

Alkemy S.p.A.

Interim Financial Report
at 31 March 2022

Alkemy Group

Parent Alkemy S.p.A.

Registered office in Milan, at Via San Gregorio 34

Share Capital Euro 595,534.32

VAT no.: 05619950966

Milan Company Registration no. 1835268



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Declaration in accordance with Article 154-bis, 2nd paragraph, of Italian Legislative Decree no. 58 of 24 February 1998 “Consolidated text setting out provisions on financial intermediation”, as subsequently amended	28



Corporate bodies of Alkemy S.p.A.

Board of Directors *

Alessandro Mattiacci	Chairman
Duccio Vitali	Chief Executive Officer
Massimo Canturi Riccardo Lorenzini	Director with delegations Director
Giulia Bianchi Frangipane Serenella Sala Ada Ester Villa	Independent Director Independent Director Independent Director

Board of Auditors *

Gabriele Gualeni Mauro Bontempelli Daniela Bruno	Chairman Standing Auditor Standing Auditor
Marco Garrone Maria Luisa Sartori	Alternate Auditor Alternate Auditor

Independent Auditors

KPMG S.p.A.

*Appointed by the Shareholders' Meeting on 26 April 2022.



Highlights

Below are the key data on operations of the Alkemy Group in the first three months of 2022:

	Figures in thousands of euros	
	Q1 2022	Q1 2021
Net revenue	23,428	20,655
Gross operating profit (loss) (Adjusted gross operating profit) ¹	2,285	1,979
Adjusted operating profit ²	1,637	1,475
Profit for the period	1,085	485
Average number of employees	750	557

	Figures in thousands of euros	
	Q1 2022	Q1 2021
Italy revenue	16,514	13,972
Export revenue	6,914	6,683
Net revenue	23,428	20,655

	Figures in thousands of euros	
	31 Mar. 2022	31 Dec. 2021
Net invested capital	54,566	57,891
Net financial debt	(17,123)	(21,192)
Equity	37,443	36,699

¹ Adjusted gross operating profit is the value determined by deducting the Costs for services, goods and other operating costs and Personnel expense, with the exclusion of non-recurring costs, from revenue.

² Gross EBIT is adjusted EBITDA less amortisation, depreciation, provisions and impairment losses.



The Group and its business

Alkemy S.p.A. (hereinafter also “Alkemy” or the “Company”) is a leading company in the digital transformation segment in Italy, listed on the STAR segment of the Borsa Italiana EURONEXT MILAN market. Alkemy enables the evolution of enterprises' business defining the relevant strategy through the use of technology, data and creativity. The aim is to improve the operations and services supplied by large and medium enterprises, stimulating the evolution of their business model hand-in-hand with technological innovation and consumer conduct. Alkemy develops innovative projects throughout the chains of the various segments, such as, for example, telecommunications, media, consumer services, financial services and utilities, combining advanced technologies with innovative design, big data and creative communication.

The Company's competitive advantage is its capacity to integrate different competences, intervening as a single player in the Customer's processes and operations, supplying multiple services that can impact the whole of the value chain. Indeed, Alkemy manages extensive projects aimed at transforming and evolving its customers' business, assisting them from the definition of the strategy to be pursued through to the relevant implementation and subsequent management.

Alkemy has now entered its tenth year, boasting an ever more extensive alchemy of integrated competences in the areas of Consulting, Communication, Performance, Technology, Data & Analytics and Design, which form a professional community numbering almost 700 people offering different experiences and abilities but who are very much united in their values and business culture. Alkemy is today an international business operating in Italy, Spain, Mexico and the Balkans, established on the basis of a partnership model with customers to enable innovation and growth through digital leverage. Alkemy's aim is, in fact, to construct a long-term relationship with customers, acting not as simple suppliers of services, but rather as an integrated partner to be engaged continuously, in support of programmes of change, transformation and acceleration.

In enabling the innovation process of its customers' business model and, accordingly, their competitiveness in the various industrial segments, Alkemy ultimately seeks to contribute towards the evolution and development of the whole country system.

Alkemy currently numbers 10 offices: in addition to the Milan headquarters, it also operates in Turin, Rome, Cagliari and Rende (Cosenza), Madrid, Belgrade, Mexico City, New York and Reykjavik.

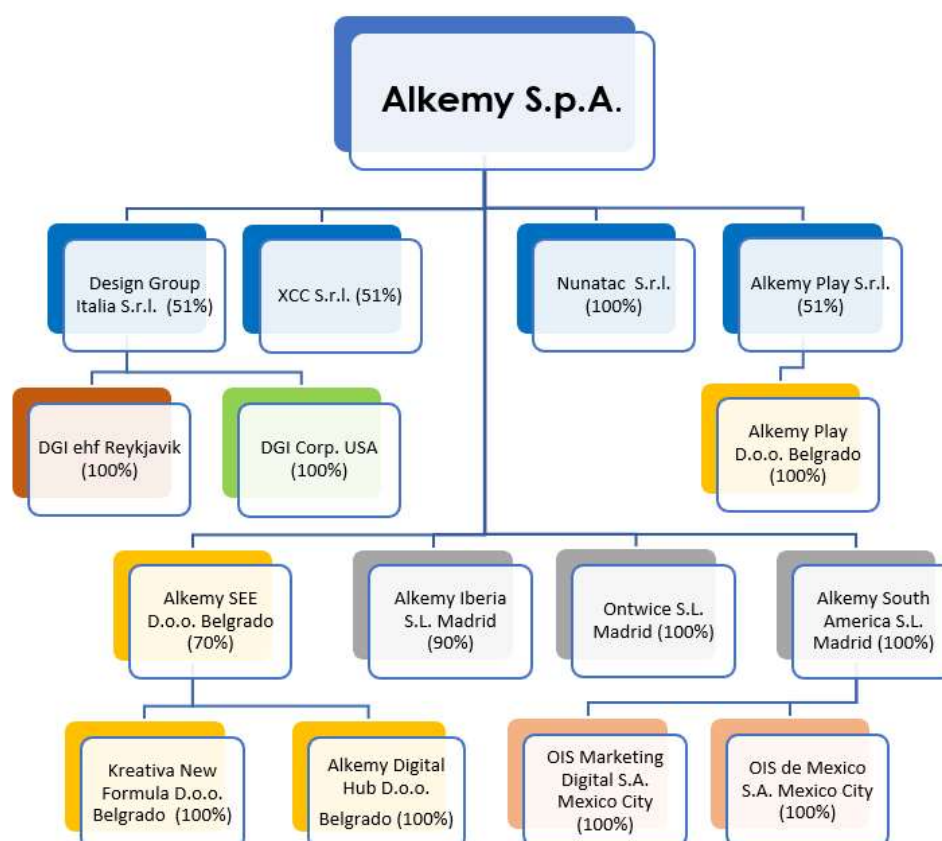
December 2017 saw Alkemy debut on the Borsa Italiana AIM Italia market to gather the capital necessary to finance the growth and expansion of the corporate competences, leaving control over the business with the managers and consequently guaranteeing independence and the possibility of perpetrating the vision.

From when it was listed, in just two years, Alkemy doubled its turnover and in December 2019, it finalised the switch to Borsa Italiana's main market, in the STAR segment dedicated to medium enterprises that undertake to meet standards of excellence in terms of transparency, corporate governance and liquidity.



Group structure

In just a few years, Alkemy has successfully gained standing as a leader on the digital transformation market, growing both organically and through external lines with acquisitions of other companies. Below is the Alkemy Group structure at 31 March 2022.



Business areas

In response to the continuous evolutions of the market on which the Company operates and to anticipate the needs of its customers, in February 2020, having laid the basis, in 2019, Alkemy modified its mission from “digital enabling” to “enabling evolution”. In other words, the Company is now focussed in enabling the evolution of its customers’ business, with a new offer for a post-digital scenario too, designed to stimulate the relevant progress and update.

Starting April 2021, with completion scheduled during the third quarter, a new Group organisation has started operating in Italy, structured by function (rather than competence), with the aim of ensuring a better focus on key accounts, with the establishment of a dedicated sales structure (“go-to-market”), supported by a pre-sales/business development unit and a delivery structure, whose priority aim is to execute projects/services offered commercially, through competence centres representing and applying the various disciplines practised within the Group, specifically:

- > **Consulting:** it analyses, designs and quantitatively assesses (business case and business plan) innovative solutions aiming to transform the customer’s business model thanks to the use of



the digital and omnichannel leverages, liaising closely with the CEOs and Executive Managers to define innovative, alternative strategies to achieve significant results in the long-term.

- > **Digital Marketing:** with the aim of speeding up on-line performance, it offers Alkemy customers the know-how and most innovative tools to promote its on-line brands and products. It thus manages all planning and procurement activities for its customers on the main digital media, search engines and social media, determining the investments needed to strengthen and improve consumer perception of the brands and products and speeding up sales on proprietary and third party e-commerce channels, thereby overcoming conventional marketing approaches;
- > **Tech:** this is Alkemy's technological soul and it is specialised in the design, development and operation of technologies for the digital evolution of the B2B and B2C channels, front-end solutions, CRM, CMS, Portals, Apps, etc. The business unit consolidates and strengthens Alkemy's mission, reinforcing technological competences and the capacity to oversee one of the areas enjoying greatest growth and development: that of Digital Transformation;
- > **Data & analytics:** it offers concrete support to businesses in order to improve their business performance through the analysis of data available (both that of CRM or of other internal systems, and data coming from all actions on the digital world) and the implementation of analytics models. The techniques used for data analysis range from traditional statistical analysis through to Advanced Analytics & Machine Learning, Real Time Next Best Action, Digital Customer Intelligence, Campaign Plan Optimisation, Data Environment Design, Implementation and Management
- > **Brand Experience:** it plans, designs and realises the enterprises' brand experience, in a fully integrated manner, putting the end consumer right at the heart through digital and physical touchpoints and more "traditional" forms of communication, with the ultimate aim of generating value both for the customer itself and the end consumer. Developing and transforming the touchpoints into a unique experience, which communicates consistently a strong, innovative, distinctive brand, Alkemy offers its services as an essential partner; it assists the customer in preparing and structuring brand strategies and creativity, advertising campaigns, products or services for commercial businesses and, in general, communication with consumers; including through the management of the corporate digitisation process using a BPO (Business Process Outsourcing) model for the digital processes.
- > **Product, Service & Space Design:** on a "design thinking" base, it is devoted to designing services, physical and digital products that impact everyday lives and the physical spaces/environments in which people and brands interact and can share significant experiences; it takes an omni-channel approach, focussing on creating value through innovating the experience. Analysing customers' businesses, including their processes, culture and resources, it aims to foster additional commercial opportunities and innovate the end customer experience.



Operating performance during Q1 2022

As regards the impact of Covid on the Group's operations, it is recalled that business has continued as last year, with a clear prevalence of smart working, in respect of current regulations in force in the period and, therefore, with a very limited number of staff working from the offices at the company sites but with absolutely no impact on the supply of services and projects for customers.

The start of the war in Ukraine has not had any direct impact on the Group, as it does not operate in these areas and does not do business with Russian or Ukrainian customers; at present, therefore, apart from

the block of a minor project with a company held by another company belonging to the Russian Federation, there is nothing to report in this respect.

The general business performance in the period was positive, as detailed below; the Alkemy Group closed the first quarter of the year with:

- turnover growth of more than 13% on 31 March 2021, mainly due to the different Group scope;
- an increase in consolidated EBITDA of more than 15%, equal to Euro 2,285 thousand, to be compared with adjusted EBITDA of 1,979 thousand euros in the comparable period;
- an improvement of more than 4 million euros of NFP, which has gone from -21.2 to -17.1 million at 31 December 2021.

It is also important to highlight the following events that took place during the first quarter, below reported in chronological order.

On 22 January 2022, the Board of Directors of Alkemy S.p.A. and that of Nunatac S.r.l. approved the planned merger by acquisition of the latter into the Parent company, which is the sole shareholder; on 4 March 2022, the shareholders' meeting of the company being acquired and the Board of Directors of the acquiring company, held in an extraordinary session, both approved said merger.

Given that the legal deadline has passed, during the second half of this month of May, the Parties will sign the merger contract, which will become effective starting next 1 June.

On 16 February 2022, Alkemy S.p.A. acquired 24.99% of the capital of the Spanish subsidiary Alkemy Iberia S.L. from a company headed by its CEO, upon payment of Euro 2,173 thousand (Euro 1,700 thousand at closing and the remaining share in 2022); at the same time, the approach of the CEO leaving Alkemy Iberia S.L. has been agreed, and he will remain on the company's Board of Directors until last 22 April, the date on which the financial statements at 31 December 2021 were approved.

On 22 February, Alkemy S.p.A. and Smog S.r.l., which holds 49% of the shares of Alkemy Play S.r.l., signed a new shareholders' agreement regulating the new relations between them in the management of the company for the next three years, as well as the agreement of a new put & call option held by the minority shareholder, to be exercised after approval of the financial statements at 31 December 2024, in addition to the terms of the necessary recapitalisation of this same company, with impact on the units held by each shareholder, which then took place last 26 April, as subsequently detailed on page 12 in the paragraph on subsequent events.

On 4 March 2022, Alkemy SEE D.o.o. signed a binding letter of intent between its subsidiary Kreativa New Formula D.o.o. and the company Kreativa Unlimited D.o.o. ("KU") aimed at achieving the merger of the business headed by the 2 companies; upon completion of the operation, expected



for this coming May, 51% of the capital of the company resulting from the merger will be held by Alkemy SEE and 49% by the shareholder (and current CEO) of KU.

On 30 March 2022, the third tranche started of the buyback plan by Alkemy S.p.A., concluded last 13 April, which led to the purchase of 25,000 treasury shares, taking the Company to hold 183,268 treasury shares, equal to 3.267% of the share capital at the date of this report.

Key income statement figures

The Group's reclassified income statement for the first three months of 2022, compared with the figures recognised at 31 March 2021, is as follows:

	Figures in thousands of euros	
	Q1 2022	Q1 2021
Net revenue	23,428	20,655
Services, goods and other operating costs	10,256	10,667
Personnel expense	10,887	8,009
Gross operating profit (loss) (Adjusted EBITDA)	2,285	1,979
Amortisation, depreciation and impairment losses	648	504
Adjusted operating profit	1,637	1,475
Loss (gain) on equity investments	-	79
Financial income (expense)	87	131
Non-recurring expense (income)	-	424
Pre-tax profit	1,550	841
Income taxes	465	356
Profit for the period	1,085	485
Other items recognised in equity	67	-
Comprehensive income	1,152	485
Comprehensive income attributable to non-controlling investors	1	(3)
Comprehensive income attributable to the owners of the parent	1,151	488

The Group's financial performance for the first three months of 2022 shows total net revenue of 23,428 thousand euros, as compared with 20,655 thousand euros for the previous period, up 2,773 thousand euros (+13.4%), due to the Italy sector for 2,542 thousand euros and for 231 thousand euros to the foreign sector.

Revenue recorded in Italy, which accounts for 70.5% of consolidated revenue (67.6% in the same period of 2021), totals 16,514 thousand euros (13,972 thousand euros in the corresponding period of the previous year), up 18.2% mainly due to the inorganic growth consequent to the acquisition, during the second quarter of 2021, of the majority share of Design Group Italia S.r.l. ("DGI") and eXperience Cloud Consulting S.r.l. (XCC), whose consolidated period revenues came to a total of 2,517 thousand euros. Abroad, revenue reached 6,914 thousand euros, as compared with the 6,683 thousand euros of the same period of 2021 (+3.5%), mainly thanks to the positive results achieved by the Mexican subsidiaries.

Operating costs went from 18,676 thousand euros during the first three months of 2021 (net of non-recurring items) to 21,143 thousand euros during the first three months of 2022, with an increase of



2,467 thousand euros (+13.2%), in line with the growth of revenues achieved and the different consolidation scope. More specifically, costs for services, goods and other operating costs, which came to 10,256 thousand euros in the first three months of 2022 (10,667 thousand euros in the first three months 2021, net of non-recurring items), dropped by 3.9% on the same period of the previous year and personnel expense, of 10,887 thousand euros in the first three months of 2022 (8,009 thousand euros in the first three months of 2021, net of non-recurring items) rose by 35.9% on the same period of the previous year. The incidence of operating costs on revenue therefore decreased slightly by 0.2 percentage points.

The increase in revenue and careful management of operating costs have led to a better gross operating profit (EBITDA) of 2,285 thousand euros, up 15.5% on the adjusted EBITDA of 1,979 thousand euros of the first three months of 2021. The adjusted EBITDA Margin³ for the first three months of 2022 came to 9.8%, up 0.2 percentage points on the corresponding period of the previous year (9.6%).

Operating profit, gross of financial income and expense, comes to 1,637 thousand euros, up 11% on the result of the first three months of 2021 (1,475 thousand euros, net of non-recurring items).

Period financial income and expense comes to 87 thousand euros as compared with 131 thousand euros for the corresponding period of the previous year.

The period result is positive for 1,085 thousand euros, as compared with 485 thousand euros for the corresponding period of the previous year.

Reclassified statement of financial position

Below is the Group's reclassified statement of financial position at 31 March 2022, compared with that at 31 December 2021:

	Figures in thousands of euros	
	31 Mar. 2022	31 Dec. 2021
Non-current assets	53,117	53,077
Current assets	35,501	40,199
Current liabilities	(27,254)	(28,784)
Net working capital	8,247	11,415
Post-employment benefits	(6,558)	(6,361)
Provision for risks, charges and deferred tax liabilities	(240)	(240)
Net invested capital	54,566	57,891
Equity	37,443	36,699
Non-current financial debt	21,804	21,853
Current financial debt (position)	(4,681)	(661)
Net financial debt	17,123	21,192
Total sources of finance	54,566	57,891

The reclassified statement of financial position data at 31 March 2022 indicate net invested capital of 54,566 thousand euros, to be compared with 57,891 thousand euros at 31 December 2021, which

³ The adjusted EBITDA Margin is calculated by comparing the adjusted gross operating profit to total revenue and income.



consists of:

- 53,117 thousand euros in non-current assets (53,077 thousand euros at 31 December 2021) of which 41,252 thousand euros for goodwill and 5,003 thousand euros for right-of-use assets (at the end of the previous year, they respectively came to 41,249 thousand euros and 5,332 thousand euros);
- 8,247 thousand euros of net working capital (11,415 thousand euros at 31 December 2021, -27.8%);
- 6,558 thousand euros of severance indemnity (6,361 thousand euros at 31 December 2021, +3.1%).

Working capital comes to 8,247 thousand euros (11,245 thousand euros at 31 December 2021) and the related reduction on the previous year is mainly due to the reduction in trade receivables, consequent to the decrease in DSO (Days Sales Outstanding), which more than offset the reduction in DPO (Days Purchase Outstanding), consequent to the change in the mix of purchases.

In the first three months of 2022, equity of 37,443 thousand euros increased by 744 thousand euros on 31 December 2021 (+2%), mainly due to:

- +1,152 thousand euros for the comprehensive income for the period;
- +107 thousand euros for the increase in the long-term incentive plan reserve;
- -517 thousand euros for the posting of payables for the put option relative to the company Alkemy Play S.r.l. Play S.r.l., on the basis of the new agreement signed with the minority shareholder in 2022.

The net financial debt is 17,123 thousand euros (debt of 21,192 thousand euros at 31 December 2021) and its change with respect to the previous year is detailed in the next paragraph.



Main financial figures

The table below details the net financial debt at 31 March 2022 compared with that at 31 December 2021:

	Figures in thousands of euros	
	31 Mar. 2022	31 Dec. 2021
Bank deposits	12,418	10,453
Cash on hand	6	5
Cash	12,424	10,458
Current financial assets	82	84
Bank loans and borrowings	(10,624)	(10,916)
Put option liabilities	(7,120)	(6,575)
Loans and borrowings from other financial backers	(336)	(353)
Lease liabilities from application of IFRS 16	(3,724)	(4,009)
Non current financial liabilities	(21,804)	(21,853)
Bank loans and borrowings	(5,576)	(5,450)
Put option liabilities	(739)	(2,906)
Loans and borrowings from other financial backers	(52)	(52)
Lease liabilities from application of IFRS 16	(1,458)	(1,473)
Current financial liabilities	(7,825)	(9,881)
Net financial debt	(17,123)	(21,192)

The Group's net financial position at 31 March 2022 amounts to 17,123 thousand euros (21,192 thousand euros at 31 December 2021), with a decrease of 4,069 thousand euros. This change, presented and explained in the Statement of Cash Flows given over the next few pages, is mainly due to:

- +1,966 thousand euros for the increase in cash and cash equivalents;
- +1,623 thousand euros for the decrease in payables for put options, like the combined provisions (i) of the already mentioned exercise of the option over the company Alkemy Iberia S.L. in February for +2,173 thousand euros (ii) of the registration of the new put liability that can be traced to the company Alkemy Play S.r.l. for -517 thousand euros and (iii) of the interest accrued in the period for -33 thousand euros;
- +300 thousand euro for the reduction in financial liabilities for the application of IFRS 16, mainly due to the payment of charges during the period;
- +166 thousand euros for the reduction of bank loans in place, mainly as per the combined provisions of (i) the invoice advances implemented in the period for a total of 942 thousand euros, (ii) the obtaining of a new loan relative to a beneficial finance project for 114 thousand euros) and (iii) repayment of the instalments envisaged in the repayment plans (+1,244 thousand euros).

Significant subsequent events

Useful information on the following significant events that took place after the close of the first quarter, is provided.

The Alkemy S.p.A. financial statements at 31 December 2021, which were approved by the Company's Board of Directors last 22 March, were submitted to the Shareholders' Meeting on 26 April



2022; they resolved in their favour, ruling that the period profit should be carried forward. With the approval of these financial statements, the mandate of appointment of the Company's administrative and auditing bodies reached its end and, therefore, the Shareholders appointed a new board of directors comprising 7 members (as compared with the previous 9), confirming Alessandro Mattiacci (Chairman), Duccio Vitali, Massimo Canturi, Riccardo Lorenzini, Serenella Sala and Giulia Bianchi Frangipane, with Ada Ester Villa joining. These latter three members are independent directors; the subsequent meeting of the Board of Directors, held on that same date, also appointed Duccio Vitali as Chief Executive Officer and assigned operative delegations on Massimo Canturi and Alessandro Mattiacci.

The Shareholders' Meeting held last 26 April of Alkemy Play S.r.l. approved the financial statements at 31 December 2021, showing a period loss of more than Euro 0.3 million; as envisaged in the specified new shareholder agreements between Alkemy S.p.A. and the minority shareholders Alkemy Play S.r.l., signed last 22 February, during the first ten days of May, this loss was therefore covered, after reducing the share capital, by means of the waiver of receivables by the sole parent company and subsequent replenishing of the share capital for Euro 10,000, of which Euro 7,500 by Alkemy S.p.A. and Euro 2,500 by the minority shareholders.

Last 22 April, following approval of the financial statements at 31 December 2021 of the 2 Spanish companies (Alkemy Iberia S.L. and Ontwice Interactive Service S.L.), following the agreed resignation by the previous CEO, a new Country Manager was appointed for the Spanish market (Ruth Blanch), a manager with vast experience, including abroad, and in-depth knowledge of the Spanish market and industry; great reliance is made on her contribution to further growth of the business in this geographic area.

Outlook

At the date of approval of this Interim Financial Report at 31 March 2022, the vast majority of all Italian and foreign companies of the Group continue their work remotely, in compliance with the instructions given by the various local governments on the prevention of the pandemic. Starting from the second quarter, following the gradual elimination of restrictions, both the progressive return to the offices was started and presence at customer businesses, to different extents depending on the geographic areas.

The evolution of operations in 2022 will mainly depend on exogenous factors that are still related, in the minority, to the real conclusion of the pandemic emergency with an effective return to "normality" and, mainly, to the evolution of the war in Ukraine. The economic effects deriving from the war are further supporting the inflation brought about by the widespread increase in the price of commodities and above all energy products, with significant impacts on a great many economic sectors and, in general, on companies' expectations, which are not always positive due to the generalised uncertainty of the markets. At present, no significant effects have been seen on Alkemy Group customers, except that some may suffer more and indirectly the difficulties generated by the war, with possible fallout on the purchase of the services proposed by the Group.

Taking into account the results achieved during the first quarter of 2022 and the current progress



made on business during the early months of the second quarter, save any further turns for the worse, which are not currently easy to predict, the Group confirms its expectation to continue organic growth, both in terms of revenues and margins.



Alkemy S.p.A.

Consolidated financial statements
at 31 March 2022 and comments



Financial statements

Consolidated income statement

Figures in thousands of euros			
	Notes	Q1 2022	Q1 2021
Revenue from sales and services	1	23,222	20,474
Other revenue and income	2	206	181
Total revenue and income		23,428	20,655
Services, goods and other operating costs	3	(10,256)	(10,677)
- of which non-recurring		-	(10)
Personnel expense	4	(10,887)	(8,423)
- of which non-recurring		-	(414)
Total costs and other operating costs		(21,143)	(19,100)
Gross operating profit		2,285	1,555
Amortisation/depreciation	5	(648)	(445)
Provisions and impairment losses	6	-	(59)
Operating profit		1,637	1,051
Net gains (losses) on equity investments	7	-	(79)
Financial income	8	204	65
Financial expense	9	(291)	(196)
Pre-tax profit (loss)		1,550	841
Income taxes	10	(465)	(356)
Profit/(loss) for the period		1,085	485
Attributable to:			
- Owners of the parent		1,084	488
- Non-controlling investors		1	(3)



Consolidated statement of comprehensive income

	Figures in thousands of euros	
	Q1 2022	Q1 2021
Profit/(loss) for the period	1,085	485
Items that will be reclassified to profit or loss:		
Foreign operations - foreign currency translation differences	67	-
Total items that will be reclassified to profit or loss	67	-
Total other comprehensive income (expense)	67	-
Comprehensive income/(expense)	1,152	485
Attributable to:		
- Owners of the parent	1,151	488
- Non-controlling investors	1	(3)



Statement of financial position

	Figures in thousands of euros	
Assets	31 Mar. 2022	31 Dec. 2021
Non-current assets		
Property, plant and equipment	2,087	1,809
Right-of-use assets	5,030	5,332
Goodwill	41,252	41,249
Intangible assets with a finite useful life	979	863
Equity investments	5	5
Non-current financial assets	1,936	1,789
Deferred tax assets	1,574	1,789
Other non-current receivables and assets	254	241
Total non-current assets	53,117	53,077
Current assets		
Trade receivables	30,985	36,040
Current financial assets	82	84
Tax assets	1,386	1,274
Other current assets	3,130	2,885
Cash	12,424	10,458
Total current assets	48,007	50,741
Total assets	101,124	103,818



	Figures in thousands of euros	
Liabilities and Shareholders' Equity	31 Mar. 2022	31 Dec. 2021
Equity		
Share capital	596	596
Reserves	35,439	31,517
Profit/(loss) for the period	1,084	4,263
Equity attributable to owners of the parent	37,119	36,376
Equity attributable to non-controlling investors	324	323
Total equity	37,443	36,699
Non-current liabilities		
Financial liabilities	10,960	11,269
Lease liabilities	3,724	4,009
Put option liabilities	7,120	6,575
Employee benefits	6,558	6,361
Provisions for risks and charges	222	222
Deferred tax liabilities	18	18
Total non-current liabilities	28,602	28,454
Current liabilities		
Financial liabilities	5,628	5,502
Lease liabilities	1,458	1,473
Put option liabilities	739	2,906
Trade payables	13,453	14,184
Tax liabilities	2,312	2,281
Other liabilities	11,489	12,319
Total current liabilities	35,079	38,665
Total liabilities	63,681	67,119
Total liabilities and equity	101,124	103,818



Consolidated statement of cash flows

	Figures in thousands of euros	
	31 Mar. 2022	31 Mar. 2021
Cash flow from operating activities		
Profit/(loss) for the period	1,085	485
Financial income	(204)	(65)
Loss (gain) on equity investments	-	79
Financial expense	291	196
Income taxes	465	356
Amortisation/depreciation	648	445
Provisions and impairment losses	-	59
Cost for share-based payments	111	136
Decrease (increase) in trade receivables	4,989	2,581
Increase (decrease) in trade payables	(664)	(762)
Decrease (increase) in other assets	(385)	183
Increase (decrease) in other liabilities	(948)	(1,733)
Interest paid	(54)	(51)
Income tax paid	(247)	(17)
Net cash flows from operating activities	5,087	1,892
Cash flows from investing activities		
(Investments) divestments of property, plant and equipment and intangible assets	(646)	(135)
Decrease (increase) in financial assets	(45)	56
Net cash flows used in investing activities	(691)	(79)
Cash flows from (used in) financing activities		
Change in financial liabilities	(206)	(762)
Change in financial liabilities pursuant to IFRS 16	(394)	(270)
Dividends paid to non-controlling investors	(101)	-
Exercise of put options	(1,730)	-
Other changes	-	(27)
Net cash flows from (used in) financing activities	(2,431)	(1,059)
Net increase/(decrease) in cash and cash equivalents	1,966	754
Opening net cash and cash equivalents	10,458	18,840
Closing net cash and cash equivalents	12,424	19,594

The statement of cash flows was prepared in accordance with the indirect method.



Statement of changes in equity

	Figures in thousands of euros								
	Share capital	Treasury shares	Legal reserve	Other reserves	Retained earnings	Profit/(loss) for the period	Equity attributable to owners of the parent	Equity attributable to non-controlling investors	Total equity
Balance at 31 December 2020	588	(1,093)	202	29,414	239	1,792	31,142	254	31,396
Allocation of profit for the period	-	-	-	-	1,792	(1,792)	-	-	-
Stock options	-	-	-	15	-	-	15	-	15
Other movements	-	-	-	-	-	-	-	(1)	(1)
Profit/(loss) for the period	-	-	-	-	-	488	488	(3)	485
Balance at 31 March 2021	588	(1,093)	202	29,429	2,031	488	31,645	250	31,895

	Figures in thousands of euros								
	Share capital	Treasury shares	Legal reserve	Other reserves	Retained earnings	Profit/(loss) for the period	Equity attributable to owners of the parent	Equity attributable to non-controlling investors	Total equity
Balance at 31 December 2021	596	(1,743)	202	31,215	1,843	4,263	36,376	323	36,699
Allocation of profit for the period	-	-	-	-	4,263	(4,263)	-	-	-
Stock options	-	-	-	4	-	-	4	-	4
Change in put option liabilities	-	-	-	-	(517)	-	(517)	-	(517)
Change in long-term incentive plan reserves	-	-	-	107	-	-	107	-	107
Other movements	-	-	-	-	(2)	-	(2)	-	(2)
Other comprehensive profit (loss)	-	-	-	67	-	-	67	-	67
Profit for the period	-	-	-	-	-	1,084	1,084	1	1,085
Balance at 31 March 2022	596	(1,743)	202	31,393	5,587	1,084	37,119	324	37,443



Notes to the consolidated financial statements

Basis of presentation and consolidation standards

The Alkemy Group Interim Financial Report at 31 March 2022 has been prepared as STAR issuer, in accordance with the provisions of Borsa Italiana Notice no. 7587 of 21 April 2016 "STAR Issuers: information on interim management statements"; the related contents are consistent with that established by Art. 154-ter, paragraph 5 of Italian Legislative Decree no. 58, dated 24 February 1998.

The Interim Financial Report is prepared on the basis of the booking and measurement criteria envisaged by the International Financial Reporting Standards (IFRSs) adopted by the European Union. The accounting standards adopted for the preparation of this Interim Financial Report are the same as those adopted for the preparation of the Group's annual Consolidated financial statements for the year ended at 31 December 2021, apart from the new standards in force from 1 January 2022, which had no significant impact on the period.

This Interim Financial Report has not been reviewed by the Independent Auditing Firm.

The Interim Financial Report is approved by Alkemy's Board of Directors on 13 May 2022 and on that same date, the same body authorises its publication.



Consolidated income statement

1. Revenue from sales and services

Revenue from sales and services comes to 23,222 thousand euros (20,474 thousand euros at 31 March 2021) and relate entirely to the sale of services.

The increase in turnover realised during the first three months of 2022 is 2,748 thousand euros (+13.4%) on the same period of the previous year and is mainly due to inorganic growth following the acquisition of the majority share of Design Group Italia S.r.l. and eXperience Cloud Consulting S.r.l. (during the second quarter of 2021) for a total of 2,509 thousand euros and the key foreign accounts, in particular relative to the Mexican subsidiaries.

2. Other revenue and income

Other revenue and income totals 206 thousand euros (181 thousand euros at 31 March 2021), as follows:

	Figures in thousands of euros	
	Q1 2022	Q1 2021
Revenue for capitalised costs	173	-
Government grants	4	78
Tax asset	-	20
Other revenue	29	83
Total other revenue and income	206	181

Revenue for capitalised costs came to 173 thousand euros and mainly relate to the internal implementation of software and platforms relative to the pursuit of the Group's commercial activities.

3. Services, goods and other operating costs

Services, goods and other operating costs comes to 10,256 thousand euros (10,677 thousand euros at 31 March 2021), as detailed below:

	Figures in thousands of euros	
	Q1 2022	Q1 2021
Services	10,163	10,598
Purchase of raw materials	27	31
Lease costs	36	9
Other operating costs	30	39
Total	10,256	10,677



Services

Costs for services come to 10,163 thousand euros (10,598 thousand euros at 31 March 2021) and are detailed below:

	Figures in thousands of euros	
	Q1 2022	Q1 2021
Services for customers	9,068	9,841
Other consultancy	163	84
Maintenance services	148	86
Consultancy and legal expenses	101	118
Marketing services	97	22
Travel and transfer expenses	77	40
Insurance	76	57
Meal vouchers	64	48
Postal, telephone and data transmission services	64	55
Administrative services	63	57
Audit fees	44	34
Cleaning expenses	34	18
Condominium and supervisory expenses	31	23
Banking services	19	9
Utilities	19	8
Payslip processing	17	32
Commercial services	16	23
Statutory Auditors' fees	16	16
Collaborators' fees	15	13
Logistics services	1	-
Costs for non-recurring services	-	10
Other services	30	4
Total services	10,163	10,598

"Services for customers" refers to external costs incurred to execute contracts with customers and mainly includes media space, marketing services, commercial services, IT consultancy and the cost of professionals dedicated to specific orders.

Other operating costs

Other operating costs come to 30 thousand euros (39 thousand euros at 31 March 2021) and regard costs from previous years, sanctions, stamp duty and levies.



4. Personnel expense

Personnel expense comes to 10,887 thousand euros (8,423 thousand euros at 31 March 2021) and consist of the following:

	Figures in thousands of euros	
	Q1 2022	Q1 2021
Wages and salaries	7,744	5,768
Non-recurring wages and salaries	-	414
Directors' fees	526	358
Social security expenses	2,090	1,451
Costs for defined benefit plans	408	274
Cost for share-based payments	111	136
Other personnel expense	8	22
Total personnel expense	10,887	8,423

This item includes all costs incurred during the period, directly or indirectly relating to employees and collaborators, as well as directors' fees for 526 thousand euros.

In general, the increase in these items is mainly due to the change in consolidation scope, as specified previously.

The average number of employees during the period was 750, as compared with 557 in the same period of the previous year.

753 employees were on the workforce at 31 March 2022, as compared with 561 in the same period of the previous year.

The cost of share-based payments includes the cost relative to the long-term incentive plan for three strategic managers, as well as the Chairman, Chief Executive Officer and Manager with delegations of the Parent.

5. Amortisation/depreciation

Amortisation/depreciation comes to 648 thousand euros (445 thousand euros at 31 March 2021) and consists of:

- 396 thousand euros (283 thousand euros at 31 March 2021) relating to the application of standard IFRS 16;
- 140 thousand euros (73 thousand euros at 31 March 2021) for the depreciation of property, plant and equipment;
- 112 thousand euros (89 thousand euros at 31 March 2021) for the amortisation of intangible assets.

6. Provisions and impairment losses

Provisions recorded come to zero thousand euros (59 thousand euros at 31 March 2021), insofar as those in place have been assessed as fair and adequate. During the first three months of last year, this amount referred only to the impairment of trade receivables.

7. Net gains (losses) on equity investments



Net gains (losses) on equity investments are zero at 31 March 2022. At 31 March 2021, they came to -79 thousand euros and referred to the equity measurement of the associate Design Group Italia S.r.l., now a subsidiary and fully consolidated.

8. Financial income

Financial income comes to 204 thousand euros (65 thousand euros at 31 March 2021) and refers (i) 102 thousand euros to the adjustment of the value of derivatives, stipulated in the second quarter of 2021 to hedge interest rates on loans and (ii) 102 thousand euros to the effects of exchange gains (64 thousand euros during the comparative period), mainly traceable to the subsidiary Ontwice Interactive Services S.A. Mexico City, which also originates most of the exchange losses, of 168 thousand euros (59 thousand euros during the comparative period), included under financial expenses, as detailed in the following item.

9. Financial expense

Financial expense comes to 291 thousand euros (196 thousand euros at 31 March 2021) and is detailed below:

	Figures in thousands of euros	
	Q1 2022	Q1 2021
Exchange losses	168	59
Interest expense on loans	42	49
Interest from put option liabilities	33	56
Interest on leases	29	22
Interest expense on employee benefits (IAS 19)	13	4
Interest expense on current accounts	-	1
Other financial expense	6	5
Total financial expense	291	196

The increase in the item is mainly due to the reduction in exchange losses.

10. Income taxes

Taxes come to 465 thousand euros (356 thousand euros as at 31 March 2021) and are detailed as follows:

	Figures in thousands of euros	
	Q1 2022	Q1 2021
Current income tax	165	220
Current IRAP tax	68	46
Change in deferred tax assets	232	89
Change in deferred tax liabilities	-	1
Total taxes	465	356



Net financial debt

In accordance with the requirements laid down by CONSOB communication of 28 July 2006 and in compliance with the ESMA update in regard to the "Guidance on disclosure obligations in accordance with the Prospectus Regulation" and with CONSOB's "Attention Note 5/21" dated 29 April 2021, below is the Group's Net financial position at 31 March 2022:

	Figures in thousands of euros	
	31 Mar. 2022	31 Dec. 2021
A Cash	12,424	10,458
B Cash equivalents	-	-
C Other current financial assets	82	84
D Cash and cash equivalents (A + B + C)	12,506	10,542
E Current financial liabilities (including debt instruments but excluding the current portion of non-current financial liabilities)	3,488	5,314
F Current portion of non-current financial liabilities	4,337	4,567
G Current financial debt (E + F)	7,825	9,881
H Net current financial debt (G - D)	(4,681)	(661)
I Non-current financial liabilities (excluding the current portion and debt instruments)	21,804	21,853
J Debt instruments	-	-
K Trade payables and other non-current liabilities	-	-
L Non-current financial debt (I + J + K)	21,804	21,853
M Total financial debt (H + L)	17,123	21,192

Milan, 13 May 2022

for the Board of Directors
the Chief Executive Officer
Duccio Vitali



Attestation in accordance with Article 154-bis, 2nd paragraph, of Italian Legislative Decree no. 58 of 24 February 1998 “Consolidated text setting out provisions on financial intermediation”, as subsequently amended

The Manager appointed to prepare the company's accounting documents, Claudio Benasso, attests, in accordance with paragraph two, Article 154-bis of the Consolidated Law on Finance (TUF), that the accounting information contained in this Alkemy Group interim report at 31 March 2022, coincides with the documentary evidence, ledgers and accounting records.

Milan, 13 May 2022

signed Claudio Benasso

(Manager appointed to prepare
the company's accounting documents)