with some of the most important organisations and government agencies in Europe, North and South America and the Middle East. The most strategic markets for the company are as follows:

Insurance: extensive industry experience, with solutions that simplify the most strategic processes and increase and extend human capabilities to reduce risk, improve underwriting rates and increase productivity.

Banks: comprehensive support for the innovation of models and processes that require the intensive use of textual information, optimising access to data of interest, interactions with customers and supporting more timely and informed decision-making to improve competitiveness.

Publishing and Media: in-depth knowledge of industry needs and ability to increase the value of content while reducing the manual tasks of editorial teams.

Defence and Intelligence: large international customer base (government agencies and law enforcement agencies) and a dedicated offering to support information analysis and data correlation activities to accelerate both threat

detection and decision-making processes.

Health Care and Pharmaceutical Industry: support for Research & Development activities, market analysis and competitiveness, effective management of scientific information and compliance.

Energy: field-proven solutions already widely adopted in the industry to manage huge volumes of complex information on a large scale, optimise strategies to protect and enhance intellectual capital, simplify data analysis and speed up decision-making processes.

The following are excerpts from press releases or statements made by partners and customers in 2021:

"The demand for more and more advanced software generates more complexity. The focus is particularly on key software components, which can significantly speed up time-to-market. That's why relying on experience and strong partnerships is very important to provide advanced and effective artificial intelligence solutions." - **Arne Koch, Managing Director of msg DAVID.**

With expert.ai's natural language understanding capabilities, EBSCO increases metadata enrichment and content indexing by domain experts to further expand the connections between concepts in ontologies and provide even easier and faster access to content of interest. - **EBSCO**, the world's leading American company in technology and services for scientific research and libraries.

"The value that can be drawn with artificial intelligence from natural language is increasingly tangible in the world of insurance and financial services. The potential offered by expert.ai in terms of APIs and development environment can become a critical success factor for initiating change reliably, easily and quickly. Partnering with expert.ai will enable us to enrich our digital transformation solution offering, supporting our customers even more effectively in drawing strategic information from complex, unstructured text and in automating processes to achieve new efficiency levels." - **Giuliano Altamura, Global Financial Services and Insurance Business Unit General Manager of Fincons Group.**

Reale Mutua has chosen expert.ai's artificial intelligence platform to streamline its claims management process, applying the advantages of NLU and NLP, natural language understanding and natural language processing to the reading, analysis and processing of the documents underlying claims settlement processes. - **Reale Mutua**, the most important Italian mutual insurance company.

"We are thrilled to be working with expert.ai, whose offerings - which today represent the state of the art in artificial intelligence - will enable our affiliates and customers around the world to more easily access and enjoy the extensive text, photo and video content AP produces." - **Gianluca D'Aniello, Senior Vice President and Chief Technology Officer of The Associated Press.**

"With expert.ai, Patra can provide its customers with all the benefits of being timely alerted in case of policy inaccuracies to minimise exposure to errors and omissions, reduce costs, create more value in the services delivered, and push the boundaries of more traditional technology approaches by focusing on innovation. For decades, policy control has been a major insurance challenge. Now, with expert.ai and the InsureConnXtion Alliance, Patra enters the market with an artificial intelligence leader and industry innovators to solve the complexities of delivering each policy. Policy screening is only the first of many services we're working on." - **John Simpson, CEO and founder of EXPERT.AI GROUP**

Patra.

"The top priority for Le Conservateur is quality of service combined with attention to customers. The artificial intelligence technology of expert.ai will allow us to be more efficient in automatically verifying contracts and their specific clauses, thus enabling us to achieve our goals of excellence in customer relationships." - **Bruno Lamard**, Chief Operating Officer of **Le Conservateur**, a French independent mutual insurance group.

"We've seen record demand for our services following the impact of the pandemic on the insurance market, and thanks to our strong positioning, we've been able to simplify and accelerate our data analytics processes with digitisation. Our offering is characterised by innovation and the ability to propose result-oriented solutions, just like those of expert.ai, which has given us an immediate competitive advantage over other less advanced applications on the market. With expert.ai's ability to understand and process natural language, we can offer our customers more services, ensuring tangible results and gains." - **David Crompton**, Head of Data Governance of **HX**, a business unit of **Howden Group Holdings** specializing in digital data analytics and distribution in the insurance market.

II. RESEARCH AND DEVELOPMENT ACTIVITIES

Significant investments in research and development, which have always been crucial to **expert.ai**'s strategy, have been and continue to be the basis of the company's success 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. In 2020 these activities focused on the artificial intelligence platform and the products that use the platform to target the most common customer use cases.

Most of the research and development activities in 2021 were dedicated to these fronts:

- continuation of the development of the artificial intelligence platform characterised by an integrated end-to-end and Web-based environment for the implementation of Thesaurus, categorisation and extraction linguistic projects and with the integration of machine learning and deep learning technologies: the most important activities were focused on the simplification and speeding up of annotation functions (supported by specific automatic algorithms), on the intelligent hybrid workflow module and on the integration of advanced pre- and post-processing components;
- research and development of knowledge models for solving specific problems and reducing the implementation time of new projects. The most important models developed are: finance, news, personal information and ESG;
- further progress in the development and integration of symbolic and machine learning-based techniques for natural language understanding and implementation of an automatic extraction rule generation system;
- implementation 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. Extract is based on a hybrid approach that combines advanced textual flow analysis heuristics with machine learning techniques for spatial element recognition.

Other significant activities and new releases in 2021 were:

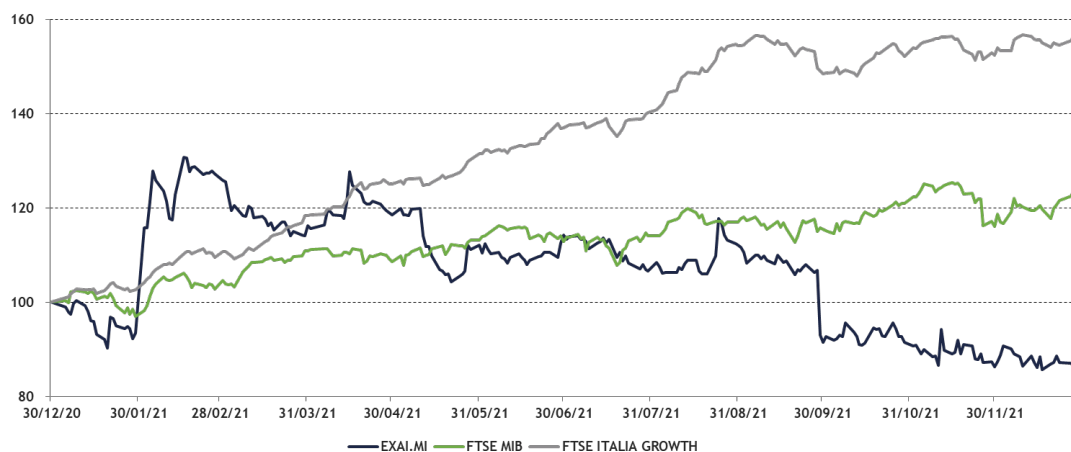
- minor release on Cogito Intelligence Platform;
- development and release of the new version of the search engine based on the artificial intelligence platform;
- restructuring and expansion of the knowledge graph for several languages (German, Dutch and Italian);
- release of the enterprise version of expert.ai Studio.

III. OPERATING PERFORMANCE

EXAI.MI SHARE PRICE

The performance of the **expert.ai** share price as of 31/12/2021 is shown below:

<i>Market</i>	Euronext Growth Milan
<i>Share capital</i>	€ 523,907.41
<i>Capitalisation</i>	€ 115,526,000
<i>Minimum lot</i>	1.00
<i>Closing price</i>	€ 2.25 - 30/12/2021
<i>Performance - 1 month</i>	+ 0.4%
<i>Performance - 1 year</i>	- 13.3%



MAIN CORPORATE EVENTS OCCURRED IN THE YEAR

With reference to the main events that affected the **expert.ai group** in the year, the following should be noted:

MAIN EVENTS OF 2021

FINANCIAL EVENTS

On 12 February 2021, **expert.ai** announced the renewal of the intercompany loan plan in favour of subsidiaries.

On 11 May 2021, **expert.ai** announced the effectiveness of its **new company name** "Expert.ai S.p.A."; following its new company name, the Company applied to Borsa Italiana S.p.A. for the ticker "EXSY" to be changed to the new ticker "EXAI".

On 12 May 2021, **expert.ai** announced the vesting of the third and final tranche of the 2018-2020 Stock Grant and Stock Option Plans and the first tranche of the 2020-2023 Stock Grant and Stock Option Plans.

On 22 June 2021, **expert.ai** announced the launch of its new hybrid platform based on natural language understanding.

On 2 July 2021, **expert.ai** announced the new composition of its share capital resulting from the free allotment of 682,300 ordinary shares of the issuer following the vesting of the third tranche of the 2018-2020 Stock Grant Plan, previously approved by the Shareholders' Meeting on 11 July 2018, and the first tranche of the 2020-2023 Stock Grant Plan, previously approved by the Shareholders' Meeting on June 29, 2020.

On 20 October 2021, **expert.ai** filed the Prospectus with CONSOB and submitted an application for admission on Euronext Milan of Borsa Italiana S.p.A.

On 22 November 2021, **expert.ai** announced that it had established its North American headquarters in Boston.

On 23 November 2021, **expert.ai** acknowledged the resignation of independent director Patrizia Arioli, and the Board of Directors then appointed Ms. Paola Alessandra Paris by co-optation within the meaning of Article 2386 of the Italian Civil Code.

On 17 December 2021, **expert.ai** confirmed the appointment of Ms. Paris as Chair of the Management Control Committee and exercised the options for the third tranche of the 2018-2020 Stock Option Plan and the first tranche of the 2020-2023 Stock Option Plan.

CUSTOMERS, PARTNERSHIPS AND AWARDS

On 7 January 2021, **expert.ai** announced that it had entered into an agreement with **HX**, a business unit of **Howden Group Holdings** specializing in digital data analytics and distribution in the insurance market, thereby ensuring improved data analytics services.

On 15 February 2021, **expert.ai** announced that French independent mutual insurance group **Le Conservateur** had

chosen **expert.ai's** artificial intelligence technology to accelerate its contract review and verification process, optimising insurance policy analysis and comparison.

On 17 February 2021, **expert.ai** announced a strategic partnership with **Patra**, a leading U.S. insurance services company, for the application of **expert.ai's** artificial intelligence technology to the solutions offered by **Patra** to support policy analysis and review with the strategic goal of extending the use of artificial intelligence across the entire value chain.

On 23 February 2021, **expert.ai** announced a new agreement with **The Associated Press (AP)**, the first independent international news agency based in New York. Underlying the collaboration is the provision of **expert.ai's** artificial intelligence platform for natural language understanding (NLU) and content classification.

On 15 March 2021, **expert.ai** announced the launch of a new Community dedicated to the artificial intelligence ecosystem to simplify the development of innovative new apps, facilitating the use of its technology, products and APIs for natural language understanding and processing (NLU/NLP).

On 23 March 2021, **expert.ai** signed an agreement with **Reale Mutua**, the most important Italian mutual insurance company, which has chosen the potential of **expert.ai's** natural language understanding and processing (NLU/NLP) to evolve its claims management and innovate its claims settlement model.

On 8 April 2021, **expert.ai** announced that it had extended its partnership with **Fincons Group**, a leading international player in business consulting and system integration, to support the digital transformation of banks and insurance companies by leveraging the potential of **expert.ai's** Natural Language (NL) API offering.

On 15 April 2021, **expert.ai** announced that law firm **Cartwright Pescatore** had chosen **expert.ai's** Natural Language technology to save time and improve work efficiency by automating the reading and comparison of texts and documents with the highest accuracy.

On 14 May 2021, **expert.ai** announced that it had enhanced its API offering, with new features including sentiment understanding and mining and a "writeprint" extension for stylometric document analysis, presented during *the "Sentiment & Opinion Mining Natural Language API"* hackathon held on 6 May-22 June 2021.

On 18 May 2021, **expert.ai** announced that **EBSCO**, the world's leading American company in technology and services for scientific research and libraries, had chosen **expert.ai** to increase metadata enrichment and indexing by domain experts.

On 30 June 2021, **expert.ai** announced that it had won the **Ventana Research "Digital Innovation"** award. The Platform of **expert.ai** came in first place in the "Digital Technology" category due to its use of artificial intelligence for natural language understanding and its digital innovation capabilities.

On 7 July 2021, **expert.ai** announced an OEM partnership with **msg DAVID**, a German leader in software solutions and IT consulting, offering artificial intelligence-based IT solutions to harness the potential of enterprise data.

On 12 July 2021, **expert.ai** was included by the famous American magazine **KMWorld** in the **KMWorld AI 50**, the list of companies that stand out for their ability to improve knowledge management by leveraging the potential of **EXPERT.AI GROUP**

artificial intelligence.

On 20 July 2021, expert.ai announced the winners of its **Sentiment & Opinion Mining** hackathon, whose three projects demonstrated the ease with which advanced natural language-based analytics can improve customer service.

On 18 August 2021, expert.ai announced its involvement in the Gaia-X European cloud project, a pan-European project designed to enable a secure, open and sovereign use of data.

On 23 August 2021, expert.ai announced its victory at the **WorldFestival 2021 Innovation Awards**, in the "Artificial Intelligence & Machine Learning" category, for its ability to leverage hybrid artificial intelligence to accelerate, increase and expand skill acquisition for any task or process involving language.

On 24 August 2021, expert.ai announced that it had launched the **SCUDO** (Semantic Clauses Understanding and Detection) project, an artificial intelligence platform serving businesses and citizens to implement large-scale automatic understanding of legal language.

On 8 September 2021, expert.ai's Platform won the Trend-Setting Products 2021, the prestigious award given annually by KMWorld as a recognition of the most advanced and innovative technology solutions that improve knowledge management and organisational efficiency.

On 15 September 2021, expert.ai and **Opificio Golinelli** launched Hack: the language: {AI}, a hackathon in which students, researchers, professionals and technology enthusiasts will compete in the conception and prototyping of new applications, exploiting the potential of expert.ai's artificial intelligence applied to language understanding.

On 21 September 2021, expert.ai presented a partnership with the **Modena Volleyball** club and team, illustrating two innovative artificial intelligence projects and inaugurating **the expert.ai Academy**, a centre of training paths established by the company to encourage young people to enter the labour world related to artificial intelligence technologies, machine learning and, in particular, natural language understanding and natural language processing.

On 5 October 2021, expert.ai was chosen as "Best Natural Language Processing Technology" at the AI TechAwards 2021.

On 14 October 2021, expert.ai announced the victory of expert.ai NL API in the **Best API Debut** category at the API Awards 2021.

On 16 November 2021, expert.ai was included in Gartner®'s 2021 "Impact Radar" report dedicated to artificial intelligence technologies and trends.

On 15 December 2021, expert.ai announced that it had been **ISO/IEC 27001:2013** certified for its information security management system.

General economic performance¹

Against a backdrop of slowing global growth, the IMF (International Monetary Fund), in the 25 January 2022 update of the World Economic Outlook, revised its 2022 forecast downwards by half a percentage point compared with the figures published in October, estimating 4.4% growth compared with last year's 5.9%.

Underlying the cut in global growth estimates for 2022 are the problems, different in nature but equally worrying, affecting the world's two leading economies, the United States and China.

The Fund has lowered its outlook for US GDP in 2022 by 1.2 points, bringing it to 4.0%, while for China, the only major economy to grow even in 2020, a sharp slowdown is estimated for 2022 at 4.8%, compared to 8.1% in 2021 (-0.8 points on October estimates).

For the United States, a number of factors are weighing heavily, from the cancellation of the Build Back Better fiscal policy package to the earlier withdrawal of "accommodative" monetary policies, and continued supply shortages that have impacts on wages and inflation. China, on the other hand, is suffering from the restrictions imposed by the zero-tolerance Covid-19 policy and persistent tensions in the real estate markets.

Italy also sees a correction for 2022, with 3.8% growth compared with 4.2% reported in previous outlooks and 6.2% for 2021. On the other hand, the figure for 2023 is up on the data released in October, at 2.2%. This update of global estimates primarily mirrors the impact of the new Omicron variant of coronavirus, which has imposed new restrictions on mobility, as well as possible new Covid-19 variants, which could prolong the pandemic and induce new economic disruptions, in addition to the climate emergency and higher and longer-lasting inflation than expected due to rising energy prices and disruptions in supply chains.

In this context, the interest rate increases planned by central banks must necessarily be implemented in an appropriate manner and with the right timing to deal with inflationary pressure.

The scenario of the national economy²

Growth in Italy remained high in the third quarter of 2021, driven by the increase in household consumption. The rise in the number of COVID cases and the subsequent worsening of confidence have penalized above all spending on services. The recovery in labour demand since the summer has translated into an increase in hours worked, a decline in recourse to forms of wage supplementation and an upturn in the number of hires on permanent contracts. The removal of the freeze on dismissals in all sectors has had no significant repercussions. The stagnating unemployment rate stems from the gradual recovery in labour supply, which is nearing pre-pandemic levels. Developments in contract renewals do not point to significant wage increases in 2022.

Inflation has risen to high levels (4.2 per cent in December), driven by energy prices.

Financial market trends have reflected fears concerning the rise in COVID cases around the world, uncertainty regarding the severity of the new Omicron variant and its effects on the economic recovery, and expectations on the monetary policy stance. Market volatility and investors' risk aversion have increased, which for Italy has meant a widening of the sovereign spread compared with German government bonds.

In the autumn, growth in lending to non-financial corporations continued to be weak, reflecting the low demand for new loans, owing in part to the ample liquidity accumulated over the last two years. Credit supply conditions remain relaxed.

¹ Source: Bank of Italy Economic Bulletin 1/2022

² Source: Bank of Italy Economic Bulletin 1/2022

GDP, which at the end of last summer was 1.3 percentage points below pre-pandemic levels, is projected to return to those levels around the middle of this year. The expansion in economic activity should then continue at a robust pace, though less markedly compared with that observed following the reopenings of mid-2021. Consumer prices are projected to rise by 3.5 per cent on average this year, 1.6 per cent in 2023, and 1.7 per cent in 2024.

The growth projections are subject to multiple risks, mostly on the downside. In the short term, the uncertainty surrounding the forecasting scenario is linked to the public health situation and to tensions on the supply side, which could turn out to be more persistent than expected and be transmitted to the real economy to a greater extent. In the medium term, the projections are still conditioned by the full implementation of the spending programmes in the budget and the complete and timely realization of the interventions under the NRRP.

The Russia-Ukraine conflict

The scenarios outlined above do not take into account the effects of the event that has been keeping the Western world in suspense in recent weeks, i.e. the beginning of the war in Ukraine, attacked by Russia on 24 February. As of the date of this document, the war is still ongoing

It is still early to make exact predictions, but there are several reasons, first of all geographical, that lead us to believe that the crisis resulting from the conflict will affect Europe in the immediate future and then have, unless there is an immediate ceasefire, a major impact on geopolitical balances worldwide, with the related, inter alia, economic consequences; suffice it to think about the migratory flows of millions of people that are affecting not only the countries bordering Ukraine, but also those European countries that are receiving hundreds of thousands of people, especially women and children, fleeing the conflict.

Italy's role in this war is developed within the context of its NATO membership which, at this stage, is strengthening its deterrent profile.

Italy is not only a NATO partner, but also a EU Member State.

Before the conflict broke out, the EU had presented a package of sanctions against Russia and, after the Russian invasion, decided to tighten them; they are affecting strategic sectors, including the energy sector, which is a major source of concern for our country. In fact, Italy is one of the States that is most dependent on Russian gas and, in 2020, the share of gas imported from Moscow was more than 43% of the total. Experts fear that the decision to apply new sanctions, especially in certain sectors, might affect the way Russia manages its deposits, with direct consequences on the availability of this material as well as on prices, and therefore on bills. The Italian government is actively working to reduce its energy dependence on Russia and more generally on foreign countries, but this will take a long time and the costs of the ecological transition are still difficult to quantify. In recent weeks there has been a surge not only in gas, but also in oil prices, both due to the lack of oil imports from Russia and for speculative reasons, and in all food products of which Ukraine is one of the largest producers in the world (corn and wheat above all).

This problem also closely concerns Italy, which is what is known in this respect as a "deficit country": Ukraine is our second largest supplier of corn with a share of just over 20% and also guarantees 5% of national wheat imports.

These supply problems are becoming more serious also because of high fuel prices; the situation that is arising is worrying also in relation to the protests of those economic sectors (transport above all) that strongly depend on the cost of oil (whose prices have reached record highs in 14 years) and its derivatives. The Italian government is trying to lower fuel prices (especially for automotive fuels), but it is too early to assess the effects of such efforts.

The decisions of Russia and Italy are also likely to affect business between the two countries; in fact, Moscow is the 14th largest destination in the world for Italian goods and in the first 11 months of 2021 the trade exchange amounted to Euro 20 billion. Special observers are also the banks, since Italian banks are the most exposed in the world to

Putin's country, with loans and financing totalling 25.3 billion dollars, in addition to 6 billion guarantees.

The "desired" consequences of the economic sanctions imposed on Russia should therefore certainly be seen as a deterrent to the continuation of the conflict, but at the same time they also represent a reflex problem for the states imposing them, whose economies are often closely tied to those of the countries at war.

The greatest uncertainty, however, derives from the fear that the "escalation" of hostilities might make the war wider.

REFERENCE MARKET

According to IDC³, artificial intelligence (AI) represents the next big wave of innovation, with revenues growing 19.6% in 2022 year-on-year and a value that will exceed the \$500 billion threshold in 2023. As for the software market, although the share of spending is expected to decrease slightly in 2022 (whereas spending on hardware and services will grow more rapidly), in terms of growth **AI platforms will experience a strong acceleration, with a five-year compound annual growth rate (CAGR) of 34.6%**.

The growth forecast for the artificial intelligence software market is also confirmed by the latest analysis by Gartner⁴, according to which the long-term curve will depend on the adoption and maturity level of companies (55% of which are expected to reach the stabilization and maturity stage by 2025).

In terms of usage trends, AI solutions are currently focused on solving business problems (increasing human capabilities, optimizing processes, accelerating planning and forecasting activities to improve decisions and outcomes).

Data analysis and natural language

In the context of artificial intelligence-driven innovation, natural language understanding and natural language processing (NLU/NLP) continue to grow. In fact, according to Mordor Intelligence, the global Natural Language Processing (NLP) market reached \$10.72 billion in 2020 and is expected to reach \$48.46 billion by 2026 (CAGR of 26.84% during the 2021-2026 period).

The reasons behind the acceleration of AI applied to language are mainly threefold: the steady and exponential increase of unstructured data (according to IDC projections, 80% of the world's data will be unstructured by 2025); the perception by organisations of the automated understanding of business documents as a strategic asset for accelerating digital transformation, process automation and for all the most complex decision-making activities; and increasingly powerful, scalable and accessible computational capabilities.

On the technological front, the company is becoming increasingly aware of the limitations of AI systems based exclusively on statistical approaches and, conversely, of the advantages offered by hybrid AI or composite AI, i.e. an approach oriented towards the combination of different AI technologies (knowledge graph, semantics, machine learning and/or deep learning). In fact, according to Gartner, companies often equate artificial intelligence and machine learning, limiting the implementation of company use cases to those where this approach works well. Composite AI (or Hybrid AI), instead, goes beyond machine learning, combining different techniques to improve the versatility and efficiency of artificial intelligence and successfully tackle a greater number of business problems.

³ IDC Forecasts Companies to Increase Spend on AI Solutions by 19.6% in 2022 - Feb 15, 2022 <https://www.idc.com/getdoc.jsp?containerId=prUS48881422>

⁴ Gartner Forecasts Worldwide Artificial Intelligence Software Market to Reach \$62 Billion in 2022 - November 22, 2021 <https://www.gartner.com/en/newsroom/press-releases/2021-11-22-gartner-forecasts-worldwide-artificial-intelligence-software-market-to-reach-62-billion-in-2022>

OPERATING PERFORMANCE OF THE GROUP

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial report as at 31 December 2021 includes 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..

In order to provide a better picture of the performance and results of operations, the tables below show an Added Value reclassification of the Income Statement, a reclassification of the Balance Sheet by functional area and on a financial basis and the most significant financial statement ratios.

Main economic data

The consolidated financial statements as at 31 December 2021, 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):

Gruppo Expert Ai			Principali dati economici	Expert.AI S.p.a.		
FY 2020	FY 2021	VAR		FY 2020	FY 2021	VAR
37.446.938	39.648.926	6%	VALORE DELLA PRODUZIONE	26.899.352	31.364.202	17%
(4.583.081)	(9.476.876)	>100%	EBITDA	104.282	2.341.138	>100%
(11.607.011)	(17.226.068)	48%	Risultato operativo	(4.357.807)	(3.132.174)	(28%)
(7.661.696)	(15.723.624)	>100%	Risultato netto dell'esercizio	(760.928)	(2.938.453)	>100%

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

Conto economico consolidato	31/12/2021	31/12/2020	Variazione
Ricavi delle vendite	28.451.724	28.097.996	353.728
Proventi diversi	2.639.657	2.518.843	120.814
Variazione delle rimanenze	(10.700)	(47.908)	37.208
Ricavi totali	31.080.681	30.568.931	511.750
Incremento immobilizzazioni per lavori interni	8.568.245	6.878.007	1.690.238
Valore della produzione operativa	39.648.926	37.446.938	2.201.988
Costi esterni operativi	(16.556.564)	(16.260.025)	(296.539)
Valore aggiunto	23.092.362	21.186.913	1.905.449
Costo del personale	(32.569.238)	(25.769.994)	(6.799.244)
Margine Operativo Lordo	(9.476.876)	(4.583.081)	(4.893.795)
Ammortamenti e accantonamenti	(7.749.192)	(7.023.930)	(725.262)
Risultato Operativo	(17.226.068)	(11.607.011)	(5.619.057)
Risultato dell'area finanziaria	1.581.025	3.103.530	(1.522.505)
Risultato Ordinario	(15.645.043)	(8.503.481)	(7.141.562)
Risultato dell'area straordinaria			0
Risultato Prima delle imposte	(15.645.043)	(8.503.481)	(7.141.562)
Imposte sul reddito	(78.581)	841.785	(920.366)
Risultato netto	(15.723.624)	(7.661.696)	(8.061.928)

Revenues from sales are substantially stable, registering a 1% increase compared with the same period last year.

The value of production shows a 6% increase over 2020.

Revenues (net of change in inventories) are broken down by type as follows:

Descrizione	31/12/2021	%	31/12/2020	%	Variazione
Licenze recurring	14.115.400	50%	11.289.224	40%	2.826.176
Manutenzioni	3.510.466	12%	4.212.841	15%	(702.375)
Licenze perpetue	1.639.991	6%	1.327.987	5%	312.004
Servizi professionali	8.466.274	30%	10.621.424	38%	(2.155.150)
Hosting	708.893	2%	598.612	2%	110.281
Totale	28.441.024		28.050.088		390.936

Recurring licences increased by 25% compared to 2020, whose incidence on revenues increased from 40% to 50%, confirming the pursuit of one of the Group's main strategic lines.

The overall recurring component of revenues (temporary licences and maintenance) ensures greater stability of revenues and cash flows over time and now accounts for more than half of total revenues.

Perpetual licences are in line with last year while there was a 20% reduction in professional services and 17% reduction in maintenance in 2021.

Revenues from the indirect channel represent 14% of total revenues, an incidence in line with that of last year.

The value of production shows a Euro 2.2 million increase (+5.9%). Revenues from sales are almost stable (+1.3%) though show a 25% increase in recurring licences year-on-year, from Euro 11.3 million in 2020 to Euro 14.1 million in 2021. The overall recurring component of revenues (temporary licences and maintenance) accounts for more than half of total revenues and provides greater stability in revenues and cash flows over time.

With regard to the other items included in the value of production, there was an increase in miscellaneous income mainly relating to fixed assets for internal work, essentially referred to investments in research and development, which amounted to Euro 8.6 million as of 31 December 2021 compared to Euro 6.9 million as of 31 December 2020, demonstrating **Expert.ai's** constant and significant focus on the development of its highly innovative technology and in particular on the development of **Expert.ai's** artificial intelligence platform.

Compared to the 2021-2024 guidance estimates disclosed on 15 October 2021, which projected total revenues (including income from research and development projects) in a range of 33-35 million, revenues as of 31 December 2021 were slightly lower. The variance is mainly attributable to the professional services component, due to a lower number of large-scale customised projects in line with the development strategy and the evolution of the business model, which is increasingly oriented towards greater scalability of offerings and technology.

Negative **EBITDA** in 2021 is Euro 9.5 million compared to the negative Euro 4.6 million value. The decrease is primarily due to greater investments in personnel costs aimed at expanding both the sales and marketing team and the research and development team.

Compared to the negative EBITDA value of the 2021-2024 guidance data, estimated to be in the range of Euro -11 to -13 million, there was an EBITDA over-performance reflecting effective cost control, despite significant investments related to personnel costs.

EBIT was negative by Euro 17.2 million, against amortisation of intangible and tangible assets for Euro 7.7 million, mainly relating to capitalised development costs, the amortisation of which amounts to Euro 6.3 million.

Financial management showed a positive result of Euro 1.6 million compared to a positive result of Euro 3.1 million as at 31 December 2020, affected by the significant capital gain of about Euro 5 million on the sale of the minority shareholding in CY4Gate S.p.A.

Net result posted a Euro 15.7 million loss (Euro 7.7 million as at 31 December 2020).

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

Indici di redditività	31/12/2021	31/12/2020
ROE netto	(0,49)	(0,16)
ROE lordo	(0,49)	(0,18)
ROI	(0,55)	(0,41)
ROS	(0,61)	(0,41)

Main balance sheet data

The **expert.ai Group's** reclassified balance sheet compared with that as at 31/12/2020 is as follows (in Euro):

Stato Patrimoniale Consolidato	31/12/2021	31/12/2020	Variazione
Immobilizzazioni immateriali nette	18.341.592	16.239.576	2.102.016
Diritti d'uso netti	2.453.906	1.517.575	936.331
Immobilizzazioni materiali nette	893.036	719.211	173.825
Partecipazioni ed altre immobilizzazioni finanziarie	7.943.233	7.124.399	818.834
Capitale immobilizzato	29.631.767	25.600.761	4.031.006
Attività finanziarie a breve termine			0
Rimanenze	0	10.700	(10.700)
Crediti v/clienti	20.866.081	17.809.832	3.056.249
Altri crediti	5.739.988	4.950.988	789.000
Ratei e risconti attivi	319.903	407.221	(87.318)
Attività d'esercizio a breve termine	26.925.972	23.178.741	3.747.231
Debiti v/fornitori	(3.299.892)	(4.117.024)	817.132
Acconti	(722.607)	(297.054)	(425.553)
Debiti tributari e previdenziali	(2.148.411)	(1.729.924)	(418.487)
Altri debiti	(4.890.569)	(3.029.146)	(1.861.423)
Ratei e risconti passivi	(4.389.549)	(4.374.410)	(15.139)
Passività d'esercizio a breve termine	(15.451.028)	(13.547.558)	(1.903.470)
Capitale d'esercizio netto	11.474.944	9.631.183	1.843.761
Trattamento fine rapporto	(4.168.802)	(3.368.195)	(800.607)
Ratei e risconti passivi oltre 12 mesi	(4.088.251)	(2.731.986)	(1.356.265)
Altre passività a medio e lungo termine	(1.551.470)	(987.828)	(563.642)
Passività a medio termine	(9.808.523)	(7.088.009)	(2.720.514)
CAPITALE INVESTITO	31.298.188	28.143.935	3.154.253
Patrimonio netto	(31.966.280)	(46.925.796)	14.959.516
Posizione finanziaria netta a medio e lungo termine	(21.342.458)	(29.258.374)	7.915.916
Posizione finanziaria netta a breve termine	22.010.550	48.040.234	(26.029.684)
MEZZI PROPRI E INDEBITAMENTO FINANZIARIO NETTO	(31.298.188)	(28.143.936)	(3.154.252)

Fixed assets amounting to Euro 29,631,767 (Euro 25,600,761 as at 31 December 2020) increased by Euro 4,031,006.

This increase is due to the combined effect of:

- changes in net financial assets deriving from the increase in the capitalisation of research and development costs;

- change in deferred tax assets.

During the year, exposure to the banking system and other lenders decreased as no new loans were taken out, whilst repayments of principal amounting to Euro 5.5 million were made in accordance with amortisation schedules. In addition, the PPP loan (Paycheck Protection Loan) granted by the US government for Euro 0.4 million was forgiven.

The parent company Expert.ai S.p.a. also benefited from the measures resulting from application of art. 56 of Decree Law No. 18/2020, the so-called "Cura Italia", converted with amendments by Law no. 27 of 24 April 2020, and subsequently supplemented by art. 65 of Legislative Decree no. 104/2020, as well as extended by art. 1, paragraph 248, of Law 178/2020, having identified the risk that the contraction in revenues resulting from the spread of the "Covid-19" epidemic could negatively affect its cash inflows, obtaining the suspension of the payment of mortgage instalments from March 2020 to 30 June 2021.

Looking at **current operations**, there was an increase of Euro 3,747,231 mainly due to the combined effect of the increase in trade receivables for Euro 3,056,249 and the increase in other receivables for Euro 789,000 (item consisting of receivables for contributions to funded projects).

Short-term liabilities for the year are characterised by an increase of Euro 1,903,470 mainly due to the increase in other payables for Euro 1,861,423 referred to the increase in payables for deferred charges with regard to employees.

Therefore, **net working capital** is Euro 1,843,761 higher than the previous year. In any case, the largely positive value of net working capital makes it possible to report substantially balanced operations, in which short-term assets are compared with short-term liabilities.

Medium- and long-term liabilities increased by Euro 2,720,514 due to the increase in accrued expenses and deferred income due after 12 months for Euro 1,356,265, in particular deferred income on contributions received for funded projects and the increase in employee severance pay for Euro 800,607.

To better describe the equity balance of the company, the table below shows some financial statement 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 31/12/2020.

Indicatori di finanziamento delle immobilizzazioni	31/12/2021	31/12/2020
Margine primario di struttura	2.334.513	24.375.901
Quoziente primario di struttura	1,08	2,08
Margine secondario di struttura	29.397.243	57.990.297
Quoziente secondario di struttura	1,99	3,57

Indici sulla struttura dei finanziamenti	31/12/2021	31/12/2020
Passività entro 12 mesi (A)	19.601.400	15.127.629
Passività oltre 12 mesi (B)	27.062.730	33.614.396
Mezzi propri (C)	31.966.280	46.925.796
Quoziente di indebitamento complessivo (A+B)/C	1,46	1,04

The **fixed asset to equity capital margin** and related fixed assets coverage ratio are indicators that show how the

company funds its fixed assets.

	31/12/2021	31/12/2020
Patrimonio netto (A)	31.966.280	46.925.796
Immobilizzazioni immateriali nette	18.341.591	16.239.576
Diritti d'uso netti	2.453.906	1.517.575
Immobilizzazioni materiali nette	893.037	719.211
Partecipazioni ed altre immobilizzazioni finanziarie	7.943.233	4.073.533
Capitale immobilizzato (B)	29.631.767	22.549.895
Margine primario di struttura (A-B)	2.334.513	24.375.901
Quoziente primario di struttura (A/B)	1,08	2,08

The positive result of the fixed asset to equity capital margin, with the related ratio higher than the unit, means that the company is able to cover its entire financial needs for investments in fixed assets through equity, without having to resort to outside funding.

The fixed asset to equity capital and medium-long term debt margin and its ratio refer, instead, also to medium-long term liabilities (as quantified in the table below).

	31/12/2021	31/12/2020
Patrimonio netto (A)	31.966.280	46.925.796
Posizione finanziaria netta a medio e lungo termine (B)	21.342.458	29.258.374
Altre passività a medio e lungo termine (C)	1.551.470	987.828
Trattamento di fine rapporto (D)	4.168.802	3.368.195
Capitale immobilizzato (E)	29.631.767	25.600.761
Margine secondario di struttura (A + B + C + D - E)	29.397.243	54.939.432
Quoziente secondario di struttura (A + B + C + D)/E	1,99	3,15

The largely positive result of the fixed asset to equity capital and medium-long term debt margin with the related ratio higher than the unit shows that durable financing sources cover long-term investments, indicating an optimal correlation between sources and medium and long-term investments.

Main financial data

With regard to the Net Financial Position as of 31/12/2021, please refer to the relevant paragraph in the explanatory notes to the consolidated financial statements.

The Group's Net Financial Position (or net debt), as defined by ESMA Document 32-382-1138 of 4 March 2021, is determined in short as the result of current and non-current financial payables less cash and cash equivalents and other current financial assets.

The Group's **Net Financial Position** is shown below:

Posizione Finanziaria Netta Consolidata	31/12/2021	31/12/2020	Variazione
A - Disponibilità liquide	30.533.999	53.978.391	(23.444.392)
B - Mezzi equivalenti a disponibilità liquide			0
C- Altre attività finanziarie correnti	16.472	16.324	148
D- Liquidità (A + B + C)	30.550.471	53.994.715	(23.444.244)
E - Debito finanziario corrente (inclusi gli strumenti di debito ma esclusa la parte corrente del debito finanziario non corrente)	3.036.847	2.946.536	90.311
F - Parte Corrente del debito finanziario non corrente	5.503.074	3.007.945	2.495.129
G - Indebitamento finanziario corrente (E + F)	8.539.921	5.954.481	2.585.440
H - Indebitamento finanziario corrente netto (D-G)	22.010.550	48.040.234	(26.029.684)
I - Debito finanziario non corrente (esclusi la parte corrente e gli strumenti di debito)	15.319.758	20.964.367	(5.644.609)
J - Strumenti di debito	6.022.700	7.931.800	(1.909.100)
K - Debiti commerciali e altri debiti non correnti	-	362.207	(362.207)
L - Indebitamento finanziario non corrente (I+J+K)	21.342.458	29.258.374	(7.915.916)
M - Indebitamento finanziario netto (H+L)	668.092	18.781.860	(18.113.768)

FORESEEABLE EVOLUTION OF MANAGEMENT

The 2021 financial year was, as expected, a transition year in which the group brought the team up to speed with a significant increase in staff mainly in sales&marketing and R&D. The new and revolutionary hybrid platform for natural language processing is the key technological element for development in the years to come. The phase in which all the investments made over the last 18 months will produce significant effects on market development and in particular on the US market can now begin. If, on the one hand, the uncertainties linked to the pandemic were easing, on the other, the new and dramatic international situation brings about new tensions that will inevitably have repercussions on the economy with a scope that cannot yet be fully predicted. The group is not directly exposed to the markets that are involved in the conflict, but the rising tensions will have an impact far beyond these areas. **Expert.ai**, in any case, will continue to focus on pursuing its growth objectives, in particular the sales component of recurring licences, the true driver of development, and on the expansion of its network of system integration and consulting partners who can contribute to extending the group's market by focusing on all activities complementary to the **Expert.ai** offering. The company's significant marketing commitment will also continue to amplify its visibility in order to establish itself more and more as one of the world leaders in the field of Natural Language Processing platforms - a path which has already begun in light of the recent awards and the inclusion of **Expert.ai**, by the most important analysts in the tech sector, in their reports on the best companies in the world.

As will be further explained in the section of the Notes to the Financial Statements called "Significant events occurred after year end", on the basis of current information on the possible scenarios of the ongoing conflict in Ukraine and the international sanctions adopted against Russia, it should be noted that although these do not compromise the company's ability to continue as a going concern and do not entail a change in the values of its 2021 financial statements, they might have a negative impact on the current financial year at the date of preparation of this document.

The big question which diplomats all over the world are trying to answer is the outcome of this conflict, its continuation in time and the consequences of the economic sanctions imposed on Russia by European countries.

TREASURY SHARES

As of 31 December 2021, the Parent Company **Expert.ai S.p.A.** did not hold any treasury shares, as it did not hold any **EXPERT.AI GROUP**

as of 31 December 2020, nor were any traded during the year.

IV. ENVIRONMENT, PERSONNEL AND RISKS

ENVIRONMENT

During the year, no damage was caused to the environment for which the Company was definitively found guilty. During the year, no definitive sanctions or penalties were imposed on the company for environmental offences or damages.

Expert.ai S.p.A. was ISO 9001:2008 certified on 30/06/2008.

The last periodic review of the ISO 9001:2015 certification, dated 27/06/2020, is valid until 28/06/2023.

PERSONNEL

Despite the prolonged state of emergency caused by the spread of COVID-19, the **expert.ai Group** ensured the operational continuity of its personnel from the beginning of the pandemic through remote working management. The company also recruited more than 52 new resources during the year, designing specific online onboarding programmes and supporting new recruits by assigning resources dedicated to their placement in the company. The company also made additional investments in training to strengthen both the technical and soft skills of staff.

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 personnel entered in the employee register and no charges for occupational illnesses involving employees or former employees and no mobbing cases.

The parent company expert.ai S.p.A. also made investments in personnel safety in compliance with Italian Legislative Decree 81/08, training all employees in the safety of workers and supervisors, and providing new courses and refresher courses for occupational safety representatives, first aid and fire-fighting personnel.

The parent company expert.ai S.p.a. updated the "Expert.ai Spa Protocol" drafted in May 2020 to implement the measures established by the Prime Minister's Decree of 11 March 2020. The document, taking into account the various measures of the Government as well as the measures issued by the Ministry of Health, contains guidelines to help combat and contain the spread of the COVID-19 virus in the workplace. The aim of the Protocol is to provide operational guidance aimed at increasing the effectiveness of precautionary measures. The protocol therefore contains measures that follow the logic of precaution and follow and implement the requirements of Parliament and the indications of the Health Authority. The Protocol is applied within the company to protect the health of people who personally prefer to work in the office.

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.

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

General risks: regarding the risks arising from the current conflict, reference should be made to the information provided above in the point regarding the "Foreseeable evolution of management", in the commentary on "General economic performance" and in the Notes to the Financial Statements, commenting on point 22-quarter 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 Company'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:

Valuta	Cambio al 12/31/2021	Cambio medio 2021
USD - dollaro USA	1,1326	1,1827
CHF - franco svizzero	1,0331	1,0811
GBP - lira sterlina	0,8403	0,8596
CAD - dollaro canadese	1,4393	1,4826

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, last March 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 is finishing its checks, as the bureaucratic process in the United States requires different times. 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.

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

The Company uses derivative financial instruments 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 derivative financial instruments 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.

IFRS CONSOLIDATED FINANCIAL STATEMENTS AS AT 31/12/2021

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IAS/IFRS consolidated financial statements as at 31/12/2021

Financial Statements

Balance Sheet - Assets

<i>In EUR</i>	12/31/2021	12/31/2020
Immobilizzazioni Immateriali	18.341.592	16.239.576
Diritti d'uso	2.453.906	1.517.575
Immobilizzazioni Materiali	893.036	719.211
Altre attività non correnti	4.800.118	5.176.766
Partecipazioni e titoli	60.777	60.777
Imposte differite attive e altri crediti per imposte	3.082.338	1.886.856
Totale attività non correnti	29.631.767	25.600.761
Rimanenze	0	10.700
Crediti commerciali e altri crediti	23.274.543	19.372.634
Crediti per imposte correnti	3.331.526	3.388.186
Altre attività correnti	319.903	407.221
Attività finanziarie correnti	16.472	16.324
Disponibilità liquide	30.533.999	53.978.391
Totale attività correnti	57.476.443	77.173.456
Totale attivo	87.108.210	102.774.217

Balance Sheet - Liabilities

Capitale sociale	523.907	507.769
Riserva legale	101.554	80.032
Altre riserve	77.877.356	78.642.861
Utile (perdite) indivisi	(30.812.913)	(24.643.170)
Utili (perdite) netto esercizio	(15.723.624)	(7.661.696)
Patrimonio netto di gruppo	31.966.280	46.925.796
Patrimonio netto di terzi	0	
Patrimonio netto	31.966.280	46.925.796
Debiti finanziari non correnti	21.342.458	28.896.167
Fondi per rischi ed oneri	64.362	33.946
Altri debiti non correnti	4.088.251	3.094.192
Benefici per i dipendenti	4.168.802	3.368.195
Fondi per imposte differite	1.487.108	953.882
Totale passività non correnti	31.150.981	36.346.382
Debiti commerciali e altri debiti	9.874.229	8.205.524
Debiti finanziari correnti	8.539.921	5.954.481
Debiti per imposte correnti	1.187.250	967.624
Altre passività correnti	4.389.549	4.374.410
Totale passività correnti	23.990.949	19.502.039
Totale Passivo	87.108.210	102.774.217

Income Statement

<i>In EUR</i>	<i>Note</i>	31/12/2021	31/12/2020
Ricavi delle vendite e dei servizi	22	28.451.724	28.097.996
Variazione delle rimanenze	23	(10.700)	(47.908)
Altri Ricavi	24	11.207.902	9.396.850
Totale Ricavi		39.648.926	37.446.938
Consumo materiali	25	1.942.217	926.531
Costi per servizi	26	12.253.236	13.078.690
Costo per il godimento beni terzi	27	1.826.830	1.656.112
Costo per il personale	28	32.569.238	25.769.994
Altri accantonamenti e altri costi	29	534.281	598.692
EBITDA		(9.476.876)	(4.583.081)
Ammortamenti	30	7.749.192	7.023.930
Svalutazioni di immobilizzazioni		0	
Risultato operativo		(17.226.068)	(11.607.011)
Oneri Finanziari	31	1.016.884	2.480.532
Proventi finanziari	31	2.597.909	5.584.062
Risultato prima delle imposte		(15.645.043)	(8.503.481)
Imposte sul reddito	32	78.581	(841.785)
Risultato netto dell'esercizio		(15.723.624)	(7.661.696)
Risultato di pertinenza di terzi		0	
Risultato netto di pertinenza del gruppo		(15.723.624)	(7.661.696)
Risultato per azione		31/12/2021	31/12/2020
Base		(0,30)	(0,17)
Diluito		(0,30)	(0,15)

Total Income Statement

<i>In EUR</i>	31/12/2021	31/12/2020
Risultato netto dell'esercizio	(15.723.624)	(7.661.696)
Altri utili/(perdite) complessivi che non saranno successivamente riclassificati nell'utile/(perdita) d'esercizio:		
Utili (perdite) attuariali dei piani a benefici definiti	(518.146)	(90.695)
Effetto fiscale relativo agli Altri utili/(perdite) che non saranno successivamente riclassificati nell'utile/(perdita) d'esercizio	124.355	21.767
Totale altri utili/(perdite) complessivi che non saranno successivamente riclassificati nell'utile/(perdita) d'esercizio, al netto dell'effetto fiscale	(393.791)	(68.928)
Altri utili/(perdite) complessivi che saranno successivamente riclassificati nell'utile/(perdita) d'esercizio:		
Differenze di cambio da conversione delle gestioni estere	(1.582.989)	967.620
Variazione della riserva di cash flow hedge	142.326	(98.543)
Effetto fiscale relativo agli Altri utili/(perdite) che saranno successivamente riclassificati nell'utile/(perdita) d'esercizio	(34.158)	23.650
Totale altri utili/(perdite) complessivi che saranno successivamente riclassificati nell'utile/(perdita) d'esercizio, al netto dell'effetto fiscale	(1.474.821)	892.727
Totale altre componenti del conto economico complessivo al netto degli effetti fiscali:	(17.592.236)	(6.837.897)

Cash Flow Statement

A. Flussi finanziari derivanti dall'attività operativa (metodo indiretto)	31/12/2021	31/12/2020
Utile (perdita) dell'esercizio	(15.723.624)	(7.661.696)
Imposte sul reddito	78.581	(841.785)
Oneri (Proventi) finanziari	(1.581.025)	(3.103.530)
Ammortamenti	7.749.192	7.023.930
EBITDA	(9.476.876)	(4.583.081)
Variazione del capitale circolante netto		
Decremento/(Incremento) delle rimanenze	10.700	47.908
Decremento/(Incremento) dei crediti verso clienti e altri crediti	(851.043)	2.030.839
Incremento/(Decremento) dei debiti verso fornitori e altri debiti	2.662.764	(761.535)
Decremento/(Incremento) altre attività correnti	87.318	(88.750)
Incremento/(Decremento) altre passività correnti	15.139	163.533
Passività tributarie nette corrisposte	197.705	(884.466)
Totale variazioni del capitale circolante netto	2.122.583	507.529
Incremento/(Decremento) fondi rischi e oneri	30.416	(24.950)
Incremento/(Decremento) imposte differite	(662.256)	(452.635)
Incremento/(Decremento) benefici a dipendenti	800.607	375.254
Totale altre variazioni attività operativa	168.767	(102.331)
Flusso finanziario dell'attività operativa (A)	(7.185.526)	(4.177.883)
Immobilizzazioni materiali e diritti d'uso		
(Investimenti)	(1.337.917)	(540.668)
Disinvestimenti	487.567	15.500
Immobilizzazioni immateriali		
(Investimenti)	(8.943.404)	(6.941.411)
Immobilizzazioni finanziarie		
Decremento/(Incremento) investimenti e altre attività non correnti	(3.841.828)	675.089
Flusso finanziario dell'attività d'investimento (B)	(13.635.582)	(6.791.490)
Mezzi di terzi		
Incremento/(Decremento) debiti finanziari	(4.968.269)	8.358.822
Decremento/(Incremento) attività finanziarie correnti	(148)	12.272
Oneri (Proventi) finanziari	1.581.025	3.103.530
Mezzi propri		
Aumento di capitale a pagamento	1.043.725	27.575.916
Stock options e stock grant	1.575.510	3.429.577
Benefici a dipendenti	(393.791)	(68.928)
Altre movimentazioni patrimonio netto	(1.461.336)	889.134
Flusso finanziario dell'attività di finanziamento (C)	(2.623.284)	43.300.323
Incremento (decremento) delle disponibilità liquide (A ± B ± C)	(23.444.392)	32.330.950
Disponibilità liquide a inizio esercizio	53.978.391	21.647.441
Disponibilità liquide a fine esercizio	30.533.999	53.978.391
Incremento (decremento) delle disponibilità liquide	(23.444.392)	32.330.950

Statement of Changes in Shareholders' Equity from 1 January 2021 to 31 December 2021

	Capitale sociale	Riserva legale	Sovraprezzo azioni	Riserva copertura flussi finanziari	Riserva FTA	Riserva IFRS 2	Riserva IAS 19	Altre riserve	Utili (perdite) non distribuiti	Utili (perdite) netto esercizio	Patrimonio netto
SALDI AL 01 GENNAIO 2020	400.161	71.718	42.509.070	(70.275)	(443.567)	514.451	(275.926)	(17.210.453)	(3.808.705)	1.075.319	22.761.793
Destinazione risultato		8.314						-	1.067.005	(1.075.319)	0
Dividendi											0
Aumento capitale	107.608		28.300.681			(514.451)		334.011			28.227.849
Variazioni da azioni proprie								-			0
Variazione area/operazioni straord.								-			0
Variazione operazioni copertura perdite				(98.543)				-			(98.543)
Variazione utile/perdite attuariali TFR							(68.928)	-			(68.928)
Costi di transazione imputati direttamente a patrimonio netto			(651.933)					-			(651.933)
Risultato d'esercizio								-		(7.661.696)	(7.661.696)
Altri movimenti	-	-	-	-		3.429.577	-	22.889.147	(21.901.470)	-	4.417.254
SALDI AL 31 DICEMBRE 2020	507.769	80.032	70.157.818	(168.818)	(443.567)	3.429.577	(344.854)	6.012.705	(24.643.170)	(7.661.696)	46.925.796
SALDI AL 01 GENNAIO 2021	507.769	80.032	70.157.818	(168.818)	(443.567)	3.429.577	(344.854)	6.012.705	(24.643.170)	(7.661.696)	46.925.797
Destinazione risultato		21.522						-	(7.683.218)	7.661.696	0,00
Dividendi								-			-
Aumento Capitale sociale a pagamento (inclusa stock option)			1.027.588			(1.903.617)		1.903.617			1.027.588
Aumento Capitale sociale gratuito (Stock grant)	16.138					(1.525.960)		1.525.960			16.138
Variazioni da azioni proprie								-			-
Variazione area/operazioni straord.								-			-
Variazione operazioni copertura perdite				142.326				-			142.326
Variazione utile/perdite attuariali TFR							(393.791)	-			(393.791)
Risultato d'esercizio								-		(15.723.624)	(15.723.624)
Altri movimenti						1.575.510		(3.117.137)	1.513.474		(28.153)
SALDI AL 31 DICEMBRE 2021	523.907	101.554	71.185.406	(26.492)	(443.567)	1.575.510	(738.645)	6.325.145	(30.812.913)	(15.723.624)	31.966.281

EXPLANATORY NOTES

GENERAL INFORMATION

Expert.ai 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 a market leader in artificial intelligence (or "AI") technologies applied to Natural Language Understanding and Natural Language Processing (NLU/NLP). The company, founded in Modena in 1989 (under the name Expert System), has about 360 professionals with solid technical and business skills, dedicated research laboratories and a significant international presence. The Group, in fact, operates in two continents, with branches and offices in Italy (Modena, Rovereto, Milan, Siena, Rome and Naples), the UK (London), Switzerland (Geneva), Germany (Frankfurt), Spain (Barcelona, Madrid), France (Paris), the USA (Boston, Rockville, Alexandria) and Canada (Montréal).

Parent Company News

Expert.ai S.p.A. (formerly Expert System 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.

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 Balance Sheet, while the step-by-step format with the classification of costs by nature has been adopted for the Total Income Statement and the indirect method for the Cash Flow Statement. 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 year ended 31 December 2021 have been prepared in accordance with IAS 1 and IAS 7 and consist of:

- Balance Sheet, 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 item of the amounts expected to be settled or recovered within or beyond 12 months from the date of the financial statements;
- Income Statement, the form of analysis of which is the nature of cost method;

- Total Income Statement;
- Statement of Changes in Shareholders' Equity;
- Cash Flow Statement, 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 ONGOING CONCERN PRINCIPLE

The Consolidated Financial Statements of the Expert.ai Group have been prepared in compliance with the IFRS, these meaning all the "International Financial Reporting Standards", all the "International Accounting Standards" (IAS), all the interpretations of the "International Financial Reporting Interpretations Committee" (IFRIC), previously known as the "Standing Interpretations Committee" (SIC) which, as at the closing date of the Consolidated Financial Statements, have been endorsed by the European Union in accordance with the procedure set out in Regulation (EC) no. 1606/2002 of the European Parliament and the European Council of 19 July 2002 and pursuant to Legislative Decree no. 38/2005.

The legal audit of the Consolidated Financial Statements was entrusted to BDO Italia S.p.A., the company responsible for the legal audit of the accounts of the Parent Company and the main Group companies.

IFRS have been applied consistently to all periods discussed in this document. The Consolidated Financial Statements have been prepared on a going concern basis, in that the Directors have verified that there are no financial, operational or other indicators that may point to critical issues regarding the Group's ability to meet its obligations in the foreseeable future and, in particular, over the 12 months following the closing date, based on the estimated cash flows available as of the date of approval of the financial statements. In particular, the Group's solid balance sheet and cash and cash equivalents at the end of the year ensure financial autonomy to support operational needs and development programmes.

On the basis of current information on the possible scenarios of the ongoing conflict in Ukraine and the international sanctions adopted against Russia, it should be noted that although these do not compromise the company's ability to continue as a going concern and do not entail a change in the values of its 2021 consolidated financial statements, they might have a negative impact on the current financial year at the date of preparation of this document.

The current uncertainty related to the possible evolution of the spread of the Covid-19 virus and its variants requires us to continue to maintain a certain caution with respect to the positive outlook of the macroeconomic scenario. The Directors believe, also in the light of the provisions of the 2021-2024 Plan approved by the Board of Directors on 15 October 2021, that the company has the financial and equity resources required to prepare the annual financial report as at 31 December 2021 on a going concern basis.

The Consolidated Financial Statements have been prepared on the basis of the conventional criterion of historical cost, with the exception of the valuation of financial assets and liabilities, where application of the fair value standard is required.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE AS FROM 1 JANUARY 2021 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 2020 and which became effective on or after 1 January 2021. Standards, amendments and interpretations which, by their nature, cannot be adopted by the Company are excluded from the list.

On 27 August 2020, the IASB published, in light of the interbank interest rate reform such as IBOR, the Interest Rate Benchmark Reform-Phase 2 document that contains amendments to the following standards:

- IFRS 9 Financial Instruments;
- IAS 39 Financial Instruments: Recognition and Measurement;
- IFRS 7 Financial Instruments: Disclosures;
- IFRS 4 Insurance Contracts; and
- IFRS 16 Leases.

All changes are effective as from 1 January 2021. The adoption of this amendment had no impact on the Group's consolidated financial statements.

ACCOUNTING STANDARDS, 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 standards and new accounting interpretations, as well as the amendments to the most significant standards 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 standards, as well as for revisions and amendments to existing standards, the Group is assessing any impacts, which cannot currently be reasonably estimated, resulting from their future application.

Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"

On 14 May 2020, the IASB issued amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract" (hereinafter amendments to IAS 37), which are intended to provide clarification on how to determine the onerousness of a contract. The amendments to IAS 37 are effective for fiscal years beginning on or after 1 January 2022.

Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"

On 14 May 2020, the IASB issued amendments to IAS 16, "Property, Plant and Equipment: Proceeds before Intended Use" (hereinafter amendments to IAS 16), aimed at defining that revenues deriving from the sale of goods produced by an asset before it is ready for its intended use are posted to the income statement together with the related production costs. The amendments to IAS 16 are effective for fiscal years beginning on or after 1 January 2022.

Amendments to IFRS 3 "Reference to the Conceptual Framework"

On 14 May 2020, the IASB issued amendments to IFRS 3, "Reference to the Conceptual Framework" (hereafter amendments to IFRS 3), to: (i) complete the update of the references to the Conceptual Framework for Financial Reporting contained in the accounting standard; (ii) provide clarifications on the assumptions for the recognition, at the acquisition date, of provisions, contingent liabilities and tax liabilities (levies) assumed as part of a business

combination; (iii) explain the fact that contingent assets cannot be recognised as part of a business combination. The amendments to IFRS 3 are effective for fiscal years beginning on or after 1 January 2022.

Amendments to IAS 1 "Classification of Liabilities as Current or Non-current-Deferral of Effective Date"

On 15 July 2020, the IASB issued amendments to IAS 1 "Classification of Liabilities as Current or Non-current-Deferral of Effective Date" designed to postpone by one year the effective date of the amendments to IAS 1 "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" (hereinafter amendments to IAS 1), issued by the IASB on 23 January 2020. The amendments to IAS 1 are effective for fiscal years beginning on or after 1 January 2023.

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.

REFERENCE DATE

The consolidated financial statements refer to the date of 31/12/2021.

SECTOR INFORMATION

The company does not present the information required under IFRS No. 8, as it does not have operating sectors identified in accordance with paragraphs 5 to 10 of that standard.

SCOPE OF CONSOLIDATION

The consolidated financial statements as at 31/12/2021 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 31/12/2021

<i>Company name</i>	<i>Registered office</i>	<i>CURRENCY</i>	<i>% shareholding</i>
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	Barcelona (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 31/12/2021.

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 fixed 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, write-downs and reversals of impairment losses of investments in consolidated companies, as well as intercompany dividends, are also eliminated. The minority interest in capital and reserves in subsidiaries and the minority interest in the Profit or Loss for the year of consolidated subsidiaries, if any, are separately identified. Minority interests in losses that exceed the interest in the capital of the investee company are allocated to minority interests in shareholders' equity.

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

Profits or losses pertaining to the Group 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 valued using this method shows a negative Shareholders' Equity, the book value of the equity investment is cancelled and any surplus pertaining to the Group, EXPERT.AI GROUP

where the latter has undertaken to meet the legal or implicit obligations of the investee company, or otherwise to cover its losses, is recorded in a specific provision; changes in the equity of companies accounted for by using the Shareholders' Equity method that are not reflected in the Income Statement 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 valued by using the Shareholders' 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 date of acquisition, 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 standards. 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 Income Statement, as income. Incidental transaction costs are recognised in the Income Statement 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 Income Statement or the Total Income Statement 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 Income Statement. Acquisitions of minority interests relating to entities for which control already exists or the sale of minority 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 Group Shareholders' Equity.

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 minority shareholdings is determined in proportion to the minority interests held in the acquiree's identifiable net assets. Ancillary charges associated with the acquisition are recognised in the Income Statement 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, balance sheet items are converted at year-end exchange rates, whilst income statement items are converted at the average exchange rate for the year. 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 year. Any

differences between the result for the year, 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.

Valuta	Cambio al 12/31/2021	Cambio medio 2021	Cambio al 12/31/2020	Cambio medio 2020
USD - dollaro USA	1,1326	1,1827	1,2271	1,1422
CHF - franco svizzero	1,0331	1,0811	1,0802	1,0705
GBP - lira sterlina	0,8403	0,8596	0,8990	0,8897
CAD - dollaro canadese	1,4393	1,4826	1,5633	1,5300

VALUATION CRITERIA

The accounting standards and valuation criteria adopted in preparing the Consolidated Financial Statements are shown below:

Intangible fixed 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 recorded 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 Income Statement in the period in which they are incurred. Intangible fixed assets include those with a finite useful life or other intangible fixed assets, the valuation 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 Income Statement 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 recorded 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 fixed assets

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

Rights of use

The accounting standard 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 book value of the asset consisting of the right of use is zero and there is a further reduction in the valuation of the lease liability, this difference is recognised in the profit (loss) for the year. 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 usage right, recording any profit or loss related to the partial or total termination of the contract in the income statement. No assets are recorded 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 income statement, 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 income statement 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 tangible fixed assets. The amortisation period corresponds to the duration of the respective contracts, also taking into account reasonably probable renewals.

Tangible fixed assets

Fixed assets, shown net of accumulated depreciation, are recorded at purchase or production cost, with the exception of assets whose value has been revalued on the basis of legal provisions. Cost includes ancillary charges and costs directly attributable to the asset. Fixed assets, with the exception of land, are systematically depreciated each year 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 of value, irrespective of the depreciation already recorded, the fixed asset is written down accordingly. Ordinary maintenance costs are charged in full to the Income Statement. 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 fixed 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 book 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 Income Statement in the period in which they are incurred.

Impairment of non-financial assets

At each reference date of the financial statements, 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 book value to the Income Statement. 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, the expected future cash flows are discounted using a discount rate that reflects the current market valuation 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 Income Statement when the book value of the asset is greater than its recoverable amount. If the conditions for a previous write-down no longer apply, the book value of the asset, excluding goodwill, is reinstated and charged to the Income Statement, within the limits of the net book 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

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 Income Statement (FVPL) or, if the option provided for in the standard is exercised, in the Total Income Statement (FVOCI) under the item "Reserve for instruments at FVOCI". For investments valued at FVOCI, impairment losses are never recognised in the Income Statement as are accumulated gains or losses when the investment is sold; only dividends distributed by the investee are recognised in the Income Statement 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 valued at cost, adjusted if necessary for any impairment losses. The related dividends are posted among financial 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 standard requires intangible, tangible 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 fixed 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 valuations used to determine the recoverable value. A reversal of an impairment loss must be recognised immediately in the Income Statement by adjusting the book value of the asset to its recoverable amount. The latter must not exceed the book value that would have been determined, net of depreciation, if no impairment loss had been recognised in previous years. 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 financial years, the amount of which varies over time, in application of the accruals principle.

Inventories

Inventories of raw materials and finished products are valued at the lower of purchase or manufacturing cost and the corresponding net realisable value as determined by market trends. The purchase cost includes the costs incurred to bring each asset to the place of storage. The manufacturing cost of finished and semi-finished products includes directly attributable costs and a portion of indirect costs reasonably attributable to the products based on normal utilisation of production capacity, while financial charges are excluded. As far as work in progress is concerned, the valuation is carried out at the production cost for the period, taking into account progress of the work. The cost of inventories of raw materials, finished goods, goods for resale and semi-finished goods is determined by applying the weighted average cost method. For raw, ancillary materials and consumables, the net estimated realisable value is represented by the replacement cost. For finished and semi-finished goods, net realisable value is the estimated selling price in the ordinary course of business, net of estimated completion costs and costs necessary for the sale. Obsolete or slow-moving inventories are written down in relation to their presumed possibility of use or future realisation, by recording a specific provision adjusting the value of the inventories.

Financial assets

The Group classifies financial assets according to the following categories:

- financial assets valued at amortised cost;
- assets at fair value through Other Components of the Total Income Statement (FVOCI);
- assets at fair value through profit or loss for the year (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 recorded at fair value.

Employee benefits

The cost related to benefits provided to employees is determined using the Projected Unit Credit Method by performing actuarial valuations at the end of each financial year. Defined-benefit plans also include severance pay (TFR) due to employees of the Group's Italian companies pursuant to article 2120 of the Italian Civil Code, accrued prior to the reform of severance pay in 2007, in that it is 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 severance pay 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 "Valuation reserves" included in shareholders' equity, with immediate recognition in the Total Income Statement.

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 valuation method, as explained in Note 38.

This cost is recognised under personnel costs 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 financial year 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 fund 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.

Derivative financial instruments

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

For each derivative financial instrument 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 instrument 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 Income Statement. 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 reference date of the financial statements (cash flow hedge), the changes in the fair value of the derivative instrument posted subsequent to initial recognition are accounted for, limited only to the effective portion, among the components of Total Income and Loss. When the economic effects arising from the hedged item become apparent, the reserve is reversed to the Income Statement 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 posted to the Income Statement. If, during the life of a derivative instrument, 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 Income Statement for the financial year. On the other hand, if the derivative instrument 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, recorded up to that moment, is maintained as a component of Total Income and Loss and is reversed to the Income Statement 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 year-end prices. The fair value of unlisted instruments is measured with reference to financial valuation 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 balance sheet when the right to receive cash flows from the instrument has expired and the company has essentially transferred all risks and benefits relative 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 date of the financial statements. 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 repayment value over the duration of the loan being charged to the Income Statement 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 date of the financial statements.

Trade payables and other payables

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

Capital contributions 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 contributions in the financial statements using the deferred income method and recognised 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 recorded "over time", that is, with the gradual progress of the activities; 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 recorded "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 Income Statement.

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 Income Statement 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.

Financial income and charges

These include all the financial items posted to the Income Statement 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 Income Statement for the period in which they are realised/incurred.

Taxes

Income taxes for the period include current taxes and deferred taxes. Income taxes for the financial year are posted to the Income Statement; however, when they refer to items posted directly to 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 year 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 years.

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

Deferred taxes refer to:

- (i) temporary differences between the taxable base of an asset or liability and its book 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) receivables for prepaid taxes are recorded in the financial statements;
- (iv) for 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) for the carryforward 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.

Receivables for prepaid taxes and deferred tax liabilities are determined on the basis of the tax rates expected to apply to changes in income in the years in which the temporary differences will reverse, based on tax rates and tax laws in force or substantially in force at the reference date of the financial statements.

The effect of the change in tax rates on the aforesaid taxes is posted to the Income Statement in the year in which such change takes place. Receivables for prepaid taxes 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 Balance Sheet, the Total Income Statement, the Statement of Changes in Shareholders' Equity and the Cash Flow Statement, 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 most impacted by the use of estimates and valuations 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 tangible and 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 the book value cannot be recovered. The write-down is determined by comparing the book 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 book value is checked at least annually and otherwise when events occur that imply a reduction in value. With reference to goodwill, the verification 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 book 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 book value of the assets making up the cash generating unit.

Business Combination transactions

Recognition of Business Combination transactions involves allocating to the assets and liabilities of the acquired company the difference between the purchase cost and the net book 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 Income Statement. In the allocation process, Management makes use of available information and, for the most significant Business Combinations, of external evaluations.

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 costs".

Basic or diluted earnings per share

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

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 year, i.e:

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

Subsequent events

For events occurring after the date of the financial statements, 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

Cash Flow Statement

The Cash Flow Statement has been prepared using the indirect method. Cash and cash equivalents included in the

Cash Flow Statement include the balance sheet balances of that item as of the reference 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 cash flow statement 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 year 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 BALANCE SHEET

1. Intangible fixed assets

Intangible fixed assets, amounting to Euro 18,341,591 (Euro 16,239,576 in the previous year), show the following changes:

Descrizione	Costi di impianto	Costi di ampliamento	Costi di sviluppo	Diritti e brevetti industriali	Concessioni, licenze e marchi	Goodwill	Immobilizzazioni immateriali in corso	Altre immobilizzazioni immateriali	Totale
01/01/2020	0		11.121.046	484.809	376.243	3.421.597			15.403.695
Incrementi per acquisti			6.867.590	15.000				131.985	7.014.575
Altre variazioni	0	0	(53.269)	(1.714)	(18.180)		0	0	(73.164)
Decrementi									
Ammortamenti del periodo			5.761.002	135.236	(182.894)			(26.397)	(6.105.530)
31/12/2020	0		12.174.363	362.859	175.169	3.421.597		105.588	16.239.576
Incrementi per acquisti			8.568.245	53.609			2.800	127.300	8.751.954
Altre variazioni	0	0	(623.930)	(5.002)	(160.988)		0	0	(789.918)
Decrementi									
Ammortamenti del periodo			(5.694.394)	(127.975)	(651)			(37.001)	(5.860.021)
31/12/2021	0	0	14.424.284	283.491	13.530	3.421.597	2.800	195.887	18.341.591

COSTO STORICO	Costi di impianto	Costi di ampliamento	Costi di sviluppo	Diritti e brevetti industriali	Concessioni, licenze e marchi	Goodwill	Immobilizzazioni immateriali in corso	Altre immobilizzazioni immateriali	Totale
01/01/2020	0	0	40.077.162	1.662.252	2.023.509	3.421.597	0	0	47.184.520
Incrementi per acquisti	0	0	6.867.590	15.000	0	0	0	131.985	7.014.575
Decrementi	0	0	0	0	0	0	0	0	0
Altre variazioni	0	0	(146.537)	(3.628)	(18.180)	0	0	0	(168.345)
31/12/2020	0	0	46.798.215	1.673.624	2.005.329	3.421.597	0	131.985	54.030.750
Incrementi per acquisti	0	0	8.568.245	53.609	0	0	2.800	127.300	8.751.954
Decrementi	0	0	0	(140.190)	0	0	0	0	(140.190)
Altre variazioni	0	0	144.144	2.189	(1.101.833)	0	0	0	(955.500)
31/12/2021	0	0	55.510.604	1.589.232	903.496	3.421.597	2.800	259.285	61.687.014

AMMORTAMENTI ACCUMULATI	Costi di impianto	Costi di ampliamento	Costi di sviluppo	Diritti e brevetti industriali	Concessioni, licenze e marchi	Goodwill	Immobilizzazioni immateriali in corso	Altre immobilizzazioni immateriali	Totale
Ammortamenti	0	0	5.694.394	127.975	651	0		37.001	5.860.021
Decrementi	0	0	0	0	0	0		0	0
Altre variazioni	0	0	768.074	(132.999)	(940.845)	0	0	0	(305.770)
31/12/2021	0	0	41.086.320	1.305.741	889.966	0		63.398	43.345.425

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 years 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 2020 these activities focused on the artificial intelligence platform and the products that use the platform to target the most common customer use cases.

Most of the research and development activities in 2021 were dedicated to these fronts:

- continuation of the development of the artificial intelligence platform characterised by an integrated end-to-end and Web-based environment for the implementation of Thesaurus, categorisation and extraction linguistic projects and with the integration of machine learning and deep learning technologies: the most important activities were focused on the simplification and speeding up of annotation functions (supported by specific automatic algorithms), on the intelligent hybrid workflow module and on the integration of advanced pre- and post-processing components;
- research and development of knowledge models for solving specific problems and reducing the implementation time of new projects. The most important models developed are: finance, news, personal information and ESG;

- further progress in the development and integration of symbolic and machine learning-based techniques for natural language understanding and implementation of an automatic extraction rule generation system;
- implementation 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. Extract is based on a hybrid approach that combines advanced textual flow analysis heuristics with machine learning techniques for spatial element recognition.

Development costs were subject to impairment testing, with no need for any write-downs (for details of the test, see the section on goodwill).

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 standards. In detail, goodwill refers to:

- For Euro 320,020, to the subsidiary Expert System Iberia S.L.U. following acquisition of the company 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 2021. 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 2021.

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 valued 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 incoming cash flows that are largely independent of the incoming cash flows generated by other activities or groups of assets having functional autonomy"*.

CGU 31.12.2021	goodwill value	recoverable amount	WACC	g rate	cash flow period
Expert System France/Iberia	3,421,597	value in use	10.8%	1.50%	3 years

Tests were performed based on cash flows inferred from forecasts prepared by management of the subsidiary for the period 2022-2024, based on expected growth.

No impairment loss was found during the impairment test as the recoverable amount is higher than the book value of the CGU.

On the basis of the assumptions described above, the Enterprise Value of the entire group was calculated, quantified as Euro 48,480 with respect to a net invested capital of Euro 31,298 thousand.

By varying the WACC and g by +1% and -1%, respectively, the Enterprise Value varies between Euro 34,647 thousand (WACC 11.8%, g 0.5%) and Euro 70,138 thousand (WACC 9.8%, g 2.5%).

2. Tangible fixed assets

Tangible fixed amount to Euro 893,037(Euro 719,211 in the previous year), showing the following changes:

Descrizione	Terreni e fabbricati	Impianti e macchinari	Attrezzature ind.li e comm.li	Altri beni	Totale
01/01/2020	340.562	5.953		355.151	701.666
Incrementi per acquisti		7.755		184.881	192.636
Decrementi				(15.500)	(15.500)
Altre variazioni	0	0	0	32.277	32.277
Ammortamenti del periodo	(11.087)	(2.738)		(178.043)	(191.868)
31/12/2020	329.475	10.970	0	378.766	719.211
Incrementi per acquisti		5.000	506	377.607	383.113
Decrementi				(15.302)	(15.302)
Altre variazioni	0	0	(506)	18.979	18.473
Ammortamenti del periodo	(11.087)	(3.534)		(197.837)	(212.458)
31/12/2021	318.388	12.436	0	562.213	893.037

COSTO STORICO	Terreni e fabbricati	Impianti e macchinari	Attrezzature ind.li e comm.li	Altri beni	Totale
01/01/2020	456.980	223.306	0	2.465.441	3.145.727
Incrementi per acquisti	0	7.755	0	184.881	192.636
Alienazioni	0	0	0	(15.500)	(15.500)
Altre variazioni	0	0	1.558	(2.031)	(473)
31/12/2020	456.980	231.061	1.558	2.632.791	3.322.390
Incrementi per acquisti	0	5.000	506	377.607	383.113
Alienazioni	0	0	0	(188.263)	(188.263)
Altre variazioni	0	0	0	41.006	41.006
31/12/2021	456.980	236.061	2.064	2.863.141	3.558.246

AMMORTAMENTI ACCUMULATI	Terreni e fabbricati	Impianti e macchinari	Attrezzature ind.li e comm.li	Altri beni	Totale
01/01/2020	116.418	217.353	0	2.110.290	2.444.061
Ammortamenti del periodo	11.087	2.738	0	178.043	191.868
Altre variazioni	0	0	1.558	(34.308)	(32.750)
31/12/2020	127.505	220.091	1.558	2.254.025	2.603.179
Ammortamenti del periodo	11.087	3.534	0	197.837	212.458
Alienazioni	0	0	0	(172.961)	(172.961)
Altre variazioni	0	0	506	22.027	22.533
31/12/2021	138.592	223.625	2.064	2.300.928	2.665.209

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

- Office furniture for Euro 114,320
- Electronic office machines for Euro 429,212
- Cell phones for Euro 6,175
- Motorcycles for Euro 1,214
- Local installations for Euro 6,021

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.

Valore netto	
01/01/2020	1.928.352
Acquisti	315.756
Ammortamenti	(726.532)
Altri movimenti	(1)
31/12/2020	1.517.575
Acquisti	1.915.012
Ammortamenti	(826.182)
Altri movimenti	(152.499)
31/12/2021	2.453.906

Diritti d'uso - COSTO STORICO	
01/01/2020	2.533.112
Acquisti	315.756
Cessioni	0
Altri movimenti	0
31/12/2020	2.848.868
Acquisti	1.915.012
Cessioni	
Altri movimenti	(152.499)
31/12/2021	4.611.381

Diritti d'uso - AMMORTAMENTI ACCUMULATI	
01/01/2020	604.760
Acquisti	0
Ammortamenti	726.532
Altri movimenti	1
31/12/2020	1.331.293
Acquisti	0
Ammortamenti	826.182
Altri movimenti	
31/12/2021	2.157.475

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

Società	Immobili	Auto
EXPERT SYSTEM ENTERPRISE CORP	357.160	0
EXPERT SYSTEM FRANCE S.A.S.	377.179	15.757
EXPERT SYSTEM IBERIA S.L.U.	116.759	51.808
EXPERT SYSTEM COGITO LTD	20.434	0
EXPERT.AI S.p.A.	935.399	579.411
Totale	1.806.931	646.975

Recognition of rights of use entails, in terms of the balance sheet, the posting of a financial liability as a balancing entry to the assets, at the transition date for the same amount as the assets. The financial liability is calculated as a discounting of future lease payments and the rate used is the rate that it is assumed independent third parties would charge for providing financing.

From an economic point of view, application of the above principles entails the reversal of lease-related costs and the recognition of amortisation and depreciation (of the usage right), as well as interest on the financial payable.

The tables below summarise the economic and equity effects of the recognition of rights of use in accordance with international accounting standards.

Voce di conto economico	2020	2021
Costo per il godimento beni terzi	752.846	874.260
Ammortamenti	(726.532)	(826.182)
Interessi Passivi	(35.309)	(81.754)
Altri accantonamenti e altri costi		(24.280)
Imposte	2.510	9.395
Altri ricavi		(16.172)
Effetto economico	(6.485)	32.388
Effetto economico accumulato	15.044	47.432

Voce di stato patrimoniale	2020	2021
Diritti d'uso	1.517.575	2.453.906
Debiti finanziari	(1.538.440)	2.519.692
Imposte differite attive	5.821	18.354
Totale effetto patrimoniale	(15.044)	(47.432)

4. Equity Investments and Securities

Equity investments and Securities amount to Euro 60,777 (Euro 60,777 in the previous year).

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

Descrizione	31/12/2021	31/12/2020	Variazione
Partecipazioni	60.777	60.777	0
Partecipazioni in Buzzoole Holding Limited	50.000	50.000	0
Partecipazione in Consorzio Datum	3.572	3.572	0
Partecipazioni in altre imprese	7.205	7.205	0
Totale	60.777	60.777	0

Equity investments not included in the scope of consolidation amount to Euro 60,777 (Euro 60,777 in the previous year).

5. Other non-current assets

Other non-current assets amount to Euro 4,800,118 (Euro 5,176,766 in the previous year).

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

Descrizione	31/12/2021	31/12/2020	Variazione
Risconti attivi oltre i 12 mesi	48.196	51.991	(3.795)
Depositi cauzionali vari oltre i 12 mesi	129.298	95.549	33.749
Clients EXTRACEE per fatture da emettere >12 mesi	789.199	635.989	153.210
Clients CEE per fatture da emettere >12 mesi	993.920	1.194.834	(200.914)
Clients nazionali per fatture da emettere >12 mesi	563.875	1.220.043	(656.168)
Crediti per contributi su progetti di ricerca oltre i 1	2.275.630	1.978.360	297.270
Totale	4.800.118	5.176.766	(376.648)

Non-current receivables for grants on research projects are detailed in the table below.

Descrizione	Expert.AI S.p.a.	Expert System Iberia Slu	Expert System France Sas	Totale
2020	1.406.944	289.433	281.983	1.978.360
2021	1.826.302	408.421	40.907	2.275.630
Totale	3.233.246	697.854	322.890	4.253.990

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

- Tuscany Region for Euro 254,074
- MIUR (Ministry of Education, University and Research) for Euro 434,375
- MISE (Ministry for Economic Development) for Euro 844,373.

6. Non-current tax receivables

Non-current tax receivables amount to Euro 3,082,338 (Euro 1,886,856 in the previous year).

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

Descrizione	31/12/2021	31/12/2020	Variazione
Crediti per imposte anticipate oltre 12 mesi	3.082.338	1.886.856	1.195.482
Totale	3.082.338	1.886.856	1.195.482

Deferred tax assets are mostly attributable to Expert System Iberia S.l.u. and derive from prior year losses. In addition, there are prepaid taxes amounting to Euro 945,505 due to the consolidation of Expert System France S.A.S. Deferred tax assets relating to the IFRS transition are also recorded, the major effects of which derive from the reversal of intangible fixed assets that cannot be capitalised (Euro 227,879), and from the adjustment of severance pay in accordance with IAS 19 (Euro 204,811).

7. Inventories

Inventories included in current assets amount to Euro 0 (Euro 10,700 in the previous year).

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

Descrizione	31/12/2021	31/12/2020	Variazione
Lavori in corso su ordinazione	0	10.700	(10.700)
Totale	0	10.700	(10.700)

8. Trade receivables and other receivables

Trade receivables and other current receivables amount to Euro 23,274,543 (Euro 19,372,634 in the previous year).

This item is detailed in the table below:

Descrizione	31/12/2021	31/12/2020	Variazione
Crediti Commerciali	21.173.505	18.105.542	3.067.963
F.do svalutazione crediti	(307.424)	(295.710)	(11.714)
Crediti comm.li di gruppo correnti	0	0	0
Crediti verso altri	2.408.462	1.562.802	845.660
Totale	23.274.543	19.372.634	3.901.909

Changes in the bad debt provision during the year are as follows:

Descrizione	01/01/2021	Utilizzo	Accantonamento	31/12/2021
F.do svalutazione crediti	295.710	(28.750)	40.463	307.424

The bad debt provision was adjusted in line with the best estimate of the credit risk and expected losses at the end of the financial year, also relying on an analysis of each past due item.

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

Area geografica	31/12/2021	31/12/2020	Variazione
Italia	10.700.342	7.632.056	3.068.286
Paesi Cee	2.940.998	3.721.529	(780.531)
USA	4.609.726	4.764.364	(154.638)
Resto del mondo	2.922.439	1.987.593	934.846
Totale	21.173.505	18.105.542	3.067.963

The following table shows the receivables classified by seniority.

	31/12/2021	31/12/2020	Variazione
Crediti correnti (non scaduti)	17.110.620	14.575.741	2.534.879
Scaduto fino a 30gg	1.800.997	1.148.210	652.787
Scaduto fino a 60gg	223.038	234.311	(11.273)
Scaduto fino a 90gg	258.725	120.434	138.291
Scaduto oltre 90gg	1.780.126	2.026.846	(246.720)
Totale	21.173.505	18.105.542	3.067.963

Other receivables are detailed in the following table.

Descrizione	31/12/2021	31/12/2020	Variazione
Depositi cauzionali vari entro i 12 mesi	476.958	579.046	(102.088)
Crediti diversi	1.876.834	881.831	995.003
Totale	2.408.462	1.562.802	845.660

Sundry receivables include grants related to development projects falling due within 12 months, which are broken down by company as follows:

Descrizione	Expert.AI S.p.a.	Expert System Iberia Slu	Expert System France Sas	Totale
2020	487.837	51.237	0	539.074
2021	923.150	51.280	114.069	1.088.499
Totale	1.410.987	102.517	114.069	1.627.573

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

- European Union - Horizon 2020 programme, for Euro 900.954

9. Current tax receivables

Current tax receivables amount to Euro 3,331,526 (Euro 3,388,186 in the previous year).

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

EXPERT.AI GROUP

Descrizione	31/12/2021	31/12/2020	Variazione
Crediti tributari	2.666.142	2.138.431	527.711
Crediti per imposte anticipate	665.384	1.249.755	(584.371)
Totale	3.331.526	3.388.186	(56.660)

A breakdown of tax receivables is provided below:

Descrizione	31/12/2021	31/12/2020	Variazione
IVA a credito	191.903	10.735	181.168
Crediti verso erario per ritenute subite	618	987	(369)
Crediti per rimborsi IVA	0	3.327	(3.327)
Acconti di imposta	0	8	(8)
IRAP a credito	69.064	1	69.063
Crediti di imposta per R&D non tassabili	2.119.984	1.654.929	465.055
Crediti bonus DL 66/14	37.254	20.242	17.012
Erario C/liquidazione IVA	202.102	308.704	(106.602)
Acconti di imposta IRAP	0	70.042	(70.042)
IRES a credito	31.003	33.432	(2.429)
IVA a credito da compensare	14.214	14.214	0
Altri crediti tributari	0	21.810	(21.810)
Totale	2.666.142	2.138.431	527.711

10. Other current assets

Other current assets consist of accrued income and prepaid expenses amounting to Euro 319,903 (Euro 407,221 in the previous year).

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

Descrizione	31/12/2021	31/12/2020	Variazione
Ratei attivi correnti	0	5.005	(5.005)
Risconti attivi correnti	319.903	402.216	(82.313)
Totale	319.903	407.221	(87.318)

The most significant cost items (including the non-current portion) are shown below:

- Insurance for Euro 154,534;
- Rental and lease liabilities for Euro 78,755;
- Maintenance for Euro 47,530.

11. Current financial assets

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

Descrizione	31/12/2021	31/12/2020	Variazione
Partecipazioni in Eurofidi	8.400	8.400	0
Altri titoli	7.950	7.802	148
Certificati di deposito	122	122	0
Totale	16.472	16.324	148

The item "other securities" includes Euro 7,950 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 30,533,999 (Euro 53,978,391 in the previous year).

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

Descrizione	31/12/2021	31/12/2020	Variazione
Depositi bancari e postali	30.531.997	53.976.215	(23.444.218)
Denaro e valori in cassa	2.002	2.176	(174)
Totale	30.533.999	53.978.391	(23.444.392)

13. Shareholders' Equity

The following tables show the reconciliations of the parent company's shareholders' equity and consolidated shareholders' equity as at 31 December 2020 and 31 December 2021.

Descriptions	Shareholders'			Shareholders' equity 31.12.2020
	Equity 01.01.2020	Other changes 2020	2020 Result	
Expert-ai Shareholders' Equity	48,446,737	28,129,305	2,379,655	78,955,697
Elimination of the book values of subsidiaries	(16,843,408)	(18,941)	0	(16,862,349)
Shareholders Equity of subsidiaries	(10,547,231)	1,067,859	(7,948,861)	(17,428,233)
Adjustments to the sale of fixed assets	(134,128)	0	53,998	(80,130)
Other adjustments	(21,065)	(84,893)	90,765	(15,193)
Intangible fixed assets that cannot be capitalised	(150,099)	(651,933)	212,765	(589,267)
Rentals and leases	(8,558)	0	(6,486)	(15,044)
Stock grant	0	1,903,617	(1,903,617)	0
Stock options	0	1,525,960	(1,525,960)	0
Severance pay	(517,223)	(68,928)	84,349	(501,802)
Suspension of goodwill amortisation	2,519,902		901,697	3,421,599
Tax effect of hedging derivatives	16,866	23,650		40,516
Total adjustments	(25,684,944)	3,696,391	(10,041,350)	(32,029,903)
Expert-ai consolidated Shareholders' Equity	22,761,793	31,825,696	(7,661,695)	46,925,794

Descrizioni	Patrimonio netto 01.01.2021	Altri movimenti 2021	Risultato 2021	Patrimonio netto 31.12.2021
Expert.ai SPA	77.896.682	2.333.611	(2.938.454)	77.291.839
Eliminazione dei valori di carico delle partecipate	(16.862.349)	(45.406.651)	847.000	(61.422.000)
Patrimoni netti delle partecipate	(17.504.000)	43.755.000	(13.513.000)	12.738.000
Rettifiche vendita immobilizzazioni	(80.130)		3.551	(76.579)
Altre rettifiche	53.994	82.148	(122.721)	13.421
Sospensione ammortamento avviamento	3.421.599			3.421.599
Totale rettifiche	(30.970.886)	(1.569.503)	(12.785.170)	(45.325.559)
Expert.ai Group	46.925.796	764.108	(15.723.624)	31.966.280

Descrizione	31/12/2021	31/12/2020	Variazione
Capitale sociale	523.907	507.769	16.138
Sovrapprezzo azioni	71.185.406	70.157.818	1.027.588
Riserva legale	101.554	80.032	21.522
Riserva copertura flussi finanziari	(26.492)	(168.818)	142.326
Riserva FTA	(443.567)	(443.567)	-
Riserva IFRS 2	1.575.510	3.429.577	(1.854.067)
Riserva IAS 19	(738.645)	(344.854)	(393.791)
Altre riserve	6.325.145	6.012.705	312.440
Utile (perdite) indivisi	(30.812.913)	(24.643.170)	(6.169.743)
Utile (perdite) netto esercizio	(15.723.624)	(7.661.696)	(8.061.928)
Patrimonio netto di gruppo	31.966.280	46.925.796	(14.959.516)
Capitale/riserva di terzi	-	-	-
Risultato di terzi	-	-	-
Totale	31.966.280	46.925.796	(14.959.516)

With regard to changes in shareholders' equity and the breakdown of individual reserves, reference should also be made to the statement of changes in shareholders' 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 income statement. When this condition is met, it is reversed to the income statement, offsetting the effects generated by the economic manifestation of the hedged transaction.

The actuarial valuation reserve is generated by the recognition of actuarial gains and losses in the total income statement;

In terms of changes, the following events had an impact, in addition to the result for the year, the effect of exchange rate differences on foreign subsidiaries and the change in the provision for risks on derivatives.

Changes in capital and number of shares

The shares of Expert.ai S.p.A. as of 31 December 2021 have no par value and are fully paid up. There are no shares

issued that are not fully paid.

On 12/05/2021 following the resolution of the Board of Directors concerning the allocation of the third tranche of the Stock Grant Plan 2018-2020, implementing the shareholders' resolution of 11/7/2018, and the allocation of the first tranche of the Stock Grant Plan 2020-2023, implementing the shareholders' resolution of 29/6/2020, 682,300 newly issued shares were allocated free of charge.

On 17/12/2021, the Board of Directors also resolved to allot newly issued shares implementing the capital increases approved by the Shareholders' Meeting on 11 July 2018 and by the Shareholders' Meeting on 29 June 2020 under the 2018-2020 Plan and the 2020-2023 Plan, respectively. The shares were allocated following the exercise of options accrued by the beneficiaries and exercised with payment of the strike price provided for in the Plans.

Shares at the beginning of the financial year totalled 50,776,941. Due to the events described in the Management Report, 1,613,800 shares were subscribed during the year, resulting in a total of 52,390,741 shares at the end of the year, as shown in the summary table.

number of shares 31/12/2020	50,776,941
stock grants converted 12/05/2021	682,300
stock options converted 17/12/2021	931,500
number of shares 31/12/2021	52,390,741

14. Provisions for risks and charges

The provisions for risks and charges are recorded under liabilities for a total of Euro 64,362 (Euro 33,946 in the previous year).

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

Descrizione	31/12/2020	Utilizzo	Accantonamento	Altri movimenti	31/12/2021
Fondo per indennità di clientela	4.341			0	4.341
Fondo rischi per controversie legali	15.000		45.020	0	60.020
Altri fondi	14.605	(14.605)	0	1	1
Totale	33.946	(14.605)	45.020	1	64.362

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 year-end.

The general criteria of prudence and accrual are respected in the valuation of these provisions and no generic risk provisions without economic justification are established.

The increases relate to provisions for the year. The decreases relate to uses during the year.

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 4,088,251 (Euro 3,094,192 in the previous year).

The composition of single items is represented as follows:

Descrizione	31/12/2021	31/12/2020	Variazione
Anticipi su contributi oltre i 12 mesi	0	362.206	(362.206)
Ratei e risconti oltre i 12 mesi	4.088.251	2.731.986	1.356.265
Totale	4.088.251	3.094.192	994.059

There are no advances on contributions beyond 12 months.

Prepaid expenses mainly refer to grants for research and development projects.

16. Post-employment benefits

Employee severance pay is recorded under liabilities for a total of Euro 4,168,802 (Euro 3,368,195 in the previous year).

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

Descrizione	31/12/2020	Utilizzo	Accantonamento	Altri movimenti	31/12/2021
Benefici successivi alla cessazione	3.368.195	(65.052)	672.544	193.115	4.168.802
Totale	3.368.195	(65.052)	672.544	193.115	4.168.802

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 financial statements 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.

Severance pay, which is a deferred payment plan in favour of all employees of the company Expert.ai S.p.A., amounts 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 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 valuation 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 severance pay is 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 profits/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 severance pay, including the choice left to workers as to the use of their accruing severance pay. In particular, the new severance pay flows may be channelled by the worker into chosen pension forms or kept within the company (in which case the latter will pay severance pay contributions to a treasury account set up at INPS [National Social Security Office]).

17. Provisions for deferred taxes

The provisions for deferred taxes are recorded under liabilities for a total of Euro 1,487,108 (Euro 953,882 in the previous year).

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

Descrizione	31/12/2020	Utilizzo	Accantonamento	Altri movimenti	31/12/2021
Accantonamento per imposte differite	54.752		527.153	(54.752)	527.153
Altre imposte differite	899.130		6.072	54.753	959.955
Totale	953.882		533.225	1	1.487.108

At the end of the financial year, the item "Other deferred taxes" is attributable to taxes resulting from the consolidation of Expert System France S.A.S and taxes attributable to Expert.ai S.p.A.

18. Current and non-current financial liabilities

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

Descrizione	31/12/2021	31/12/2020	Variazione
Banche c/c ordinari	65.633	20.950	44.683
Banche c/anticipi (sbf, anticipo contratti/fatture/valuta)	1.094	478	616
Debiti vs banche c/c e anticipi	66.727	21.428	45.299
Mutui passivi (<12 mesi)	5.373.245	2.878.646	2.494.599
Mutui passivi (>12 mesi)	12.684.185	18.118.294	(5.434.109)
Debiti verso banche per interessi maturati	38.524	11.239	27.285
Debiti vs banche per mutui e finanziamenti	18.095.954	21.008.179	(2.912.225)
Debiti vs altri finanziatori correnti	210.621	1.398.179	(1.187.558)
Debiti vs altri finanziatori non correnti	1.031.093	1.624.705	(593.612)
Debiti vs Altri finanziatori	1.241.714	3.022.884	(1.781.170)
Obbligazioni non correnti	6.022.700	7.931.800	(1.909.100)
Obbligazioni correnti	1.909.100	1.159.100	750.000
Obbligazioni	7.931.800	9.090.900	(1.159.100)
Debiti per IFRS 16 (< 12 mesi)	934.073	444.722	489.351
Debiti per IFRS 16 (> 12 mesi)	1.585.619	1.093.718	491.901
Debiti per IFRS 16	2.519.692	1.538.440	981.252
Debiti per derivati passivi < 12 mesi	7.631	41.167	(33.536)
Debiti per derivati passivi > 12 mesi	18.861	127.650	(108.789)
Debiti per strumenti derivati passivi	26.492	168.817	(142.325)
Totale	29.882.379	34.850.648	(4.968.269)
Di cui esigibili entro 1 anno	8.539.921	5.954.481	2.585.440
Di cui esigibili da 1 a 5 anni	21.013.957	28.346.685	(7.332.728)
Di cui esigibili oltre 5 anni	328.501	549.482	(220.981)

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 loans to other lenders

The parent company Expert.ai S.p.a. also benefited from the measures resulting from application of art. 56 of Decree Law No. 18/2020, the so-called "Cura Italia", converted with amendments by Law no. 27 of 24 April 2020, and subsequently supplemented by art. 65 of Legislative Decree no. 104/2020, as well as extended by art. 1, paragraph 248, of Law 178/2020, obtaining the suspension of the payment of mortgage instalments from March 2020 until 30 June 2021.

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 31/12/2021, according to the repayment schedule.

The balance of the debt for bonds, amounting to Euro 7,931,800 is due:

- for Euro 3,181,800, to the issue of a bond loan 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	31/12/2024, 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 4,750,000, 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	02/08/2026, 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.

Passività finanziarie	01/01/2021	Rimborsi	Incrementi	31/12/2021
Expert System Enterprise Corp	15.638	218.746	155.966	390.349
Expert System France Sas	22.326	204.082	169.421	395.829
Expert System Iberia Slu	246.684	(75.428)	4.595	175.850
Expert System Cogito LTD	51.695	(30.814)	0	20.882
Expert.AI S.p.a.	1.202.097	(0)	334.685	1.536.782
Totale	1.538.440	316.585	664.666	2.519.692

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

Derivative financial instruments

The parent company Expert.ai S.p.A. uses derivative financial instruments 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 total income statement in a dedicated line.

Please refer to Appendix A to the financial statements for details of derivative instruments.

19. Trade payables and other payables

Trade payables and other payables are recorded under current liabilities for a total of Euro 9,874,229 (Euro 8,205,524 in the previous year).

The composition of the individual items is represented as follows:

Descrizione	31/12/2021	31/12/2020	Variazione
Acconti	722.607	297.054	425.553
Debiti verso fornitori	3.299.892	4.117.024	(817.132)
Debiti verso istituti di previdenza e di sicurezza sociale	961.161	762.300	198.861
Altri debiti	4.890.569	3.029.146	1.861.423
Totale	9.874.229	8.205.524	1.668.705

The item "Due to social security and welfare institutions" includes payables due to employees for INPS contributions, which amounted to Euro 808,152 at the end of the year.

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

EXPERT.AI GROUP

Area geografica	31/12/2021	31/12/2020	Variazione
Italia	2.837.797	3.774.796	(936.999)
Paesi Cee	167.761	288.618	(120.857)
USA	225.843	0	225.843
Resto del mondo	68.491	53.610	14.881
Totale	3.299.892	4.117.024	(817.132)

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

Descrizione	31/12/2021	31/12/2020	Variazione
Debiti vs personale	847.130	467.129	380.001
Debiti verso amministratori	23.830	22.328	1.502
Debiti verso collaboratori	18.009	6.433	11.576
Debiti v/sindacati	62	1.032	(970)
Clienti per note di credito da emettere	330.503	55.218	275.285
Debiti verso dipendenti per oneri differiti	3.653.244	2.458.667	1.194.577
Debiti vs personale per ratei ferie e permessi	17.791	18.339	(548)
Totale	4.890.569	3.029.146	1.861.423

20. Current tax payables

Current tax payables are recorded under current liabilities for a total of Euro 1,187,250 (Euro 967,624 in the previous year).

The composition of the individual items is represented as follows:

Descrizione	31/12/2021	31/12/2020	Variazione
Debiti per ritenute	960.052	751.601	208.451
Altri debiti tributari	227.198	216.023	11.175
Totale	1.187.250	967.624	219.626

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 4,389,549 (Euro 4,374,410 in the previous year).

The composition of the individual items is represented as follows:

Descrizione	31/12/2021	31/12/2020	Variazione
Ratei passivi	184.277	124.690	59.587
Ratei passivi	184.277	124.690	59.587
Risconti passivi	4.205.272	4.249.720	(44.448)
Risconti passivi	2.334.639	1.757.520	577.119
Risconti passivi crediti di imposta R&D	657.407	742.796	(85.389)
Risconti passivi contributi progetti di ricerca	1.213.226	1.749.404	(536.178)
Totale	4.389.549	4.374.410	15.139

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 financial year counted on an accrual basis.

Deferred income, totalling Euro 8,293,523 (including the non-current portion), consists of:

- Hosting fees for Euro 485,942;
- Contributions for research projects for Euro 4,061,917;
- Tax receivable on R&D activities for Euro 1,820,767;
- Licences for Euro 127,045;
- Maintenance for Euro 1,461,288;
- Provision of services for Euro 336,564.

As at 31/12/2021, there were no accruals and deferrals with a duration of more than five years.

COMMENTS ON THE MAIN INCOME STATEMENT ITEMS

22. Revenues from sales and services

Revenues at the end of the year totalled Euro 28,451,724 (Euro 28,097,996 in the previous year).

The following is a breakdown of revenues by geographical area:

Area geografica	31/12/2021	%	31/12/2020	%	Variazione
Italia	15.111.627	53%	12.423.724	44%	2.687.903
Paesi Cee	4.111.644	14%	4.910.749	17%	(799.105)
USA	5.936.852	21%	6.604.962	24%	(668.110)
Resto del mondo	3.291.601	12%	4.158.561	15%	(866.960)
Totale	28.451.724	100%	28.097.996	100%	353.728

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 year:

Descrizione	31/12/2021	31/12/2020	Variazione
Rimanenze finali	0	10.700	(10.700)
Rimanenze iniziali	(10.700)	(58.608)	47.908
Totale	(10.700)	(47.908)	37.208

24. Other revenues and income

Other revenues and income are recorded under value of production of the income statement for a total of Euro 11,207,902 (Euro 9,396,850 in the previous year).

This item breaks down as follows:

Descrizione	31/12/2021	31/12/2020	Variazione
Ricavi per credito d'imposta	866.419	998.719	(132.300)
Contributi in conto capitale	1.476.244	1.396.943	79.301
Contributi in conto esercizio	19.201	17.924	1.277
Rimborsi vari	29	7.596	(7.567)
Altri ricavi	257.480	87.742	169.738
Sopravvenienze attive	20.284	9.919	10.365
Incrementi per lavori interni	8.568.245	6.878.007	1.690.238
Totale	11.207.902	9.396.850	1.811.052

The company receives contributions 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 contributions are reclassified under grants for plants as they are

intended to finance multi-year investments. The indirect method is used for the accounting of these contributions, as established by IAS 20, which provides for their recognition in proportion to the amortisation of the R&D costs to which they refer.

25. Raw materials and consumables

The cost of purchasing raw materials and consumables at the end of the year amounted to Euro 1,942,217 (Euro 926,531 in the previous year).

This item breaks down as follows:

Descrizione	31/12/2021	31/12/2020	Variazione
Carburante	69.996	50.136	19.860
Cancelleria e stampanti	18.995	9.111	9.884
Acquisti materie prime, semilavorati, materiali	1.853.226	867.284	985.942
Totale	1.942.217	926.531	1.015.686

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 Income Statement.

26. Costs for services

Expenses for services are recorded under costs of production of the income statement for a total of Euro 12,253,236 (Euro 13,078,690 in the previous year).

The composition of the individual items is as follows:

Descrizione	31/12/2021	31/12/2020	Variazione
Utenze	185.653	181.779	3.874
Spese di manutenzione e riparazione	265.772	250.976	14.796
Consulenze	7.273.075	8.216.700	(943.625)
Compensi agli amministratori	786.190	938.244	(152.054)
Compensi a sindaci e revisori	213.954	81.590	132.364
Provvigioni passive	0	21.000	(21.000)
Pubblicità	710.442	328.832	381.610
Servizi per il personale	1.115.524	847.403	268.121
Servizi (amministratori e consulenti) per stock option	89.825	1.210.150	(1.120.325)
Fiere ed eventi aziendali	155.218	65.737	89.481
Spese condominiali	65.293	151.987	(86.694)
Servizi da imprese finanziarie e banche di natura non finanziaria	63.471	47.884	15.587
Assicurazioni	186.862	143.651	43.211
Spese di rappresentanza	30.052	33.155	(3.103)
Spese di viaggio e trasferta	183.478	205.186	(21.708)
Spese di noleggio	151.506	147.314	4.192
Altri	776.921	207.102	569.819
Totale	12.253.236	13.078.690	(825.454)

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

27. Costs for the use of third-party assets

Expenses for the use of third-party assets are recorded under costs of production of the income statement for a total of Euro 1,826,830 (Euro 1,656,112 in the previous year).

The composition of the individual items is as follows:

Descrizione	31/12/2021	31/12/2020	Variazione
Affitti passivi	180.145	234.352	(54.207)
Noleggi ed altri	1.646.685	1.326.755	319.930
Royalties su licenze, brevetti e marchi	0	95.005	(95.005)
Totale	1.826.830	1.656.112	170.718

Costs for the use of third-party assets 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 costs

Personnel costs are recorded in the Income Statement for a total of Euro 32,569,238 (Euro 25,769,994 in the previous year).

The composition of the individual items is as follows:

Descrizione	31/12/2021	31/12/2020	Variazione
Salari e stipendi	24.377.975	18.262.417	6.115.558
Oneri sociali	5.399.020	4.456.100	942.920
TFR	530.626	473.453	57.173
Altri costi del personale	818.960	358.597	460.363
Stock grant	1.413.512	1.903.617	(490.105)
Stock option	29.145	315.810	(286.665)
Totale	32.569.238	25.769.994	6.799.244

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

The average number of employees of the Group as of 31 December 2021 is as follows:

Numero medio dipendenti per qualifica	31/12/2021	01/01/2021	Variazione
Dirigenti	-	-	-
Quadri	85	73	12
Impiegati	238	191	47
Totale	323	264	59

29. Other provisions and other costs

Other costs are recorded in the Income Statement for a total of Euro 534,281.

The composition of the items is as follows:

Descrizione	31/12/2021	31/12/2020	Variazione
Accantonamento f.do perizie legali	45.020		45.020
Accantonamento a fondo svalutazione crediti	40.463	83.750	(43.287)
Perdite su crediti	208.200	75.404	132.796
Imposte e tasse	64.549	59.674	4.875
Abbonamenti a riviste e giornali	30.755	95.086	(64.331)
Altri oneri di gestione	145.294	284.778	(139.484)
Totale	534.281	598.692	(64.411)

30. Amortisation, depreciation and writedowns

As regards 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 year.

The composition of the items is as follows:

Ammortamenti Immobilizzazioni Immateriali	31/12/2021	31/12/2020	Variazione
Ammortamento spese di sviluppo	6.362.000	5.761.002	600.998
Ammortamento altre attività immateriali	339.200	344.528	(5.328)
Totale	6.701.200	6.105.530	595.670

Ammortamenti Immobilizzazioni Materiali	31/12/2021	31/12/2020	Variazione
Ammortamento fabbricati	11.087	11.087	0
Ammortamento impianti e macchinari	3.534	2.738	796
Ammortamento altre immobilizzazioni materiali	212.042	178.043	33.999
Totale	226.663	191.868	34.795

Ammortamenti diritti d'uso	31/12/2021	31/12/2020	Variazione
Ammortamenti diritti d'uso	826.182	726.532	99.650
Totale	826.182	726.532	99.650

Totale ammortamenti	7.749.192	7.023.930	725.262
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31. Financial income and charges

The item "Financial income" amounts to a total of Euro 403,203 in 2021, including exchange rate differences (Euro 5,186,025 in 2020). The item "Financial charges" amounts to a total of Euro 746,268 in 2021, including exchange rate differences (Euro 617,226 in 2020).

This item includes:

Descrizione	31/12/2021	31/12/2020	Variazione
Plusvalenze da cessione partecipazione Cy4Gate S.p.A.	0	5.149.911	(5.149.911)
Interessi attivi	403.203	36.114	367.089
Totale	403.203	5.186.025	(4.782.822)

Expert.ai S.p.A. sold its entire shareholding, equal to approximately 17%, in the company CY4Gate S.p.A.; this sale generated a capital gain of Euro 5,149,911 in 2020.

The item "Financial charges" includes:

Descrizione	31/12/2021	31/12/2020	Variazione
Commissioni per fidejussioni	12.268	14.141	(1.873)
Commissioni massimo scoperto	27.114	20.456	6.658
Interessi passivi su leasing IFRS 16	81.684	35.309	46.375
Interessi sul debito per obbligazioni	274.573	269.641	4.932
Commissioni su finanziamenti	41.730	55.557	(13.827)
Altri oneri finanziari	65.013	42.102	22.911
Interessi su mutui	243.886	180.020	63.866
Totale	746.268	617.226	129.042

The item "Exchange rate delta" includes:

Descrizione	31/12/2021	31/12/2020	Variazione
Differenze cambio attive	2.194.706	398.037	1.796.669
Differenze cambio passive	(270.616)	(1.863.306)	1.592.690
Totale	1.924.090	(1.465.269)	3.389.359

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 year-end.

32. Income taxes

This item includes:

Descrizione	31/12/2021	31/12/2020	Variazione
IRES	53.447	44.444	9.003
differite/(anticipate)	25.134	(886.229)	911.363
Totale	78.581	(841.785)	920.366

Deferred tax assets are recognised since there is reasonable certainty of the existence, in the years 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 taxation has 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 financial year. As previously mentioned, changes in deferred taxation (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.

	Debiti finanziari	Crediti finanziari	Crediti comm.li	Debiti comm.li	Vendite	Acquisti
Expert System USA INC	0	66.179	474.122	1.005	626.793	22.198
Expert System Cogito LTD	0	7.857	471.352	274.453	772.189	10.036
Expert System Iberia Slu	0	12.380	128.876	239.899	543.073	50.531
Expert System Enterprise Corp	0	105.695	875.559	1.376.146	1.659.864	905.321
Expert System France Sas	0	15.867	321.697	81.407	577.059	209.223
Expert System Deutschland Gmbh	0	16.083	85.775	78.198	199.482	153.158
Expert System Canada Technologies Sémantiques INC	0	2.798	6.169	0	15.403	0
Expert System Helvetia Sàrl	0	8.438	41.781	128.303	37.933	48.447
Totale	0	235.297	2.405.331	2.179.411	4.431.796	1.398.914

These relations, which do not include atypical and/or unusual transactions, are regulated by normal market conditions.

Financial receivables from subsidiaries refer to interest income accrued on the loans granted by Expert.ai Spa to its subsidiaries until 31.12.2021.

Information on the nature of these purchase and sale transactions is provided below:

	Expert System USA INC	Expert System Cogito LTD	Expert System Iberia Slu	Expert System Enterprise Corp	Expert System France Sas	Expert System Deutschland Gmbh	Expert System Canada Technologies Sémantiques INC	Expert System Helvetia Sàrl
Ricavi per servizi professionali intercompany	10.781	409.732	77.362	888.177	67.769	56.817	1.037	4.968
Ricavi per licenze intercompany	435.892	258.281	291.942	223.497	307.196	112.500	-	-
Ricavi per manutenzione intercompany	51.732	18.678	75.833	183.093	124.035	-	10.823	-
Rimborso spese intercompany	41.933	74.977	78.808	236.592	57.107	8.985	418	22.268
Costi per vari rimborsi intercompany	22.198	10.036	-	836.155	83.290	132.307	-	48.447
Costi per servizi professionali intercompany	-	-	50.531	69.165	125.932	20.850	-	-
Int. att. finanz.ti non correnti imp. controllate	86.455	10.521	19.127	128.505	20.952	21.181	3.125	10.696

34. Guarantees and commitments and contingent liabilities

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

Guarantor	Beneficiary	Guarantee Amount	Contract Amount	date of issue	expiration date	Notes
BPER	P. A. client	€ 20,422.74	€ 408,454.66	21/11/2013	to be released by beneficiary	MINISTRY OF DEFENCE - Contract no. 10369 of 16/12/2013
BPER	P. A. client	€ 6,350.22	€ 127,004.38	30/12/2014	to be released by beneficiary	MINISTRY OF DEFENCE - Contract n. 10369 of 16/12/2013 Lot 7 and 8

Tokio Marine HCC	P. A. client	€ 6,140.45	€ 122,808.95	29/12/2016	to be released by beneficiary	MINISTRY OF DEFENCE - Contract no. 222 of 29/12/2016
ELBA ASSICURAZIONI S.P.A.	Customs Agency	€ 9,560.00	€ 191,200.00	27/04/2017	to be released by beneficiary	Customs Agency Prot. No. 52658/RU of 05/05/2017
ELBA ASSICURAZIONI S.P.A.	P. A. client	€ 13,174.25	€ 263,485.00	31/10/2017	to be released by beneficiary	MINISTRY OF DEFENCE - Contract Index No. 63 dated 22.12.2014 PNRM "DTCHE" - Phase 2
ELBA ASSICURAZIONI S.P.A.	A2A	€ 84,120.00	€ 841,200.00	07/11/2017	to be released by beneficiary	A2A SPA - PO no. 5300006802/179 of 31/10/2017
Tokio Marine HCC	P. A. client	€ 6,683.39	€ 133,667.85	05/12/2017	to be released by beneficiary	MINISTRY OF DEFENCE - Contract No. 222 dated 12/29/2016 Activation of Lots options 4, 5, 8, 10
BPER	Office rental (Rovereto facility extension)	€ 5,621.76		21/02/2018	31/12/2023	Trentino Sviluppo - Rovereto office rental
ELBA ASSICURAZIONI S.P.A.	SOGEI	€ 19,155.00	€ 383,100.00	19/09/2018	to be released by beneficiary	SOGEI - ID 1935 - CIG 7576920030
BPER	Office rental	€ 1,975.00		01/10/2018	30/09/2024	HABITEMA S.P.A.
Tokio Marine HCC	Ministry of Defence	€ 13,573.63	€ 271,472.60	14/12/2018	to be released by beneficiary	MINISTRY OF DEFENCE - Contract No. 222 dated 12/29/2016 Activation of Lots options 6, 7
BPER	Office rental	€ 7,381.96		17/12/2020	to be released by beneficiary	TRENTINO SVILUPPO
BPER	MIUR - C4E PROJECT	€ 462,500.00	€ 462,500.00	12/01/2019	30/06/2022	MIUR - C4E project
ELBA ASSICURAZIONI S.P.A.	ENEL ITALIA SPA	€ 49,983.75	€ 999,675.00	14/02/2019	to be released by beneficiary	ENEL ITALIA SPA - Contract AIT000216512 - CIG 7721104894

COFACE	PCM S.S.	€ 45,616.50	€ 912,330.00	17/10/2019	to be released by beneficiary	PCM S.S. RIA 963.2018
ELBA ASSICURAZIONI S.P.A.	Ministry of Defence	€ 22,390.78	€ 447,815.50	18/11/2019	to be released by beneficiary	MINISTRY OF DEFENCE - Contract Index no. 63 dated 22.12.2014 PNRM "DTCHE" - Option Phase 3
Tokio Marine HCC	CONSOB	€ 36,000.00	€ 720,000.00	04/12/2019	36 months - to be released by beneficiary	CONSOB - Contract no. ?
Tokio Marine HCC	PCM P.S.	€ 6,337.50	€ 126,750.00	21/01/2020	to be released by beneficiary	PCM S. S. - RIA 915-2019 dated 01/17/2020
Amissima Assicurazioni	University of Siena	€ 40,760.00		19/05/2020	31/12/2023	GUARANTEE ON 1 SCHOLARSHIP/S FOR THE ATTENDANCE OF THE DOCTORATE IN ENGINEERING AND INFORMATION SCIENCE - CYCLE XXXVI, ACADEMIC YEAR 2020/2021
ELBA ASSICURAZIONI S.P.A.	PCM Pineta	€ 14,754.10	€ 295,081.97	20/05/2020	to be released by beneficiary	PCM PS - 8452.2020 maintenance and support service SIUS-G Apr 2020 - March 2023
ELBA ASSICURAZIONI S.P.A.	PCM Susi	€ 9,500.00	€ 190,000.00	20/05/2020	to be released by beneficiary	PCM SS - RIA 890.2019
ELBA ASSICURAZIONI S.P.A.	PCM Susi	€ 18,442.60	€ 368,852.00	20/05/2020	to be released by beneficiary	PCM SS - RIA 720.2019
Tokio Marine HCC	SOGEI	€ 40,247.50	€ 804,950.00	20/11/2020	to be released by beneficiary	SOGEI - ID 2308 - CIG 8479411750
Tokio Marine HCC	TELEDIFE	€ 21,331.82	€ 426,636.35	11/10/2021	to be released by beneficiary	TELEDIFE: BEAGLE Programme - Case Code 013/21/0172 - CIG: Z1532915C3
Amissima Assicurazioni	University of Siena	€ 34,000.00		17/02/2021	17/02/2022	GUARANTEE ON RESEARCH GRANT FOR ANALYSIS AND EXPERIMENTATION OF THE USE OF RELATIONAL NEURAL MACHINES

Unicredit	Office rental	€ 6,105.00		12/03/2021	12/03/2033	HABITEMA S.P.A.
Total		€ 1,002,127.95				

35. Other information

In accordance with the law, the total fees due to the Directors, the members of the Management Control Committee and the Independent Auditors are shown.

Qualification	31/12/2021	31/12/2020	Delta
Directors	1,452,645	1,973,676	-521,031
- Stock option fees	785,892	1,148,400	-362,508
- Fixed fees	666,753	825,276	-158,523
- Number of Shares	710,000	660,000	50,000
Board of Statutory Auditors	14,463	44,940	-30,477
Auditing	71,806	36,650	35,156
Total	1,538,914	2,055,266	-516,352

Stock option fees refer to the rights of the third tranche of the "2018-2020 Stock Option Plan" granted in 2020 and exercisable, as provided for in the Plan regulations, in the period between July and December 2021, and the first tranche of the "2020-2023 Stock Option Plan" granted as part of the extraordinary exercise period approved by the Board of Directors on 23 November 2021.

36. Public contributions pursuant to Article 1, paragraphs 125-129 of Law No. 124/2017

It should be noted that, pursuant to Law no. 124/2017, paragraph 125-129 of Art. 1, the so-called annual Law for the market and competition, Group companies received the following amounts in 2021, as partial coverage of costs incurred and/or by way of contributions (cash basis):

Receiving party name	Name of the grantor	Amount	Collection date	Reason for payment	Project
		(data in Euro)			
Expert.ai S.p.A.	MISE [Italian Ministry of Economic Development]	77,514	25/03/2021	BALANCE	SUSTAINABLE GROWTH FUND FOR: CONTRIBUTION TO LESS DEVELOPED REGIONS N.0 PROG.F/050035/01/X32 (HORIZON 2 020 PON) - CUP B78117000380008- REF.4735/272-
	EIT DIGITAL	13,014	29/03/2021	BALANCE	EIT DIGITAL IVZW 2020 Q4
	EIT DIGITAL	53,748	31/05/2021	ADVANCE	EIT DIGITAL IVZW FOR: 2020 PREFINANCE BALANCE
	EIT DIGITAL	35,268	26/08/2021	BALANCE	EIT DIGITAL IVZW 2020 BALANCE

	European Commission	31,188	29/11/2021	ADVANCE	FUNDACION TECNALIA RESEARCH INNOVATION FOR: NOTIONES-GA 101021853-1st Prefinancing
	European Commission	188,409	23/12/2021	ADVANCE	UNIVERSITA TELEMATICA PEGASO SRL FOR: 1instalment GA no 101037247
Expert System France S.A.S.	Région IDF	127,007	11/03/2021	BALANCE	FAUCON
Expert System Iberia S.L.U.	European Commission	2,736	05/03/2021	BALANCE	700367 - DANTE - H2020-FCT-2014-2015/H2020-FCT-2015
	European Commission	193,828	06/04/2021	ADVANCE	101017501 - RELIANCE - H2020-INFRAEOSC-2018-2020 / H2020-INFRAEOSC-2020-2
	European Commission	7,500	03/08/2021	ADVANCE	ELE
	European Commission	252,883	11/08/2021	ADVANCE	101022004 - TRACE - H2020-SU-SEC-2018-2019-2020 / H2020-SU-SEC-2020
	European Commission	87,943	17/12/2021	BALANCE	770302– Co-inform– H2020-SC6-CO-CREATION-2016-2017/H2020-SC6-COCREATION-2017

Please also note that on 13/11/2020 we received the final decree for the granting of the project PASTEUR - "Platform for Semantic Analysis of Texts And Research Utility in the medical and health field" in accordance with the Sustainable Growth Fund - Call: Horizon 2020 PON Project No. 35 CUP B78117000380008000, with the final granting of the following facilities:

- a) a subsidized loan for the amount of Euro 207,980.00;
 - b) a contribution to expenses for the amount of Euro 255,193.75;
 - c) an increase in the contribution to expenses for the amount of Euro 51,995.00,
- against the following costs incurred and allowed:

- 1) Development activities Euro 650,085.09 in less developed areas;
- 2) Research activities Euro 439,917.18 in less developed areas, for a total of Euro 1,090,002.27.

The above costs were incurred in connection with the following research objectives:

RESEARCH OBJECTIVES	DESCRIPTION
1	Definition of algorithms for semantic analysis of medical-technical texts
2	Definition of algorithms for semantic analysis of online medical texts
3	Definition of algorithms for analysis, correlation and advanced information consultation
4	Development of Semantic and Database modules
5	Development of the Knowledge Map module
6	Experimental validation of Semantic and Database modules

In the absence of clear indications on the part of the Ministry, the Company has referred to an Assonime circular in which non-selective advantages or those accessible to all companies according to predetermined general criteria, as is the case for tax benefits, are considered to be excluded from the disclosure obligation.

It should be noted that Expert.ai S.P.A. during the year ended on 31/12/2021 used Euro 406,310 to offset the tax receivable on Research and Development provided for under Law 190/2014.

Lastly, in 2021 Expert System France S.A.S. collected Euro 208,743 in relation to the "Crédit d'Impôt Recherche (CIR)" benefit, provided for under article 244 quater B of the *Code Général des Impôts* (CGI), accrued during 2020.

The Company Expert.ai S.p.A. has received benefits falling under the State aids and the "de minimis" regime for which there is the obligation of publication in the National Register of State aids as per art. 52 of Law 234/2012.

37. 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 financial years ending on 31 December 2020, 2021, 2022 2022 and 2023, respectively, and solely for the year 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 connection with this Plan, based on employee performance during 2021, shares will be subscribed for in 2022 after approval of the 31 December 2021 financial statements. 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 assignment of 1,800,000 pre-emption rights conditional on the subscription, at a previously established price, of Expert System 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. Each tranche of the capital increase, partly free of charge and partly against payment (strike price: Euro 2.06 per share), is completed in full the year after the required performance is achieved. In connection with this Plan, based on employee performance during 2021, shares will be subscribed for in 2022 after approval of the 31 December 2021 financial statements. Unallocated rights will be added to the rights for the next tranche.

With reference to the second cycle of the stock grant plan (2021), the number of rights granted is 1,147,600, determined as follows:

- 800,000 rights relating to the second allocation tranche;
- 347,600 related to the residual portion of rights inherent to the first tranche that were allocated during the First Allocation Period (2020) but for which the conditions for maturity did not occur.

Stock grants were valued reflecting the financial market conditions valid at the date of the grant. The method adopted to estimate fair value follows

the risk neutral approach typical of these problems. With regard to performance objectives, full achievement of the objectives was considered. An expected annual stock dividend rate of 0.00% was also assumed. With regard to the possibility of beneficiaries leaving, it was decided not to consider this probability (i.e. a probability of 0.00%) for the purposes of fair value measurement. On the basis of the above assumptions, the unit fair value of the option was valued at Euro 2.735. With reference to the charges pertaining to 30 June 2021, the amount is equal to Euro 1,575,510.

With reference to the second cycle of the stock option plan (2021), the number of rights granted is 695,000, determined as follows:

- 450,000 rights relating to the second allocation tranche;
- 245,000 related to the residual portion of rights inherent to the first tranche that were allocated during the First Allocation Period but for which the conditions for maturity did not occur.

Stock options were valued reflecting the financial market conditions valid at the date of the grant, namely 24 May 2021. The method adopted to estimate fair value follows the risk neutral approach typical of these problems. In our model, the risk free rate curve is deducted from the interest rate swap rates on the market at the valuation date; for each option, we took into account the expected dividend rate of the underlying asset, which was set at 0% per annum. Based on the historical volatility of the stock, an annual volatility of 45% was assumed. With regard to the assumptions concerning the possibility of beneficiaries leaving, in agreement with the Company, it was decided to consider an annual probability of exit equal to 0%. The market-adjusted technical bases for the fair pricing of the options analysed are as follows:

- number of options: 695,000;
- vesting date: 30 April 2022;
- expiration date: 30 November 2022;
- strike price: Euro 2.060;
- quote as of the valuation date: Euro 2.735;
- annual volatility: 45%;
- expected dividend rate: 0%;
- exit rate: 0%.

It should be noted that with reference to the exercise of the options, based on the Regulations and with reference to the second cycle, these may be exercised in the following periods:

- 1 July 2022 - 15 July 2022;
- 15 September 2022 - 30 September 2022;
- 15 November 2022 - 30 November 2022.

The valuation was made by reflecting the 'no arbitrage' and 'risk neutral framework' features common to fundamental option pricing models (such as the binomial model, Black & Scholes model, and so on). Based on the above assumptions, the unit fair value of the option was valued at Euro 0.9181. With reference to the charges pertaining to 31 December 2021, the amount is equal to Euro 89,825.

Regarding options exercised during the financial year 2021:

- the value of the individual option of the Stock Grant Plan 2018-2020 (which closed in the half-year and is linked to performance targets achieved in 2020) is Euro 2.79 (share value on the grant date). The average price during the exercise period (15 May - 15 September 2021) was Euro 2.84.
- the value of the individual option of the Stock Option Plan 2018-2020 (which closed in the half-year and is linked to performance targets achieved in 2020) is Euro 1.72 (share value on the grant date, net of the exercise price). The average share exercise price was Euro 2.84.

38. Significant events occurred after year-end and foreseeable evolution of management

With reference to the main events that affected the **expert.ai** group after the end of the financial year 2021, the following should be noted.

Despite the increase in infections from "Covid" (in its latest variant) that we have been witnessing in recent weeks, after a period of downturn following the wave that hit Europe heavily starting in November 2021, it is believed that, thanks to the coverage guaranteed by the widespread vaccination campaign and the beginning of spring, there will be no negative impact on current year revenues. In the next few weeks we will witness the end of the health emergency in Italy and in the various countries in which the **Expert.ai Group** operates, so we hope for a gradual return to "normality", albeit in compliance with the anti-contagious protocols that have now become part of the life of citizens and the management of companies.

On the basis of current information on the possible scenarios of the ongoing conflict in Ukraine and the international sanctions adopted against Russia, it should be noted that although these do not compromise the company's ability to continue as a going concern and do not entail a change in the values of its 2021 consolidated financial statements, they might have a negative impact on the current financial year. It should be noted that the **Expert.ai Group**, in 2021, had no sales to Russia, Belarus and Ukraine. **Expert.ai Group** companies do not currently have any receivables from customers based in war-torn countries. It will, however, be the responsibility of the directors of single Group companies to constantly monitor the situation and assess the responses with due care so that any negative effects are contained as far as possible.

FINANCIAL EVENTS

On 18 January 2022, **expert.ai** announced the change in share capital following the exercise of the third tranche of the 2018-2020 Stock Option Plan and the first tranche of the 2020-2023 Stock Option Plan.

CUSTOMERS, PARTNERSHIPS AND AWARDS

On 27 January 2022, **expert.ai** strengthened its business agreement with international insurance company RSA, one of the longest-running insurance groups in the world and a leader in the UK market.

On 12 January 2022, **expert.ai** was mentioned in Gartner's "Innovation Insight for Composite AI" report, selected among vendors specializing in artificial intelligence technologies based on a hybrid approach (Composite AI or Hybrid AI).

Finally, on 15 February 2022, **expert.ai** announced a collaboration to enhance the capabilities of the U.S. National Security Research Center at Los Alamos Laboratory.

In the light of the above remarks, it is thus believed that the events that occurred after year end have no effect on the 2021 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) CREDIT AGRICOLE

- Type of derivative contract: Unlisted I.R.S. no. 65611/2017 signed on 25/09/2017 and expiring on 30/01/2023;
- Purpose: hedging;
- Operation with no capital exchange;
- Contractual notional amount: Euro 1,000,000;
- Hedged liability: CREDIT AGRICOLE loan no. 0106917000000 of original Euro 1,000,000 signed on 25/09/2017 and expiring on 30/01/2023;
- Notional amount at the reference date (31/12/2021): Euro 500,000;
- amount of liability hedged at the reference date (31/12/2021): Euro 500,000.
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: mark-to-model fair value negative by Euro 3,206.70;
- fair value when the hedge was created: zero.

b) BANCO BPM

- “Maximum rate with instalment premium” OTC derivative contract ID 790526 F 00104961 D 00038973 signed on 24/07/2017 and expiring on 31/12/2022;
- Purpose: hedging;
- Operation with no capital exchange;
- Contractual notional amount: Euro 400,000;
- Hedged liability: BANCO BPM loan no. 03703813 of original Euro 400,000 signed on 24/07/2017 and expiring on 31/12/2022;
- Notional amount at the reference date (31/12/2021): Euro 88,889;
- amount of liability hedged at the reference date (31/12/2021): Euro 222,222;
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: mark-to-model fair value negative by Euro 304.85;
- fair value when the hedge was created: zero.

c) 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 (31/12/2021): Euro 4,750,000;
- amount of liability hedged at the reference date (31/12/2021): Euro 4,750,000;
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: mark-to-model fair value negative by Euro 13,644.28;
- Fair value when the hedge was created: zero.
- Fair value when the hedge was created: zero.

d) 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 22/05/2025;
- Notional amount at the reference date (31/12/2021): Euro 704,066;
- amount of liability hedged at the reference date (31/12/2021): Euro 704,066;
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: mark-to-model fair value negative by Euro 4,534.97
- fair value when the hedge was created: zero.

e) INTESA SANPAOLO

- Type of derivative contract: Unlisted I.R.S. no. 31011814 signed on 28/06/2019 and expiring on 15/06/2023;
- Purpose: hedging;
- Operation with no capital exchange;
- Contractual notional amount: Euro 437,500;
- Hedged liability: loan of original Euro 500,000 signed on 28/06/2019 and expiring on 15/12/2024;
- Notional amount at the reference date (31/12/2021): Euro 187,500;
- amount of liability hedged at the reference date (31/12/2021): Euro 375,000.

- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: mark-to-model fair value negative by Euro 679.00;
- fair value when the hedge was created: zero.

f) BNL

- Unlisted OTC derivative contract on interest rates signed on 11/07/2019 and expiring on 11/07/2022;
- Purpose: hedging;
- Operation with no capital exchange;
- Contractual notional amount: Euro 1,500,000;
- Hedged liability: loan of original Euro 1,500,000 signed on 11/07/2019 and expiring on 11/10/2023;
- Notional amount at the reference date (31/12/2021): Euro 375,000;
- Amount of liability hedged at the reference date (31/12/2021): Euro 1,000,000;
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: mark-to-model fair value positive by Euro 2.89;
- Fair value when the hedge was created: zero.

g) BPER BANK

- “Interest Rate Option Cap Premium Running” unlisted OTC derivative contract on interest rates signed on 01/07/2019 and expiring on 24/06/2022;
- Purpose: hedging;
- Operation with no capital exchange;
- Contractual notional amount: Euro 3,000,000;
- Hedged liability: loan of original Euro 3,000,000 signed on 24/06/2019 and expiring on 24/10/2024;
- Notional amount at the reference date (31/12/2021): Euro 1,141,899;
- Amount of liability hedged at the reference date (31/12/2021): Euro 2,139,817;
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: mark-to-model fair value negative by Euro 1,322.56;
- Fair value when the hedge was created: zero.

h) INTESA SANPAOLO

- Type of derivative contract: Unlisted I.R.S. no. 179865/2020 signed on 28/02/2020 and expiring on 28/02/2024;
- Purpose: hedging;
- Operation with no capital exchange;
- Contractual notional amount: Euro 1,500,000;

- Hedged liability: UBI loan no. 1276551 of original Euro 1,500,000 signed on 28/02/2020 and expiring 28/05/2025;
- Notional amount at the reference date (31/12/2021): Euro 851,909; Amount of liability hedged at the reference date (31/12/2021): Euro 1,316,075;
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: mark-to-model fair value negative by Euro 2,764; Fair value when the hedge was created: zero.

k) 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 28/09/2020 and expiring on 30/06/2026;
- Notional amount at the reference date (31/12/2021): Euro 156,250;
- amount of liability hedged at the reference date (30/06/2021): Euro 2,500,000.
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: mark-to-model fair value positive by Euro 1,762.00;
- fair value when the hedge was created: zero.

l) MPS

- Type of derivative contract: Unlisted I.R.S. no. 210496 signed on 11/07/2019 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 11/07/2019 and expiring on 31/12/2025;
- Notional amount at the reference date (31/12/2021): Euro 702,778;
- amount of liability hedged at the reference date (31/12/2021): Euro 1,022,222.
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: mark-to-model fair value negative by Euro 1,275.91;
- fair value when the hedge was created: zero.

m) UNICREDIT

- "IRS Protected Pay" OTC derivative contract no. MMX27739972 signed on 18/ 02/2021 expiring on 31/07/2026;
- Purpose: hedging;
- Operation with no capital exchange;

- Reference notional amount: Euro 1,500,000;
- Hedged liability: loan of original Euro 1,500,000 signed on 15/07/2020 and expiring on 31/07/2026;
- Notional amount at the reference date (31/12/2021): Euro 1,500,000;
- amount of liability hedged at the reference date (31/12/2021): Euro 1,500,000;
- Underlying financial risk: interest rate risk;
- Fair value of the derivative contract: mark-to-model fair value negative by Euro 1,203.79;
- fair value when the hedge was created: zero.

APPENDIX B - Transition to IAS/IFRS international accounting standards

The company Expert.ai S.p.A., formerly Expert System S.p.A., publishes for the first time its consolidated financial statements in accordance with the IFRS international accounting standards. In accordance with IFRS 1, it presented the EU IFRS reconciliation statements as of the transition date (1 January 2019) and on the balance sheet as of 31 December 2019.

The opening balance sheet at the date of first application of the EU IFRS (1 January 2019) was prepared in accordance with the following criteria:

- all assets and liabilities whose recognition is required by EU IFRS standards were recorded;
- all assets and liabilities whose recognition is not permitted under EU IFRS were not recorded;
- EU IFRS were applied in the valuation of all recognised assets and liabilities;
- all the adjustments resulting from the first application of the EU IFRS were recorded with a contra entry in shareholders' equity.

Introduction

The consolidated financial statements of the Expert.ai Group as at 31 December 2020, comprising the consolidated balance sheet, the consolidated total income statement, the consolidated statement of changes in Shareholders' Equity, the consolidated Cash Flow Statement and these notes, have been prepared for the first time in accordance with the International Financial Reporting Standards (hereinafter also referred to as "IFRS" or "International Financial Reporting Standards") adopted by the European Union.

Specifically, information is provided on the effects resulting from the conversion to IFRS endorsed by the European Commission on the consolidated balance sheet as at 1 January 2019, 31 December 2019 and 31 December 2020 and on the consolidated operating performance and cash flows for 2019 and 2020 of the Expert.ai Group.

These reconciliation statements have been prepared solely for the purposes of the transition project for the preparation of the first complete set of financial statements in accordance with IAS/IFRS approved by the European Commission. These tables have been prepared in accordance with the international accounting standards currently in force, including the IFRS recently adopted by the International Accounting Standards Board (IASB) and the interpretation of the International Financial Reporting Interpretation Committee (IFRIC) and the Standing Interpretation Committee (SIC), endorsed by the European Commission. Finally, it should be noted that the effects of the adoption of the IFRS approved by the European Commission derive from changes in accounting standards and, consequently, are reflected in the opening Shareholders' Equity as at 1 January 2019.

In compliance with the requirements of IFRS 1, the quantitative and qualitative information concerning the effects of the transition to the IFRS accounting standards is provided below.

This section outlines:

- the reconciliations between consolidated shareholders' equity and the result for the year according to Italian accounting standards and those posted in compliance with the IFRS, present on the occasion of the first application, accompanied by the related explanatory notes:

a. as of 1 January 2019, the date of transition to IFRS;

b. as of 31 December 2019;

c. as of 31 December 2020;

- the description of the significant effects of the transition with regard to both the classification of financial statement items and their different valuation and, therefore, the ensuing effects on the equity, financial and economic situation.

Reference should be made to the section of the Notes to the Financial Statements regarding the accounting standards applied.

EXEMPTIONS ADOPTED DURING THE FIRST APPLICATION OF IFRS

The accounting standards illustrated above have been applied retroactively except as otherwise specifically indicated, with the exception of IFRS 3 ("Business combinations") for which the exemption provided for by IFRS 1 was applied.

EVENTS SUBSEQUENT TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

There have been no subsequent modifying events since the 31 December 2020 reference date that as such would have required an adjustment to the data posted and disclosures made.

RECONCILIATION STATEMENTS AND RELATED EXPLANATORY NOTES

As required by IFRS 1, the Reconciliations between Shareholders' Equity and the Profit (Loss) determined according to previously adopted standards and the corresponding values determined on the basis of the application of the International Accounting Standards endorsed by the European Commission are provided below, accompanied by the relevant notes. These reconciliations have been prepared in accordance with the methods indicated in IFRS1.

RECONCILIATION OF SHAREHOLDERS' EQUITY AND NET RESULT

Descriptions	Shareholders'		Other changes 2019		2019 Result		Shareholders'	
	Equity 01.01.2019	Notes		Notes		Notes	equity 31.12.2019	
Expert-ai OIC consolidated statements	15,077,489		6,806,423		(983,007)		20,900,905	
Intangible fixed assets that cannot be capitalised	(315,864)	1			107,879	1	(207,985)	
Rentals and leases					(11,870)	2	(11,870)	
Stock grant			329,806	3	(329,806)	3		
Stock options			184,645	4	(184,645)	4		
Severance pay	(295,526)	5	(363,060)	5	(21,971)	5	(680,557)	
Suspension of goodwill amortisation					2,519,902	6	2,519,902	
Total gross effect	(611,390)		151,391		2,079,489		1,619,490	
Tax effect	167,823	1,5,7	94,738	6	(21,164)	1,2,5,7	241,397	
Total net effect	(443,567)		246,129		2,058,326		1,860,888	
Expert-ai IFRS consolidated statements	14,633,922		7,052,552		1,075,319		22,761,793	

Descriptions	Shareholders'		Other changes		2020 Result		Shareholders'	
	Equity 01.01.2020	Notes	2020	Notes		Notes	equity 31.12.2020	
Expert-ai OIC consolidated statements	20,900,905		29,093,330		(5,424,443)		44,569,792	
Intangible fixed assets that cannot be capitalised	(207,985)	1	(904,206)	1	295,045	1	(817,146)	
Rentals and leases	(11,870)				(8,996)	2	(20,866)	
Stock grant	0		1,903,617	3	(1,903,617)	3	0	
Stock options	0		1,525,960	4	(1,525,960)	4	0	
Severance pay	(680,557)	5	(90,695)	5	110,986	5	(660,266)	
Suspension of goodwill amortisation	2,519,902	6			901,697	6	3,421,599	
Total gross effect	1,619,490		2,434,676		(2,130,845)		1,923,321	
Tax effect	241,397	1,5,7	297,690	1,5,7	(106,407)	1,2,5,7	432,681	
Total net effect	1,860,888		2,732,366		(2,237,252)		2,356,002	
Expert-ai IFRS consolidated statements	22,761,793		31,825,696		(7,661,695)		46,925,794	

Notes

1. Certain categories of costs, primarily start-up and expansion costs, capitalised prior to the date of transition to IFRS as "intangible fixed assets" in accordance with Italian GAAP, have been expensed as they do not meet the capitalisation requirements of IFRS. The effect on the 2019 result and shareholders' equity as of 31 December 2019, derives from not suspending this cost and not amortising the portion attributable to the year, as well as the related tax effects. Likewise, the effect on the 2020 result and shareholders' equity as of 31 December 2020 derives from not suspending this cost and not amortising the portion attributable to the year, as well as the related tax effects. Moreover, in 2020 € 904/000 relating to start-up and expansion costs incurred in connection with the capital increase were reversed against shareholders' equity.
2. This item includes "rights of use" as provided for by IFRS accounting standard no. 16 in relation to rental agreements, operating leases and rents in general with a value greater than Euro 5,000. The standard treats

EXPERT.AI GROUP

such contracts as if a "right of use" were acquired, precisely, with simultaneous registration of the debt necessary to acquire it.

At the transition date, which is also the date of first-time application of the standard for the Group, the value of the asset is established as the value of the corresponding loan, which is determined by discounting back the instalments to be paid; the rate is that which the Group would pay if it had to take a loan to purchase the asset.

In the years following the first, the effect of the adjustment is given by the reversal of the costs of use of third party assets, the recording of amortisation and depreciation, as well as the interest expense under the "loan". In the first years the effect is slightly negative because interest expense, in the amortisation plan with constant instalments, is higher than in the last years since it is calculated on the residual debt (initially higher). The overall economic effect tends to become zero as the contract expiration date approaches.

3. The adjustment regards the recognition in the Income Statement of personnel costs to be recorded as a contra entry to the increase in the shareholders' equity reserve accrued under the "stock grant" plan when the above-mentioned options were granted to employees. The effect on shareholders' equity is nil.
4. The adjustment regards the recognition in the Income Statement of personnel and service costs to be recorded as a contra entry to the increase in the shareholders' equity reserve accrued under the "stock option" plan when the above-mentioned options were granted to employees. The effect on shareholders' equity is nil. The value of each individual option was determined as the difference between the market value on the measurement date (which, in the case of employees and directors coincides with the grant date) and the strike price (exercise price), since the exact number of those entitled to exercise the option on each date is available.
5. Defined benefit plans, substantially Severance Pay, are determined as the present value, at the transition date, of the defined benefit obligation, adjusted for actuarial gains and losses. The recognised effect is calculated by an external actuary. The equity effect of this adjustment as of 1 January 2019 consists of an increased provision for severance pay, with the related tax effect recognised. In 2020 the provision increases with a direct transfer to shareholders' equity due to the change in the valuation of the parameters on which the discount rate is based, while the economic effect is a lower cost.
6. The company opted not to reopen the "business combinations" by applying the exemption provided for by IFRS 1 to goodwill. Therefore, as of the transition date, amortisation of the goodwill referred to in note 1 (the most significant of which, it should be noted, relates to the business combination with the French group Temis, now Expert System France) has been suspended and goodwill is subject to an annual impairment test. The economic and equity effects result from suspension of the amortisation of goodwill.
7. The company uses derivative instruments (to hedge rate changes). If the derivatives meet the requirements to be classified as hedging instruments, the subsequent changes in fair value are accounted for by following the specific criteria indicated by IFRS 9. 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. 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 reference date of the financial statements (cash flow hedge), the changes in the fair value of the derivative instrument posted subsequent to initial recognition are accounted for, limited only to the effective portion, among the components of Total Income and Loss. In accordance with the OICs, the liability relating to the negative value of derivative instruments was classified under risk provisions. As required by

IFRS 9, the item is now reclassified among financial liabilities (and the change is posted to the total income statement). The deferred tax effect (asset) is also calculated with a balancing entry in shareholders' equity.

The effect of taxation is determined by applying the tax rates in force at the date of transition to the adjustments described above (IRES equal to 24% and IRAP equal to 3.9%). The corresponding local tax rate is applied to adjustments relating to foreign Group companies. The adjustment made represents the net effect of higher deferred tax assets and higher deferred tax liabilities.

RECONCILIATION STATEMENT OF THE BALANCE SHEET AS OF 1 JANUARY 2019

<i>In Euro</i>	2,018	adj1	adj2	adj3	adj4	adj5	adj6	adj 7	2018 IFRS
Tangible fixed assets	715,423								715,423
Rights of use			2,172,472						2,172,472
Intangible fixed assets	14,733,649	(315,864)							14,417,785
Other non-current assets	2,604,144								2,604,144
Equity investments and securities	393,974								393,974
Deferred tax assets and other tax receivables	1,226,896	87,634				70,926		9,263	1,394,719
Total non-current assets	19,674,086	(228,230)	2,172,472	0	0	70,926	0	9,263	21,698,518
Inventories	109,312								109,312
Trade receivables and other receivables	19,873,253								19,873,253
Current tax receivables	1,662,365								1,662,365
Other current assets	498,512								498,512
Current financial assets	182,629								182,629
Cash and cash equivalents	7,882,784								7,882,784
Total current assets	30,208,855	0	0	0	0	0	0	0	30,208,855
Assets held for sale	4,775,574								4,775,574
Share capital	358,590								358,590
Legal reserve	43,899								43,899
Other reserves	37,358,700	(228,230)				(224,600)		9,263	36,915,133
Profit carried forward	(18,902,814)								(18,902,814)
Result for the year	(3,780,886)								(3,780,886)
Minority interest in shareholders' equity	0								0
Shareholders' Equity	15,077,489	(228,230)	0	0	0	(224,600)	0	9,263	14,633,922
Non-current financial payables	14,810,677		1,619,030					28,734	16,458,441
Provisions for risks and charges	58,701							(38,595)	20,106
Other non-current payables	5,084,347								5,084,347
Employee benefits	2,143,307					295,526			2,438,833
Provisions for deferred taxes	995,040								995,040
Total non-current liabilities	23,092,072	0	1,619,030	0	0	295,526	0	(9,861)	24,996,767
Trade payables and other payables	5,691,224								5,691,224
Current financial payables	5,659,342		553,442					9,861	6,222,645
Current tax payables	1,254,649								1,254,649
Other current liabilities	3,883,739								3,883,739
Total current liabilities	16,488,954	0	553,442	0	0	0	0	9,861	17,052,257

RECONCILIATION STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

In Euro	Notes	2019 OIC	adj1	adj2	adj3	adj4	adj5	adj 6	adj 7	2019 IFRS
Revenues from sales and services		31,654,069								31,654,069
Change in inventories		(50,704)								(50,704)
Other revenues		8,129,051								8,129,051
Total Revenues		39,732,416	0	0	0	0	0	0	0	39,732,416
Consumption of materials		1,218,987								1,218,987
Costs for services		12,043,891	17,106			85,090				12,146,087
Costs for the use of third-party assets		1,847,400		(627,995)						1,219,405
Personnel costs		18,792,278			329,806	99,555	21,971			19,243,610
Other provisions and other costs		410,560								410,560
Gross operating result (EBITDA)		5,419,300	(17,106)	627,995	(329,806)	(184,645)	(21,971)	0	0	5,493,767
Amortisation and depreciation		8,297,426	(124,985)	604,761				(2,519,902)		6,257,300
Write-downs of fixed assets										0
Operating result		(2,878,126)	107,879	23,235	(329,806)	(184,645)	(21,971)	2,519,902	0	(763,533)
Financial charges		685,709		35,104						720,813
Financial income		2,783,870								2,783,870
Result before taxes		(779,965)	107,879	(11,870)	(329,806)	(184,645)	(21,971)	2,519,902	0	1,299,524
Income taxes		203,041	29,748	(3,312)			(5,273)			224,205
Net result for the year		(983,007)	78,131	(8,558)	(329,806)	(184,645)	(16,698)	2,519,902	0	1,075,319
Result attributable to minority interests		0								0
Net result attributable to the group		(983,007)	78,131	(8,558)	(329,806)	(184,645)	(16,698)	2,519,902	0	1,075,319

RECONCILIATION STATEMENT OF THE BALANCE SHEET AS OF 31 DECEMBER 2019

<i>In Euro</i>	2,019	adj1	adj2	adj3	adj4	adj5	adj6	adj 7	2019 IFRS
Tangible fixed assets	701,666								701,666
Rights of use			1,928,352						1,928,352
Intangible fixed assets	13,091,778	(207,985)					2,519,902		15,403,695
Other non-current assets	2,471,415								2,471,415
Equity investments and securities	390,351								390,351
Deferred tax assets and other tax receivables	1,315,510	57,886	3,311			163,334		16,866	1,556,907
Total non-current assets	17,970,720	(150,099)	1,931,664	0	0	163,334	2,519,902	16,866	22,452,386
Inventories	58,608								58,608
Trade receivables and other receivables	24,454,339								24,454,339
Current tax receivables	1,725,256								1,725,256
Other current assets	318,471								318,471
Current financial assets	28,596								28,596
Cash and cash equivalents	21,647,441								21,647,441
Total current assets	48,232,711	0	0	0	0	0	0	0	48,232,711
Share capital	400,161								400,161
Legal reserve	71,718								71,718
Other reserves	45,911,951	(228,230)		329,806	184,645	(500,525)		16,866	45,714,513
Profit carried forward	(24,499,918)								(24,499,918)
Result for the year	(983,006)	78,131	(8,558)	(329,806)	(184,645)	(16,698)	2,519,902		1,075,319
Minority interest in shareholders' equity	0								0
Shareholders' Equity	20,900,906	(150,099)	(8,558)	0	0	(517,223)	2,519,902	16,866	22,761,793
Non-current financial payables	18,588,010		1,540,493					51,065	20,179,569
Provisions for risks and charges	129,171							(70,275)	58,896
Other non-current payables	4,686,489								4,686,489
Employee benefits	2,312,384					680,557			2,992,941
Provisions for deferred taxes	1,076,568								1,076,568
Total non-current liabilities	26,792,623	0	1,540,493	0	0	680,557	0	(19,210)	28,994,463
Trade payables and other payables	7,374,762								7,374,762
Current financial payables	5,893,319		399,728					19,210	6,312,257
Current tax payables	1,030,945								1,030,945
Other current liabilities	4,210,877								4,210,877
Total current liabilities	18,509,903	0	399,728	0	0	0	0	19,210	18,928,841

RECONCILIATION STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

<i>In Euro</i>	Notes	2020 OIC	adj1	adj2	adj3	adj4	adj5	adj6	adj 7	2020 IFRS
Revenues from sales and services		28,097,996								28,097,996
Change in inventories		(47,908)								(47,908)
Other revenues		9,396,849								9,396,849
Total Revenues		37,446,937	0	0	0	0	0	0	0	37,446,937
Consumption of materials		926,531								926,531
Costs for services		11,868,539				1,210,150				13,078,689
Costs for the use of third-party assets		2,408,958		(752,846)						1,656,112
Personnel costs		23,661,553			1,903,617	315,810	(110,986)			25,769,994
Other provisions and other costs		598,691								598,691
Gross operating result (EBITDA)		(2,017,335)	0	752,846	(1,903,617)	(1,525,960)	110,986	0	0	(4,583,080)
Amortisation and depreciation		7,494,140	(295,045)	726,533				(901,697)		7,023,931
Write-downs of fixed assets										
Operating result		(9,511,475)	295,045	26,313	(1,903,617)	(1,525,960)	110,986	901,697	0	(11,607,011)
Financial charges		2,445,222		35,309						2,480,531
Financial income		5,584,063								5,584,063
Result before taxes		(6,372,634)	295,045	(8,996)	(1,903,617)	(1,525,960)	110,986	901,697	0	(8,503,479)
Income taxes		(948,191)	82,280	(2,510)			26,637			(841,784)
Net result for the year		(5,424,443)	212,765	(6,486)	(1,903,617)	(1,525,960)	84,349	901,697	0	(7,661,695)
Result attributable to minority interests										
Net result attributable to the group		(5,424,443)	212,765	(6,486)	(1,903,617)	(1,525,960)	84,349	901,697	0	(7,661,695)

RECONCILIATION STATEMENT OF THE BALANCE SHEET AS OF 31 DECEMBER 2020

<i>In Euro</i>	2,020	adj1	adj2	adj3	adj4	adj5	adj6	adj 7	2020 IFRS
Tangible fixed assets	719,210								719,210
Rights of use			1,517,575						1,517,575
Intangible fixed assets	13,635,124	(817,146)					3,421,599		16,239,577
Other non-current assets	2,125,901								2,125,901
Equity investments and securities	60,777								60,777
Deferred tax assets and other tax receivables	1,454,175	227,879	5,821			158,464		40,516	1,886,856
Total non-current assets	17,995,187	(589,267)	1,523,396	0	0	158,464	3,421,599	40,516	22,549,895
Inventories	10,700								10,700
Trade receivables and other receivables	22,423,497					0	0		22,423,497
Current tax receivables	3,388,186								3,388,186
Other current assets	407,221								407,221
Current financial assets	16,325								16,325
Cash and cash equivalents	53,978,395								53,978,395
Total current assets	80,224,324	0	0	0	0	0	0	0	80,224,324
Share capital	507,770								507,770
Legal reserve	80,032								80,032
Other reserves	76,622,381	(880,162)		1,903,617	1,525,960	(569,454)		40,516	78,642,858
Profit carried forward	(27,215,948)	78,131	(8,558)			(16,698)	2,519,902		(24,643,171)
Result for the year	(5,424,443)	212,765	(6,486)	(1,903,617)	(1,525,960)	84,349	901,697		(7,661,695)
Minority interest in shareholders' equity	0								0
Shareholders' Equity	44,569,792	(589,267)	(15,044)	0	0	(501,802)	3,421,599	40,516	46,925,794
Non-current financial payables	27,674,799		1,093,718					127,649	28,896,166
Provisions for risks and charges	202,764							(168,816)	33,948
Other non-current payables	3,094,193								3,094,193
Employee benefits	2,707,929					660,266			3,368,195
Provisions for deferred taxes	953,883								953,883
Total non-current liabilities	34,633,568	0	1,093,718	0	0	660,266	0	(41,167)	36,346,385

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Trade payables and other payables	8,205,520								8,205,520
Current financial payables	5,468,597		444,722					41,167	5,954,486
Current tax payables	967,624								967,624
Other current liabilities	4,374,410								4,374,410
Total current liabilities	19,016,151	0	444,722	0	0	0	0	41,167	19,502,040

Notes

The situations presented above reflect the events highlighted and commented on in the reconciliations of shareholders' equity and result referred to in the preceding paragraph on the relevant dates. Specifically:

- All the assets and liabilities whose entry is required by IFRS, including those not envisaged in the application of Italian Accounting Standards, have been entered in accordance with IFRS;
- All assets and liabilities whose recognition is required or permitted under Italian GAAP, but not allowed under IFRS, have been eliminated;
- All assets and liabilities have been valued in accordance with IFRS;
- Certain items have been reclassified in accordance with IFRS.

Modena, 29 March 2022 For the Board of Directors

The Chairman
Stefano Spaggiari



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AUDITORS' REPORT AS OF 31/12/2021