(Translation from the Italian original which remains the definitive version)

Alkemy S.p.A.

2023 Annual Financial Report

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

Contents

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Corporate bodies of Alkemy S.p.A.

Board of Directors

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

Board of Statutory Auditors

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

Independent Auditors

KPMG S.p.A.

Letter from the Chief Executive Officer

Shareholders,

The year 2023 was a complex year, in which several macroeconomic factors arose and had a particularly strong impact on Alkemy as on many companies in our country.

Indeed, the international events and fears caused by the war in Ukraine were accompanied by the conflict in Israel in the second half of the year. These factors are not connected with Alkemy's business, but contribute to a climate of general uncertainty about the future. It is precisely the uncertainty and lack of visibility on cost trends that has led and still leads our customers, where possible, to postpone even strategic projects for their business. However, during the course of the year, there was more and more talk about Artificial Intelligence and in particular the impact it can have across all business areas, regardless of company size. This prompted us to launch a series of meetings with our customers, since Alkemy already has significant experience in implementing AI solutions thanks to the work of its AI Evolution Hub, a department that has been operational for several years and is dedicated to studying and building artificial intelligence solutions, and which was created within our Data&Analytics Competence Centre, which now has more than 150 Data Scientists and Data Engineers.

In this context, which, while challenging in the immediate term, is promising in the medium term, Alkemy recorded double-digit growth in turnover, supported by the contribution of Innocv, a Spanish company that was wholly acquired in July 2022 and is mainly focused on Tech and Data projects and solutions.

In 2023 we focused both on the rationalisation of our geographical presence in Southern Europe, with the amalgamation of the two Madrid offices of Alkemy Iberia and Innocv, and on the reorganisation of our structure in Italy, where we completed a process started in early 2022 that saw us move from an organisation based on 5 specialised Business Units (Strategy, Data & Analytics, Tech, Digital Marketing and Brand Experience), to an organisation led by the leaders of our Industries and where the competence centre managers will be able to focus on the objectives of quality of delivery and resource saturation.

This evolution of our internal structure in Italy, which is part of the industrialisation process underway, will allow us to seize the opportunities offered by the uniqueness of Alkemy, the only player that is 'natively' integrated and cross-competent in a context where players are either focused on only a few of our ingredients or characterised by a strong legacy with respect to a specific competence. In fact, digital transformation should be viewed as a true 'chemical transformation', which cannot be carried out with only one ingredient or competence, but which requires precisely the combination of many elements or competences ranging from strategy to technology, from data to creativity which, when combined together, accomplish the alchemy of transformation. It is precisely the synergy with which our elements operate that allows us to introduce ourselves to our customers as a solid partner that can help them seize the opportunities offered by the digital world and thus make their business model grow, achieving sustainable economic benefits with great impact over time.

In the year ahead, we will focus our energies on developing our portfolio of integrated projects through the new industry-oriented approach. This focus is expected to enable us to make the most of our supply synergies and resume growth acceleration, allowing Alkemy to establish itself more and more as the key player of Digital Transformation in Southern Europe.

With the aim of continuing to share with our people the value we have created over the years and expect to create in the coming years, the MyShare initiative was pursued also in 2023, whereby employees can choose to receive up to 5% of their salary in shares. The initiative, launched in July 2022, was extended this year to Spain in addition to the Group's Italian scope and more than 11% of the total number of eligible participants have already joined.

The creation of value for Alkemy and our customers is the primary objective we pursue through the work of all of us, though our uniqueness is best expressed in the way we operate: indeed, all our activities are driven primarily by the values of our people.

Precisely to emphasise the importance of values at Alkemy, in 2023 we decided to work on our corporate purpose, which is now described by the claim 'we create value with values'.

Alkemy will continue to pursue a path of value creation for all its stakeholders, keeping true to its values and striving to be an example of a sustainable and value-driven model of doing business.

Lastly, I would like to say a big thank you to the people at Alkemy, who continue to work with passion and tenacity every day, to our customers, who choose us as their partner in the exciting yet challenging digital transformation of their businesses, and to you, dear shareholders, for the support and trust you gave us once again last year.

Duccio Vitali,

Chief Executive Officer, Alkemy S.p.A.

Highlights

Below is the key performance data on operations of the Alkemy Group in 2023:

	Figures in thousands of euros	
	2023	**2022**
Net revenue (1)	119,158	106,574
Adjusted gross operating profit (EBITDA) (2)	13,144	11,821
Adjusted operating profit (3)	8,116	8,258
Profit for the year	3,535	5,614
Average number of employees	936	809

	Figures in thousands of euros	
	2023	**2022**
Italy revenue	72,013	69,830
Abroad revenue	47,145	36,744
Net revenue	119,158	106,574

	Figures in thousands of euros	
	31 Dec. 2023	**31 Dec. 2022**
Net invested capital	79,489	77,535
Net financial debt	(31,773)	(34,129)
Equity	47,716	43,406

(1) Net revenue is defined as the sum of revenue and other income
(2) 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.
(3) Adjusted operating profit is adjusted gross operating profit less amortisation, depreciation, provisions and impairment losses.

The Group and its business

Alkemy S.p.A. (hereinafter also "Alkemy" or the "Parent") 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 habit. 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 Parent'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 over 1000 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, the USA 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 has 11 offices: in addition to the Milan headquarters, it also operates in Turin, Rome, Naples, Potenza, Cagliari and Rende (Cosenza), Madrid, Belgrade, Mexico City and New York.

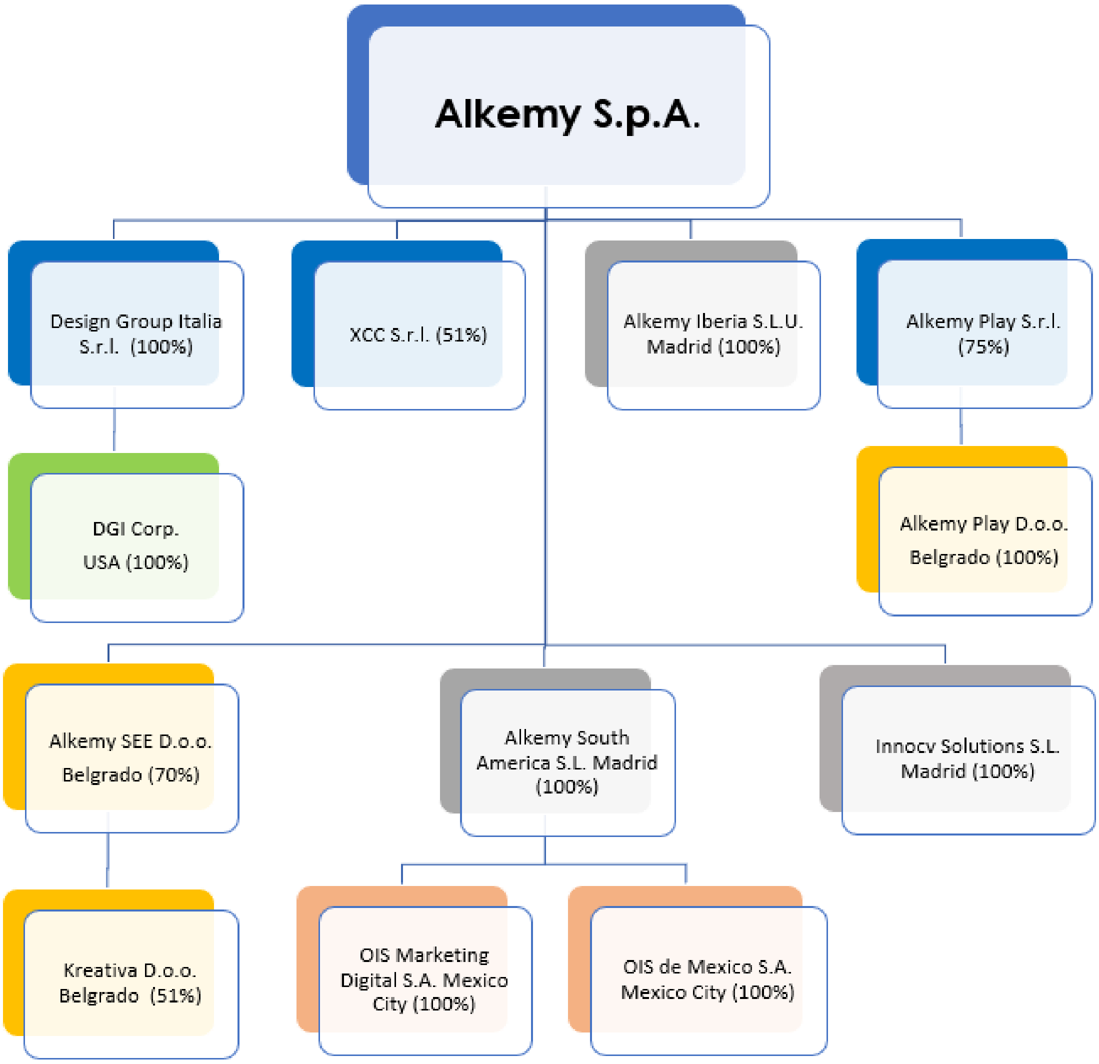
December 2017 saw Alkemy début on the Borsa Italiana AIM Italia market to raise the capital necessary to finance the growth and expansion of the corporate competences, leaving control over the business with the managers and consequently guaranteeing independence and the possibility of perpetrating the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

From when it was listed, in just two years, Alkemy has managed to almost double 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.

At 31 December 2023, the Alkemy Group structure is as follows:



Alkemy Play S.r.l.: company established in 2017, operating in digital communication services for SMEs. The company controls a legal entity that operates in the development of IT and technological services in Serbia, **Alkemy Play D.o.o.**.

Alkemy SEE D.o.o.: company based in Belgrade, established in 2016 with capital held 30% by the Chief Executive Officer, a local entrepreneur; it operates in strategic consultancy and digital advisory services. The company holds a 51% stake in **Kreativa D.o.o.**.

Alkemy Iberia S.L.U.: formerly Ontwice Interactive Service S.L., merged with Alkemy Iberia S.L. in 2022 and taking on its name. The company is based in Madrid and operates in strategic consultancy and digital advisory and is one of Spain's most important digital agencies.

Alkemy South America S.L.: company established in 2021, based in Madrid that wholly owns the two Mexican companies based in Mexico City, **Ontwice Interactive Services de Mexico S.A.** and **OIS Marketing Digital S.A.**, both operating on local markets in digital services, communication and media and previously held by Ontwice Interactive Service S.l.

Experience Cloud Consulting S.r.l. ("XCC"): company acquired in 2021, specialised in Cloud Computing solutions in CRM, Gold Consulting Partner of SalesForce, qualified to implement and develop integrated, multi-channel digital business solutions, from the CRM Cloud through to Marketing Automation, for B2B, B2C, eCommerce and Retail. The put & call options envisaged by contract, will allow the Parent to acquire the whole of the capital by the first half of 2026.

Design Group Italia ID S.r.l. ("DGI"): company operating in "innovation & design", in which the stake held has gone from 51% to 100% of the quota capital, following exercise of the put option in July and August 2023. The company is the sole shareholder of a legal entity operating in the USA: **DGI Corp.**.

Innocv Solution S.L.: , a company acquired in 2022, based in Madrid, and a market leader in Spain in the digital transformation segment, specifically in tech and data analytics.

Business units

Up to 31 December 2023, the Group's organisation in Italy was structured by function and aimed at ensuring a better focus on key accounts; it included a dedicated sales structure ("go-to-market"), with the support of a pre-sales/business development unit and a delivery structure, in charge of executing 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.

As already mentioned in the letter from the Chief Executive Officer, as of January 2024, the Group has implemented a new organisation in Italy with a commercial structure divided into 5 Industries, whose managers are assigned the full management of all customers belonging to each business area and who are also accountable for project delivery, to be carried out by the various Competence Centres.

The five Industries are:

1) Entertainment & life style;
2) Energy & utilities;
3) Technology & telco;
4) Financial services & institutions;
5) Healthcare & pharma.

The decision to have a 'client-driven' organisation (rather than an organisation structured by function or competence) confirms Alkemy's growing focus on customers' needs, with the aim of further developing the portfolio of companies served with an increase in the average size and duration of projects, through the widespread proposal of the Group's entire commercial offer, further characterised and tailored to the specificities of each Industry. This new approach will be applied to the offer of both Alkemy S.p.A. and all national companies, with expected improvements in terms of margin growth as early as the second half of 2024. Lastly, the disciplines of DGI, a leader in digital design, product design and branding, have been integrated into the Brand Experience Competence Centre, with the aim of completing, enhancing and enriching Alkemy's offer in this field, which is now even more unique and distinctive on the market.

Report on Operations

FY 2023 performance

Similarly to 2022, also in 2023, the national, European and, in general, global economic markets confirmed a high degree of uncertainty, with unfavourable impacts on business and companies' expectations. Specifically, the continuation of the military conflict in Ukraine and the outbreak of the Israeli-Palestinian conflict, which do not show signs of a possible break in the short term, further ignited the high level of inflation, with the central banks pursuing their high interest rate policy, new tensions and negative factors.
In this complex macroeconomic context with little in the way of visibility, the general trend of the Alkemy Group's business, as better detailed below, has been reasonably positive. The Alkemy Group closed FY 2023 with 11.8% growth in revenue and income over 2022 and with an improvement seen in margins, resulting in adjusted consolidated EBITDA of 13,143 thousand euros (11,821 thousand euros in the previous year, +11.2%) and a positive generation of operative cash (+9.2 million euros). At 31 December 2023, the net financial debt amounts to 31.8 million euros, down on that at 31 December 2022 (34.1 million euros).
Finally, at year-end the Group's average number of employees increased by more than 15% (936 vs 809 at 31 December 2022), as confirmation of management's positive expectations in terms of the business performance in future periods.

Reclassified income statement

The Group's reclassified income statement for 2023, compared with the figures of 2022, is as follows (4):

(4) Costs for services, goods and other operating costs as well as personnel expense, are stated net of non-recurring items.
For the definition of Net revenue, Adjusted EBITDA and Adjusted operating profit, please refer to the footnotes in the "Highlights" section.

	2023	2022
	Figures in thousands of euros	
Net revenue	**119,158**	**106,574**
Services, goods and other operating costs	(52,527)	(49,147)
Personnel expense	(53,487)	(45,606)
Adjusted gross operating profit (EBITDA)	**13,144**	**11,821**
Amortisation, depreciation and impairment losses	(5,028)	(3,563)
Adjusted operating profit	**8,116**	**8,258**
Net Financial income (expense)	(2,051)	(408)
Non-recurring expense	(1,226)	(752)
Pre-tax profit	**4,839**	**7,098**
Income taxes	(1,304)	(1,484)
Profit for the year	**3,535**	**5,614**
Other comprehensive income recognised in equity	183	695
Comprehensive income for the year	**3,718**	**6,309**
Profit for the year attributable to non-controlling interests	72	31
Profit for the year attributable to the owners of the parent	3,646	6,278

The Group's consolidated economic position for 2023 shows total net revenue of 119,158 thousand euros, as compared with 106,574 thousand euros during the previous year, up 12,584 thousand euros (+11.8%), due to the Italy sector for 2,183 thousand euros and for 10,401 thousand euros to the foreign sector.

Revenue in Italy, which accounts for 60.4% of consolidated revenue (65.5% in 2022), totals 72,013 thousand euros (69,830 thousand euros in the previous year), up 2,183 thousand euros (+3.1%). This is mainly due to the positive effects of the Go-To-Market strategy which, as a result of strong monitoring of existing customers, offset the uncertainty which still partly affects the reference market.

Abroad, revenue come to 47,145 thousand euros, compared with the 36,744 thousand euros in 2022 (+28.3%).

The overall increase of 10,401 thousand euros in revenue achieved by the foreign companies is mainly the result of the combined effect of (i) the inorganic growth due to the acquisition of Innocv Solutions S.L. in July 2022 (+5,976 thousand euros), (ii) the increase in revenue on the previous year (ii.1) of the Mexican subsidiaries (+826 thousand euros, i.e. +4.8%), (ii.2) of Kreativa D.o.o. +2,014 thousand euros, (ii.3) of Alkemy Iberia S.L.U. (+850 thousand euros) and (ii.4) of DGI Corp. (+685 thousand euros).

Operating costs (net of non-recurring items) went from 94,753 thousand euros in 2022 to 106,015 thousand euros in 2023, up 11,262 thousand euros (+11.9%), in line with the growth in revenue achieved and the different consolidation scope, also considering the higher investments in human resources made during the year to support future growth.

Specifically:

- costs for services, goods and other operating costs, net of non-recurring items, which came to 52,528 thousand euros in 2023 (49,147 thousand euros in 2022) rose by 6.9% on the previous year;
- personnel expense, net of non-recurring items, which came to 53,487 thousand euros in 2023 (45,606 thousand euros in 2022) rose by 17.3% on the previous year, mostly as a result of the different consolidation scope.

The incidence of operating costs on revenue, net of non-recurring costs, increased to 89% (88.9% at 31 December 2022).

The increase in revenue and careful management of operating costs have led to a better adjusted gross operating profit (adjusted EBITDA) of 13,143 thousand euros, up 11.2% on the adjusted gross operating profit of 2022, of 11,821 thousand euros. The adjusted gross operating profit Margin (5) for 2023 came to 11%, in line with 2022.

Note that the favourable euro-Mexican peso exchange rate has resulted in an increase in the adjusted gross operating profit of 199 thousand euros, calculated at equal rates with respect to the previous year.

The adjusted operating profit, gross of financial income and expense and non-recurring expense, comes to 8,115 thousand euros, down 143 thousand euros on 2022 (8,258 thousand euros), mainly as a result of higher amortisation/depreciation and impairment losses (+1,465 thousand euros on 2022). The increase in amortisation/depreciation is due to investments as of the second half of 2022 which continued in 2023.

Net financial expense comes to 2,050 thousand euros (408 thousand euros in the previous year), of which 776 thousand euros is interest expense on loans (464 thousand euros in 2022). The change from the previous year, described in detail below, is mainly due to the increase in market interest rates and the rise in financial liabilities at 31 December 2023 compared to the same period of 2022.

Non-recurring expense comes to 1,226 thousand euros and refers to extraordinary costs relative to staff for 1,187 thousand euros (Euro 459 thousand last year) and extraordinary costs relative to acquisitions for 39 thousand euros (Euro 293 thousand in the previous year).

The pre-tax profit comes to 4,839 thousand euros, down 2,259 thousand euros (-31.8%) on the pre-tax profit of the previous year (7,098 thousand euros), mainly as a result of the effect of higher amortisation/depreciation and impairment losses and financial and non-recurring items, compared to 2022.

The profit for the year totals 3,535 thousand euros, as compared with 5,614 thousand euros in 2022.

(5) The adjusted gross operating profit margin is calculated by comparing the adjusted gross operating profit to total revenue and income.

Reclassified statement of financial position

Below is the Group's reclassified statement of financial position at 31 December 2023, compared with that at 31 December 2022:

		Figures in thousands of euros
	31 Dec. 2023	**31 Dec. 2022**
Non-current assets	**67,526**	**66,710**
Current assets	50,678	45,617
Current liabilities	(32,113)	(29,021)
Net working capital	**18,565**	**16,596**
Post-employment benefits	(6,477)	(5,543)
Provision for risks, charges and deferred tax liabilities	(125)	(228)
Net invested capital	**79,489**	**77,535**
Equity	**47,716**	**43,406**
Non-current financial debt	25,956	29,942
Current financial debt (position)	5,817	4,187
Net financial debt	**31,773**	**34,129**
Total sources of finance	**79,489**	**77,535**

The reclassified statement of financial position data at 31 December 2023 indicates net invested capital of 79,489 thousand euros, compared with 77,535 thousand euros at 31 December 2022, which consists of:

- 67,526 thousand euros in non-current assets (66,710 thousand euros at 31 December 2022) of which 54,871 thousand euros for goodwill and 6,274 thousand euros for right-of-use assets (at the end of the previous year, they respectively came to 54,868 thousand euros and 4,633 thousand euros);
- net working capital of 18,565 thousand euros (16,596 thousand euros at 31 December 2022);
- post-employment benefits of 6,477 thousand euros (5,543 thousand euros at 31 December 2022);
- provisions for risks and deferred tax liabilities of 125 thousand euros, compared with 228 thousand euros at 31 December 2022.

Equity of 47,716 thousand euros increased by 4,310 thousand euros on 31 December 2022 (+9.9%), mainly due to:

- the comprehensive income for the year (+3,718 thousand euros);
- the fair value gains on put option liabilities (+661 thousand euros);

The net financial debt is 31,773 thousand euros (debt of 34,129 thousand euros at 31 December 2022) and its change with respect to the previous year end is detailed in the next paragraph.

Main financial figures

The table below details the net financial debt at 31 December 2023 compared with that at 31 December 2022:

		Figures in thousands of euros
	31 Dec. 2023	**31 Dec. 2022**
Bank deposits	12,025	9,110
Cash on hand	4	5
Cash and cash equivalents	**12,029**	**9,115**
Current financial assets	**86**	**291**
Bank loans and borrowings	(10,314)	(11,918)
Put option and earn-out liabilities	(9,553)	(13,436)
Loans and borrowings from other financial backers	(1,693)	(1,163)
Lease liabilities – IFRS 16	(4,396)	(3,425)
Non-current financial liabilities	**(25,956)**	**(29,942)**
Bank loans and borrowings	(11,532)	(8,935)
Put option and earn-out liabilities	(4,202)	(3,225)
Loans and borrowings from other financial backers	(88)	(88)
Lease liabilities – IFRS 16	(2,110)	(1,345)
Current financial liabilities	**(17,932)**	**(13,593)**
Net financial debt	**(31,773)**	**(34,129)**

The Group's net financial debt at 31 December 2023 is 31,773 thousand euros (debt of 34,129 thousand euros at 31 December 2022), an improvement of 2,356 thousand euros over the previous year end. This change, detailed and explained in the Statement of Cash Flows given over the next few pages, is due for:

- -1,736 thousand euros to the increase in financial liabilities following the application of IFRS 16, mainly as a result of new leases, mainly for new offices, offset, in part, by lease payments in the year;
- -1,523 thousand euros to the increase in bank loans and borrowings and loans and borrowings from other financial backers, mainly due to the combination of (i) invoice discounting and factoring transactions (net of the disbursements made) for a total of -2,178 thousand euros, (ii) the repayment of instalments envisaged by the loan repayment plans (+6,440 thousand euros), (iii) new medium-long term loans obtained in the year (-4,656 thousand euros) and (iv) new short-term loans (-1,166 thousand euros);
- -205 thousand euros to the decrease in current financial assets, mostly following the sale of the securities held by the company Innocv Solutions S.L.;
- +2,906 thousand euros to the decrease in put option and earn-out liabilities, mainly as a result of the exercise of options in the year;

- +2,915 thousand euros to the increase in cash and cash equivalents.

Four of the loans in place, equal to 8,913 thousand euro at 31 December 2023, provide for financial covenants, as detailed in note 26 to the consolidated financial statements and note 27 to the separate financial statements, to which reference should be made.

Significant events during the year

Alkemy S.p.A.'s separate financial statements at 31 December 2022, which were approved by the Company's Board of Directors on 27 March 2023, were submitted to the Shareholders' Meeting on 27 April 2023. The Shareholders resolved to approve them and to carry forward the profit for the year.

During the same meeting, given the forthcoming expiry date of the 2020/2023 Long-Term Incentive Plan, the Shareholders also approved a new 2024/2026 Long-Term Incentive Plan (the "2024-26 LTIP"), confirming compliance with the strategic objectives of the business plan adopted by the Parent for the 2024/2023 period and, therefore, with the long-term interests that the Parent intends to pursue accordingly. The new 2024-26 LTIP will be assigned in the course of 2024.

The first tranche of the buyback plan by Alkemy S.p.A. began on 24 May 2023 and ended on 6 June. As of the latter date, with the purchase of 10,000 treasury shares, the Parent had held a total of 149,315 treasury shares, equal to 2.63% of the share capital.

In July, the Parent obtained a medium/long-term loan from Banco di Desio e della Brianza, with a duration of 60 months, including an interest-only period of 12 months, for a nominal amount of 3,000 thousand euros. This amount will be used to purchase the residual non-controlling interests (49%) of DGI S.r.l.. Repayment is on a straight-line basis once a quarter. The interest rate applied is the 3M Euribor, increased by a spread of 1.85 points. At disbursement, an up-front fee was withheld of 15 thousand euros. The contract shall meet two financial covenants, specifically: (i) leverage ratio, i.e. net financial debt/gross operating profit <3; and (ii) the ratio of net financial debt and equity <1, both to be calculated annually at the year end.

On 28 July 2023, the Parent formalised the purchase of an additional 47% of DGI S.r.l. from its non-controlling investors. The residual 2% of the quota capital was purchased on 1 August. As of this date, the Parent wholly owns

In August 2023, the Parent obtained an additional medium/long-term loan from Mediocredito Centrale with a nominal amount of 84 thousand euros in connection with subsidised project financing. Repayment is on a straight-line basis once every six months up to 31 December 2029.

In September 2023, Alkemy S.p.A. obtained an additional loan of 1,500 thousand euros from Credem. This 36-month loan has an interest-only period of six months and repayment takes place quarterly on a straight-line basis up to 7 September 2026.

Evolution of demand and performance of the markets on which the Group operates

In Italy, where most of the Group's operations take place, the digital market is less mature than the rest of the continent. If we look at the EU average, the levels of basic digital competence are "very low". In fact, according to DESI, despite the fact that Italy has substantially improved its performance in recent years, in particular thanks to the establishment of a Ministry for Technological Innovation and Digital Transition, it comes in 18th out of the 27 EU Member States, particularly behind France, English-speaking countries and Northern Europe.

According to our own study, which measures the degree of digital maturity in the main companies listed on the Milan stock exchange, only 26% of companies can be said to be "fully digital". Although this is very low, partly due to pandemic-related contingencies, there has in any case been a significant improvement compared to the 2018 study, in which only 11% of companies were fully digital. Again as a result of the recent pandemic, both the awareness by top management of major companies of just how inescapable the digital transformation really is and the attention paid by institutions to the need to adopt measures aimed at narrowing some major gaps in digital competences, have grown significantly. In 2020, Italy launched its very first National Digital Competences Strategy and a correlated Operative Plan that lists more than 100 specific actions and sets ambitious targets for 2025. The Italian recovery and resilience plan is the most extensive of the whole of the EU, for a total value of approximately 191.5 billion euros and 25.1% of that amount (approximately 48 billion euros) is allocated precisely to the digital transition.

While we need to wait until next year to see the first results expected from the public investments, the situation we have been experiencing in recent years is already showing us a significant boost in the behavioural change of all Italians who, with no particular distinction drawn between different ages, income, social classes and geographic areas, rapidly adapted to the new contexts and different working (and other) scenarios as they arose, adopting digital tools with a now irreversible trend. Clear evidence is provided, for example, with: the massive use of the internet in 2023, 86.1% of the population (70% in 2019), the increase in e-commerce (+20% in absolute value compared with 2021), the extensive adoption of working from home schemes (by over 45% of companies in 2022), the widespread use of communication platforms, both at work and in teaching, the increased use of home banking and the spread of social networks (more than 43.9 million Italians were active on social media every day in 2023 (+24% on 2019).

The growth rate set to characterise Italy over the next few years could be even more significant precisely thanks to the new habits that have been consolidated and the drive on investments in the digital transition. This would allow for both a partial recovery of the gap with respect to other European countries and an extension of the potential business area associated with Alkemy's business, in light, above all, of the evidence that the use of digitisation has become a need (and no longer an option), but also an opportunity encouraged by the PNRR (Italian National Resilience and Recovery Plan) for all companies of any segment. Following the COVID-19 emergency, in fact, all segments of the economy were forced to approach digital instruments and channels, transforming their business models, insofar as very much impacted by the restrictive measures implemented by the government and the changes in consumer purchasing behaviour, which in some cases, after almost two years, are now irreversible.

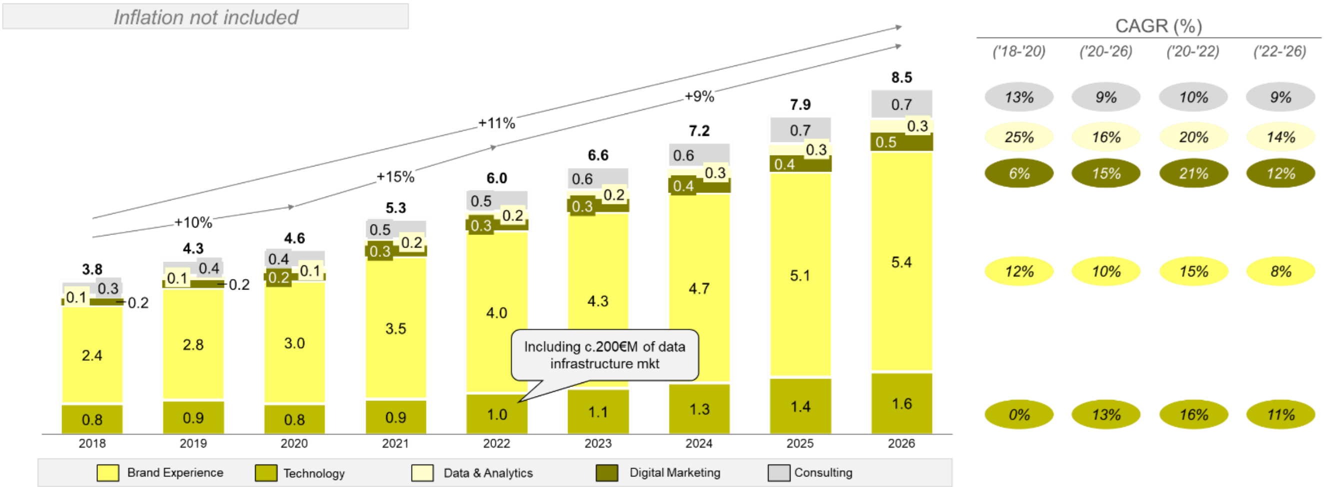
Alkemy's national target market, Digital Transformation, was worth more than 6 billion euros already in 2022, with year-on-year growth rates of more than 10% (15% in 2021). The main market drivers include, with an expected double-digit CAGR 2022-2026, the Data and Tech areas (+14% and +11% respectively), which encompass and enable new emerging technologies: in 2012 the digital world, now artificial intelligence. Market data refer to the specific sector in which the Group operates, i.e. that of Digital Transformation services for the Marketing&Sales chain (e.g. the Tech area includes only the market for the development, maintenance and implementation of e-commerce, CRM, websites). With lower expected growth (8%), but significant sizing, we then find the Brand and Design segment, which alone exceeds 65% of the market value.

As regards the foreign markets covered by the Group, instead, the estimated figures are as follows:

- the Balkans (Slovenia, Croatia, Bosnia-Herzegovina, Serbia, Montenegro, Albania, Macedonia): 0.5 billion euros in 2022, with annual growth expected for the 2022-2026 period of 9.0%;
- Iberian peninsula: 5.0 billion euros in 2022, with annual growth of 10.5% expected for the 2022-2026 period. However, growth is expected to be more significant as a result of the consolidation of the offer of the Spanish-based InnoCV, which was acquired in 2022,
- Mexico: 3.1 billion euros in 2022, with annual growth expected for the 2022-2026 period of 12.5%.

Supplementing the Italian market with that of foreign countries, the compound annual growth rate of the potential comprehensive market is forecast to exceed 11% over the next three years.

Alkemy reference markets (2018A-2026F, €B)



BX Including spatial design and considering fixed 2020 interest rate exchange USD / EUR
Source: Gartner, Nielsen, IDC, Statista, Expert interviews, BCG analysis

Competitors

In terms of the B2B digital services offer, the Italian market has a limited number of large players in terms of turnover, characterised by supply models that are very much hinged on technological and marketing execution.

Some important foreign consultancy companies have approached the Italian market, operating through the acquisition of certain minor digital agencies and the hiring of specific professionals; they are therefore the operators that are closest to offering the extensive range of services boasted by Alkemy.

The foreign market is still very fragmented insofar as there are countries with a low level of digital maturity, very similar to the recent past seen in Italy (the Balkans, the Iberian peninsula, Latin America), whilst elsewhere, such as in Anglo-Saxon countries, digital is already well consolidated and properly mature.

More specifically, on the more advanced, digitally more evolved markets, the lead players have consolidated their market positions, aggregating small independent players and thereby anticipating the same process implemented by Alkemy.

Indeed, Alkemy is the only player that is 'natively' integrated and that operates by synergistically combining different competences, whereas other players are either focused on only a few ingredients or maintain a strong legacy with respect to a specific competence (e.g. Accenture with Tech). This peculiarity makes Alkemy the ideal partner to accompany companies in their Digital Transformation, a true 'chemical transformation', which cannot be carried out with only one competence (e.g. technology), but which requires the combination of many elements ranging from strategy to technology, from data to creativity which, when combined together, accomplish the alchemy of transformation.

The Parent believes that the competitive scenario in Italy is basically overseen by three types of players: peers (independent mid-size players and cross-competence), large tech or media groups (such as Deloitte, Accenture, Engineering or Publicis, WPP) and specialists (small-size and vertical players on a specific competence).

At the macro level:

- the **large Tech/System Integrator Groups** are consolidating. These players have a primarily technological background and a large offer portfolio, in addition to significant capacity to implement strategies and operative processes thanks to their size. They are also enriching their creative skills through the acquisition of communication agencies. These operators include, when focusing specifically on the digital segment, Accenture Interactive, Deloitte Digital and the Reply division assigned to this segment. Also falling within this segment are the **big Media Centres** such as Publicis or WPP, whose size in Italy is currently smaller than that of the big technology players and whose strength remains their large transactional volumes with specific reference to the Digital Marketing market;
- **Specialists**, on the opposite side of the spectrum, are on average smaller players recognised in the market for their specific expertise (e.g: Webranking for digital marketing, Caffeina among communication agencies) though, in a competitive market, they are exposed to the risk of being consolidated by larger groups (this is the case, for instance, of Simple Agency, acquired by Dentsu as early as 2013);
- **Peers**, including **Data driven companies**, are independent mid-size players mainly oriented towards strategy or execution only (in Europe, they include Jakala, the Spanish Making Science and the French Artefact). Lastly, potential peers include **Traditional consulting** companies, which have a strong position in traditional strategy and process consultancy services and which are evolving their business model, organically or through acquisitions and partnerships, so as to be able to offer execution services on digital (e.g. BCG Platinon).

On the foreign markets covered by the Group (the Balkans, the Iberian peninsula and Mexico), the competitive scenario does not differ significantly from that of Italy, except for a lesser maturity of the offer integration process that the main players are developing in the wake of the more evolved markets.

Alkemy operates in this context as an independent business with a cutting-edge offer portfolio as regards digital services, which can cover end-to-end services conducive to Digital Transformation, coupled with a strategic approach that makes it possible to dialogue mainly with chief executive officers of the customer businesses, making it comparable with the digital specialisation structures of the above major multinational enterprises, which, therefore, its management believes, are the operators most similar to the Parent and its main competitors. Other comparable independent players on the European scene are the aforementioned Making Science and Artefact, as well as the Scandinavian company Knowit.

Due to the large number of integrated services offered, it is the opinion of the Parent's management that the Alkemy Group holds a unique competitive position in particular in Italy but also in the foreign markets covered. In terms of the B2B digital services offer, the Italian market has a limited number of large players in terms of turnover, characterised by supply models that are very much hinged on technological and marketing execution.

Some important foreign consultancy companies have approached the Italian market, operating through the acquisition of certain minor digital agencies and the hiring of specific professionals; they are therefore the operators that are closest to offering the extensive range of services boasted by Alkemy.

The foreign market is still very fragmented insofar as there are countries with a low level of digital maturity, very similar to the recent past seen in Italy (the Balkans, the Iberian peninsula, Latin America), whilst elsewhere, such as in Anglo-Saxon countries, digital is already well consolidated and properly mature.

More specifically, on the more advanced, digitally more evolved markets, the lead players have consolidated their market positions, aggregating small independent players and thereby anticipating the same process implemented by Alkemy.

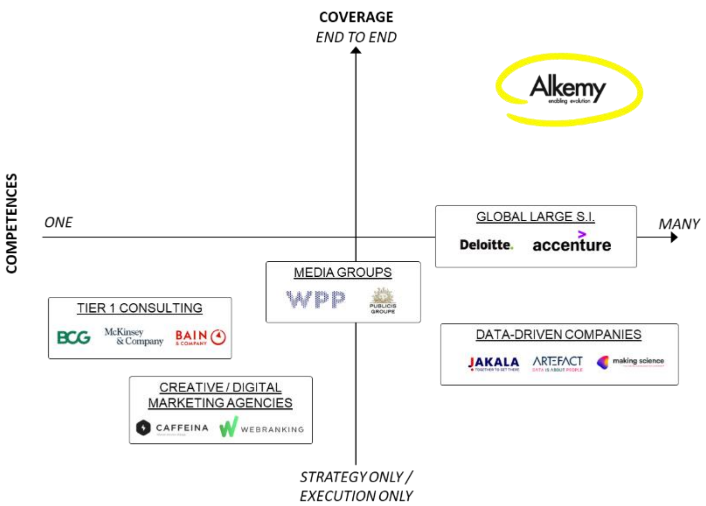
The Parent believes that the competitive scenario in Italy is basically overseen by three types of players:

- "digital" structures of major multinational enterprises: these players have a primarily technological background and a large offer portfolio, in addition to significant capacity to implement strategies and operative processes thanks to their size. They are also enriching their creative and communication skills through the acquisition of communication agencies. These operators include, in particular, Accenture Interactive, Deloitte Digital and the Reply division assigned to this activity;
- medium-sized digital players: generally part of large communication groups whose dimension in Italy is currently smaller than the large technological players. These operators include, for example, BIP, Razorfish, H-Art, Simple Agency, Ogilvy Interactive or WeAreSocial;
- traditional consulting companies: players with a strong position in traditional strategy and process consultancy services, which are evolving their business model, organically or through acquisitions and partnerships, so as to be able to offer execution services on digital.

On the foreign markets covered by the Group (the Balkans, the Iberian peninsula and Mexico), the competitive scenario does not differ significantly from that of Italy, except for a lesser maturity of the offer integration process that the main players are developing in the wake of the more evolved markets.

Alkemy enters this context as an independent business with a complete cutting-edge offer portfolio as regards digital services, coupled with a strategic approach that makes it possible to dialogue mainly with chief executive officers of the customer businesses, making it comparable with the digital specialisation structures of the above major multinational enterprises, which, therefore, Alkemy's management believes, are the operators most similar to the Parent and its main competitors. Other comparable independent players on the European scene are the Spanish Making Science and the French Artefact.

Due to the large number of integrated services offered, it is the opinion of the Parent's management that the Alkemy Group holds a unique competitive position in particular in Italy but also in the foreign markets covered.



(Source: internal study)

Alkemy on the stock market

Alkemy S.p.A.'s shares were listed on the AIM Italia (Alternative Investment Market) from 5 December 2017 to 16 December 2019. As from 17 December 2019, Alkemy's shares have been listed in the STAR segment of the Borsa Italiana Euronext Milan.

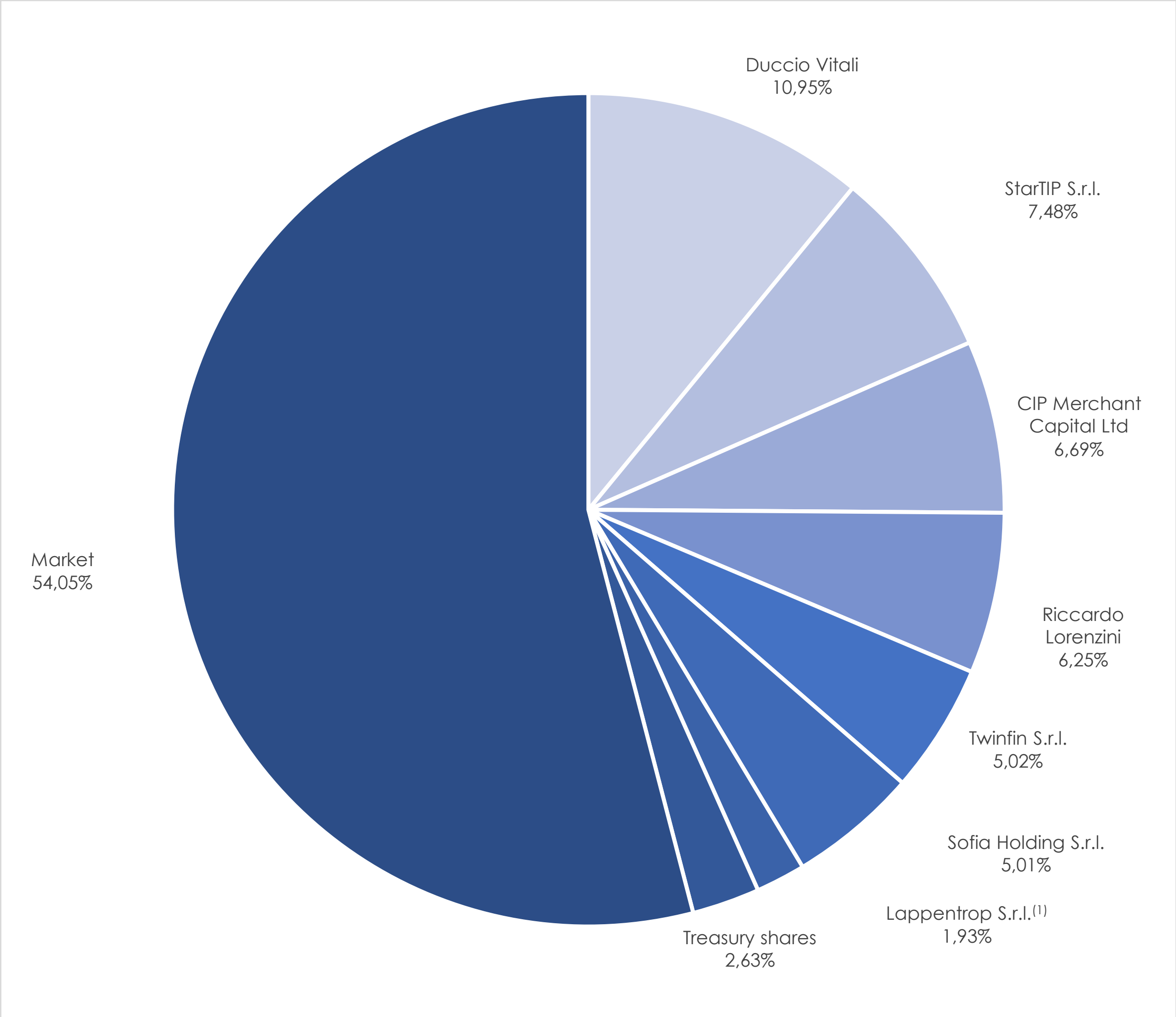
The STAR segment of Borsa Italiana is dedicated to medium enterprises with capitalisation of between 40 million and 1 billion euros, which undertake to respect requirements of excellence in terms of:

- considerable transparency and solid communicative vocation;
- high levels of liquidity (at least 35% float);
- Corporate Governance (the set of rules governing company management) in line with international standards.

The Company's share capital is represented by 5,685,460 ordinary shares, conferring, at 31 December 2023, a total of 6,882,660 voting rights and, specifically:

(1) 4,548,260 ordinary non-loyalty shares, conferring 4,548,260 voting rights (ii) 1,137,200 ordinary loyalty shares, conferring 2,274,400 voting rights.

Ownership structure (significant shareholdings) at 31.12.2023



(1) Lappentrop S.r.l. is related to Alessandro Mattiacci, Chairman of Alkemy S.p.A.

Alkemy share

Alphanumerical code: ALK
ISIN stock market code: IT0005314635
REUTERS ALK.MI code
BLOOMBERG ALK.IM code

Specialist: Intermonte Securities SIM

IPO price: €11.75
Price at 31.12.2023: €9.19
Capitalisation at the date of admission: €63,489,127.5
Capitalisation at 31.12.2023: €52,249,375.8

Alkemy share performance

During 2023, Alkemy share performance was strongly influenced by macroeconomic and market dynamics that affected the entire reference segment.

It is worth highlighting that the Italian markets, and especially the Small and Mid Cap segments, were heavily impacted in 2023 by the liquidation of Individual Savings Plans (known as PIR), i.e. medium- and long-term instruments reserved for natural persons, conveying favourable tax treatment provided that certain conditions are met and that they are held for at least five years. Precisely in the course of 2023, the minimum time limits for instruments issued in the first months following the approval of the rules governing these instruments expired. Share performance of small and mid-cap companies, which already have a decidedly reduced average liquidity, was particularly affected by oversupply brought about by redemptions which, in total, generated disinvestment flows in excess of 2.5 billion euros in 2023, according to the PIR Observatory of "Il Sole 24 Ore".

In line with the market, Alkemy's share price had a generally positive start and first quarter in 2023, partly due to expectations about the impact of the reopening of China and a physiological recovery from a particularly negative performance in the final months of 2022. In fact, the share price during the quarter fluctuated between 10.72 and 14.78 euros per share, i.e. the highest price recorded during the year (3 February 2023).

Starting in the second quarter, due to the indirect effect of the risks arising from the crisis of some US regional banks and Credit Suisse, and then to the worsening of the macroeconomic scenario as a result of the Israeli war that began in October, the entire STAR segment reversed its trend and began a downward phase. Alkemy's share price suffered particularly in the third and fourth quarters, fluctuating between 11.78 and 6.80 euros per share, i.e. the lowest price recorded in the financial year on 10 October 2023.

The entire segment rebounded in the fourth quarter compared to the previous two quarters, and Alkemy's share price rose by +11.5% in the quarter, closing the year at 9.19 euros per share. The decrease compared to the opening price of the financial year was -17.8%, which compares with a cautiously positive trend recorded by the STAR segment (+2.95%) and the Small Cap index (+0.8%).

A total of 1.544 million Alkemy shares were traded in 2023, a 34% decrease on the 2.326 million shares exchanged in 2022. The value of exchanges in 2023 came to 16.852 million euros, down by 57% on 2022's 39.015 million euros.

The graph below shows the performance of the Alkemy security and the turnover of exchanges from the date of admission to trading to 31 December 2023 and the daily turnover of exchanges.

Analyst Coverage

- Intermonte, IPO Report November 2017 (Joint Global Coordinator & Specialist)
  Research Analyst: Gianluca Bertuzzo
  INITIAL COVERAGE: 1 February 2018

- Intesa Sanpaolo, IPO Report November 2017 (Joint Global Coordinator)
  Research Analyst: Gabriele Berti
  INITIAL COVERAGE: 6 February 2018

- Mediobanca
  Research Analyst: Isacco Brambilla
  INITIAL COVERAGE: 25 June 2020

Valuation and consensus

- Intermonte: bases the valuation of the Alkemy share on the DCF model and peer analysis.
  The target price is 14.10 euros with an OUTPERFORM recommendation dating back to September 2023 (previous target price of 16.20 euros with an OUTPERFORM recommendation).
- Intesa Sanpaolo: bases the valuation of the Alkemy share on the DCF model and peer analysis.
  The target price is 16.50 euros with a BUY recommendation dating back to November 2023 (previously target price of 18.00 euros with a BUY recommendation).
- Mediobanca: bases the valuation of the Alkemy share on the DCF model and peer analysis.
  The target price is 14.00 euros with an OUTPERFORM recommendation dating back to January 2024 (previously target price of Euro 18.20 with an OUTPERFORM recommendation).

Description of the main risks and uncertainties to which the Group is exposed

In a context characterised by market instability and the rapid evolution of business and regulatory dynamics, a careful and effective management of risks and opportunities is essential in order to support an informed decision-making process that is consistent with the strategic objectives and guarantee business sustainability and the creation of value in the medium/long-term.

In the performance of its operations, the Group is exposed to risks and uncertainties deriving from exogenous factors connected with the general or specific macroeconomic context of the operating segments in which it operates, as well as risks deriving from strategic choices and internal operating risks.

Such risks have been systematically identified and mitigated through the monitoring and timely oversight of risks as they arose.

Risk management is centralised in the Group, although individual managers are responsible for the identification, monitoring and mitigation of such, also in order to better measure the impact of each risk on business operations, reducing the onset and/or limiting the effects depending on the trigger. Under the scope of business risks, below are the principles governing the Group in application of Art. 2428 of the Italian Civil Code.

Risk connected with competitiveness

Reference is made to the information given in the paragraph entitled "Competitors" of this document.

Risks connected with demand/the macroeconomic cycle

The performance of the segment in which the Group operates is correlated with the performance of the general economic framework and, therefore, any negative outlook, inflation or recession periods may consequently reduce demand for the products and services supplied.

Risk of customer dependency

The Group offers its services mainly to medium and large-sized companies operating in diversified sectors and in different geographical areas. A limited part of the Group's revenues is concentrated on a relatively small number of customers, any losses of which might thus affect the Group's business and financial position. South American customers account for over 80% of the Mexican subsidiary's revenues.

Climate risks

In relation to climate risks, in particular connected with climate change, the Group conducted a preliminary internal assessment in order to identify their extent and pervasiveness at both actual and forecast level. Possible impacts on estimates, changes in the useful life of assets, and potential impairment of trade receivables and other assets were analysed. It is noted that in view of the business model and the analyses performed, the Group has no significant exposure to environmental risks in particular connected with climate change.

Russia-Ukraine military conflict

The Group does not operate directly in the countries involved in the Russia-Ukraine conflict. However, in this context, various types of risk become important, in particular those connected with:

- the development of the business of the Group's direct customers in these countries;
- macroeconomic and financial factors, such as the volatility of the price of energy commodities, volatility of the prices of raw materials general, volatility envisaged on the global financial markets, in exchange rates and in interest rates;
- cybercrime, e.g. direct attacks against the assets of companies operating *in situ* or in neighbouring countries, or the intensification of such with a potential impact on the interruption of service and critical infrastructures.

The Group has equipped itself with processes and procedures that support the identification, management and monitoring of events with potential significant impacts on resources and the business. These processes seek to maximise a timely and effective response.

Risk connected with financial operations

Under the scope of its operations, the Group is exposed to financial risks connected with:

- credit risk;

- liquidity risk;
- market risk and, specifically, interest rate and currency risks.

Credit risk

With reference to the risk of potential losses deriving from failure by the various counterparties with which it operates to fulfil the commitments made, the Group has established a suitable loss allowance based on the type of its customers and statistical assessments. The particular concentration of the business on high credit standing customers, the number of such and the segment diversification guarantee another substantial lowering of the credit risk.

Liquidity risk

The Group's financial management is characterised by procedures aimed at regulating the collection and payment duties, controlling and avoiding any critical liquidity positions.

During the year, the Group met its financial requirements using own funds and bank overdrafts and loans.

As regards trade payables and other liabilities, the cash flows expected from the related contracts are within 12 months.

Market risk

The market risk to which the Group is exposed consists of the risk of changes to interest rates and the currency risk.

Interest rate risk

The Group is exposed to the risk of changes in interest rates in connection with the variable rate indexed medium- and long-term loans.

Currency risk

The Group's operations in currencies other than the euro, as well as the development strategies on the international markets, expose the Group to the currency risk.

The monitoring and management of this risk is left to the administrative management of Alkemy S.p.A..

The Group is therefore exposed to the currency risk, i.e. the risk that changes in the exchange rates of certain currencies with respect to the consolidation currency impact both the Alkemy Group profit (loss) and its net financial debt and equity.

The Group is also exposed to a limited currency risk generated by commercial and financial transactions implemented by the individual companies in currencies other than the functional currency of the company performing the transaction.

This exposure is monitored, but at the reporting date, the Alkemy Group policy is not to hedge said currency risk insofar as there are no significant transactions implemented in currencies other than the euro between Group companies, except for the annual payment of dividends resolved by the Mexican companies. A significant fluctuation of Mexican pesos or the other currencies in which the Group operates may in any case negatively impact the Group's financial position and financial performance, proportionally to the impact of the business carried out by said companies, with respect to the general business pursued by the Group as a whole.

Financial management

The Alkemy Group's financial management is characterised by procedures aimed at regulating the collection and payment duties, controlling and avoiding any critical liquidity positions.

Throughout 2023, the Group met its current financial needs and partly those tied to extraordinary transactions by means of use of Own Funds and loans, as well as through the use of short-term bank facilities. In any case, the Group has suitable bank facilities, aimed at managing any short-term financial needs.

As regards corporate finance, the Group's policy adopted to date was to make priority use of Own Funds, if such should be surplus to current requirements and, only secondarily, of medium-term bank debt (with 6-12 months of pre-amortisation) for the remainder. The reasoning behind this choice is, on the one hand, the desire not to have non-recurring operations interfere with the Group's ordinary operations, and, on the other, to maintain a suitable period of time for the growth, integration and consolidation of investments made and, therefore, to be able to repay the liability mainly with future income and cash flows the latter generated.

In accordance with Art. 2428, point 6-bis of the Italian Civil Code, it is acknowledged that the Group does not use financial instruments (derivatives and others) except for the mentioned put options over the minority shares in subsidiaries and 6 cap options to hedge the risk of a rise in interest rates for the majority of the medium-term loans agreed starting 2020.

The Group is also marginally exposed to the currency risk on assets expressed in a currency other than the euro, mainly relating to the companies in Serbia and Mexico.

Finally, the very nature of the services provided means that the Group is subject to moderate credit risk, insofar as debtors are mainly large, highly-solvent private companies.

Investments

In 2023, the Group invested in property, plant and equipment and intangible assets for a total amount of 2,028 thousand euros (2,535 thousand euros in 2022), as follows:

- property, plant and equipment for 541 thousand euros (921 thousand euros in 2022), mainly relating to hardware purchases for internal use;
- intangible assets, for 1,487 thousand euros (1,614 thousand euros in 2022), mainly relating to

the purchase of software and internal implementation of solutions, tools and platforms connected with data, CRM and AI aimed at increasing the commercial business of the Group's companies.

Financial performance of the Parent Alkemy S.p.A.

Below is the key data on the Parent's operations in 2023 (6):

	Figures in thousands of euros	
	2023	**2022**
Net revenue	60,491	59,517
Adjusted gross operating profit (EBITDA)	6,698	6,504
Adjusted operating profit	3,740	4,137
Profit for the year	4,425	2,424
Average number of employees	448	415

	Figures in thousands of euros	
	31 Dec. 2023	**31 Dec. 2022**
Net invested capital	73,753	70,512
Net financial debt	(28,287)	(29,515)
Equity	45,466	40,997

Reclassified income statement

The reclassified income statement of the Parent has undergone the following changes with respect to that of the previous year[4]:

(6) For the definition of Net revenue, Adjusted gross operating profit and Adjusted operating profit, please refer to the footnotes in the "Highlights" section.

	Figures in thousands of euros	
	2023	**2022**
Net revenue	**60,491**	**59,517**
Services, goods and other operating costs	(25,355)	(26,779)
Personnel expense	(28,438)	(26,234)
Adjusted gross operating profit	**6,698**	**6,504**
Amortisation, depreciation and impairment losses	(2,958)	(2,367)
Adjusted operating profit	**3,740**	**4,137**
Gain (loss) on equity investments	1,691	1,948
Net gains (losses) on options	1,657	(2,538)
Net Financial income (losses)	(1,280)	(309)
Non-recurring expense	(953)	(399)
Pre-tax profit	**4,855**	**2,839**
Income taxes	(431)	(415)
Profit for the year	**4,425**	**2,424**
Other comprehensive income recognised in equity	116	307
Comprehensive income for the year	**4,541**	**2,730**

Revenue in 2023 came to 60,491 thousand euros, up 974 thousand euros (+1.6%) on the previous year. The increase is mostly due to the positive effects of the government grants for 2023; details are given in note 2 to the Parent's separate financial statements.

Operating costs, represented by costs for services, goods and other costs and for labour (net of non-recurring expenses) total 53,793 thousand euros, up 780 thousand euros on the previous year (+1.5%), in line with revenue. In particular, the 2023 personnel expense was 28,438 thousand euros, up 2,204 thousand euros on the previous year (+8.4%), related to both the increase in the average number of employees in the year and the increase in salaries.

The adjusted gross operating profit was 6,698 thousand euros (6,504 thousand euros in 2022), up 194 thousand euros.

Amortisation, depreciation and impairment losses came to 2,958 thousand euros, up 591 thousand euros on 2022 (+25%). This item includes:

- depreciation of property, plant and equipment (515 thousand euros) and amortisation of intangible assets (784 thousand euros) for a total of 1,299 thousand euros (+24% on 2022);
- depreciation of right-use assets for offices, cars and hardware, for 1,452 thousand euros (+26% on 2022);
- the accrual to the loss allowance of 165 thousand euros, allocated mainly in view of potential future losses also connected with specific disputed loans at the reporting date;
- the allocation to the provision for risks and charges in the amount of 40 thousand euros.

Net gains on equity investments came to 1,691 thousand euros (1,948 thousand euros in 2022) and related to dividends resolved by Alkemy South America S.L. and Alkemy Iberia S.L.U. in the amount of 1,155 thousand euros and 536 thousand euros, respectively.

Net gains on options came to 1,657 thousand euros (net losses of 2,538 thousand euros in 2022) and were mainly due to the fair value gains on derivative instruments on put and call options on the non-controlling interests in XCC S.r.l. and Alkemy Play S.r.l.. (1,200 thousand euros) and to the effective use in 2023 of the derivatives representing the rights to acquire residual shares in the subsidiary DGI S.r.l. from the minority shareholders, as envisaged in the related investment contracts (765 thousand euros).

Non-recurring income came to 953 thousand euros (399 thousand euros in 2022) and was mainly related to non-recurring personnel expense.

The Company therefore recorded a pre-tax profit of 4,855 thousand euros (pre-tax profit of 2,839 thousand euros in 2022), which after tax (tax charge of 431 thousand euros as compared to 415 thousand in 2022) came to a profit for the year of 4,425 thousand euros, as compared with the profit of 2,424 thousand euros for the previous year. A more detailed analysis of the items is given in the information provided in the notes.

Reclassified statement of financial position

The reclassified Statement of financial position of the Company at 31 December 2023, compared with that at the previous year end is as follows:

	Figures in thousands of euros	
	31 Dec. 2023	**31 Dec. 2022**
Non-current assets	**66,502**	**62,181**
Current assets	31,775	31,818
Current liabilities	(19,323)	(18,957)
Net working capital	**12,452**	**12,861**
Post-employment benefits	(5,154)	(4,508)
Provision for risks, charges and deferred tax liabilities	(46)	(24)
Net invested capital	**73,753**	**70,512**
Equity	**45,466**	**40,997**
Non-current financial debt	18,851	23,120
Current financial debt	9,436	6,395
Net financial debt	**28,287**	**29,515**
Total sources of finance	**73,753**	**70,512**

Non-current assets have gone from 62,181 thousand euros to 66,502 thousand euros, up 4,321 thousand euros on 31 December 2022. This change is mainly due:

- for +3,150 thousand euros to the overall increase in investments in subsidiaries, as a result of the combination of the purchase of the residual shares of DGI S.r.l. (+2,880 thousand euros) and the forgiveness of part of the receivables due from Alkemy Play S.r.l., to cover losses in 2022 (+270 thousand euros);
- for +902 thousand euros to the increase in the right-of-use asset arising from the signing of new medium/long-term lease and rental contracts for motor vehicles, partially offset by the effect of depreciation for the year.

Net working capital amounted to 12,452 thousand euros and was in line with the previous year.

The increase in equity during the year (+4,469 thousand euros) is mainly attributable to the overall profit for the year (+4,541 thousand euros).

Net financial debt went from 29,515 thousand euros at 31 December 2022 to 28,287 thousand euros, improving by 1,228 thousand, as better specified in the next paragraph and the statement of cash flows.

It is also specified that the net financial debt reported in the notes to the separate financial statements has been calculated according to the provisions of the latest ESMA guidelines, and differs from the net financial debt previously described and detailed below, as it does not consider long-term financial assets relative to loans to subsidiaries.

Main financial figures

The Company's net financial position at 31 December 2023 is negative for 28,287 thousand euros and includes:

- the balance of cash and cash equivalents for 6,076 thousand euros;
- intragroup loans, granted to the subsidiaries for 1,382 thousand euros
- current bank loans and borrowing, including invoice advances, for a total of 19,449 thousand euros, obtained from various banks, detailed in the notes, of which 10,024 thousand euros non-current and 9,425 thousand euros current;
- earn-out liabilities due to the former non-controlling shareholders of Innocv Solutions S.L. for 10,328 thousand euros, of which 6,802 thousand euros is non-current and 3,526 thousand euros is current;
- lease liabilities for a total of 4,808 thousand euros, of which 3,407 thousand euros is non-current and 1,401 thousand euros is current;
- liabilities for the intragroup loan in place, granted by the subsidiary Alkemy South America S.L. for 1,160 thousand euros.

The table below details the net financial debt at 31 December 2023 compared with that of the previous year.

	Figures in thousands of euros	
	31 Dec. 2023	**31 Dec. 2022**
Bank deposits	6,075	4,270
Cash on hand	1	1
Cash and cash equivalents	**6,076**	**4,271**
Financial assets	**1,382**	**961**
Bank loans and borrowings	(10,024)	(11,275)
Earn-out liabilities	(6,802)	(9,939)
Lease liabilities from application of IFRS 16	(3,407)	(2,867)
Non-current financial liabilities	**(20,233)**	**(24,081)**
Bank loans and borrowings	(9,425)	(8,508)
Earn-out liabilities	(3,526)	-
Loans and borrowings from other financial backers	(1,160)	(1,150)
Lease liabilities from application of IFRS 16	(1,401)	(1,008)
Current financial liabilities	**(15,512)**	**(10,666)**
Net financial debt	**(28,287)**	**(29,515)**

Reconciliation of profit for the year and equity of the Parent and the Group

The statement below reconciles the profit for the year and equity of the Parent with that from the Consolidated Financial Statements:

	Figures in thousands of euros	
	Equity at 31 Dec. 2023	**Profit (loss) for 2023**
Alkemy S.p.A. (Parent)	**45,466**	**4,425**
Contribution made by consolidated equity investments	10,699	4,273
Derecognition of carrying amount of equity investments	(41,389)	-
Derecognition of dividends distributed to the parent	(75)	(2,820)
Goodwill	36,747	-
Elimination of derivatives and options on non controlling interests	(3,460)	(2,211)
Other	(272)	(131)
Result and equity attributable to non-controlling interests	(472)	(72)
Consolidated Financial Statements of the Alkemy Group	**47,243**	**3,463**

Corporate governance

The Corporate Governance system adopted by Alkemy is compliant with the indications contained in the Borsa Italiana S.p.A. "Corporate Governance Code of Italian listed companies".

In compliance with regulatory obligations, the Report on the corporate governance system is prepared every year, offering a general description of the system adopted by the Group and gives details on the ownership structures and adhesion to the Corporate Governance Code, including the main governance practices applied and the characteristics of the internal control and risk management system.

The FY 2023 "Annual Corporate Governance Report", approved by the Board of Directors, will be made available to Shareholders in accordance with the law. The Report will also be available on the Company's website (www.alkemy.com "Corporate Governance – Annual Reports" section).

The Report also contains the information envisaged by Art. 123-*bis* of the Consolidated Law on Finance, including that on ownership structures and compliance with the code of conduct to which the Company adheres.

It is also specified that the information pursuant to paragraphs 1 and 2 of Art. 123-*bis* of Italian Legislative Decree no. 58/1998 is given in the separate "Annual Corporate Governance Report", which, for certain information on remuneration, refers to the "Remuneration Report" prepared in accordance with Art. 123-*ter* of Italian Legislative Decree no. 58/1998. Both reports, approved by the Board of Directors, are published by the deadlines envisaged on the Company's website.

Remuneration Report

The Remuneration Report, which was prepared pursuant to Art. 123-ter of the Consolidated Finance Law, is available on the Company's website at www.alkemy.com, in the Corporate Governance section.

Research and development

During the year, the Group did not start research and development (R&D) activities.

Treasury shares

During the meeting held on 27 April 2023, the Shareholders of Alkemy S.p.A. resolved to repurchase and hold ordinary shares of the Parent for up to eighteen months, in order to: (i) use the treasury shares as an investment, for an efficient use of the cash and cash equivalents generated by the Parent's core business and (ii) be able to use the treasury shares to assign to the beneficiaries of potential incentive plans resolved by the competent corporate bodies in the favour of Parent employees and directors; and (iii) allow for the use of the treasury shares under the scope of transactions linked to the core business, i.e. projects consistent with the growth and expansion lines the Parent intends to pursue in connection with which the share exchange opportunities shall take concrete form with the main aim of perfecting the corporate integration with potential strategic partners.

During the year, the Company therefore acquired a total of 10,000 treasury shares (0.2% of the Company's share capital), for a total outlay of 120 thousand euros.

These purchases were made in compliance with current legislation, in particular with the provisions of Art. 132 of Legislative Decree no. 58 of 24 February 1998 and Art. 144-bis of the Regulation approved by Consob Resolution no. 11971 of 14 May 1999, as subsequently amended and supplemented, with the operating procedures established by the Regulation of markets organised and managed by Borsa Italiana S.p.A.

The Parent has also assigned and transferred 11,549 shares, worth 137 thousand euros, to the Chairman, CEO and a Director, in execution of the Long-Term Incentive Plan, in connection with 50% of their vesting on the profit for 2022.

At 31 December 2023, the Parent held 149,315 treasury shares, accounting for 2.63% of the share capital (150,864 at 31 December 2022, equal to 2.65% of the share capital) for an equivalent value of 1,776 thousand euros, deriving from buy-back plans carried out by the Parent.

The Parent's equity includes a specific undistributable reserve of an equal amount.

Events after the reporting date

As previously mentioned, since January 2024 Alkemy S.p.A. has set up a new commercial organisation structured by industry, which should significantly change the way business is managed and developed, consolidate customer relations and have positive impacts on profit margins from the second half of 2024 for all Italian companies.

To support and complement this significant organisational change, on 1 March 2024 Paolo Cederle, a top manager with recognised and wide-ranging experience, who has held various senior roles in large national and international groups, joined the Alkemy team as general manager. His contribution will certainly be decisive for the Group's success.

In January 2024, the company subscribed to an option to hedge the risk of interest rate changes related to the 3,000 thousand euro loan granted by Banco Desio in July 2023. This "Collar" option, valid from 10 February 2024 to 10 August 2024, with a 3.75% cap rate and a 2.20% floor rate, computed in line with the principal resulting from the loan amortisation plan, did not entail any costs for the company.

Outlook

Operations during 2024 will still be predominantly affected by exogenous factors (the war in Ukraine, the outbreak of the Israeli-Palestinian conflict, inflation and monetary policy). This general uncertainty has a significant impact on company expectations, which are not always positive as a result of widespread market concerns. At present, only limited significant effects have been seen on Alkemy Group customers, except for those customers more affected by the effects of inflation, with possible fallout on the purchase of the services offered by the Group.

In the light of the results achieved during 2023 and the current progress made on the orders in the portfolio and new contracts activated, save any further turns for the worse, which are not currently predictable, the Group confirms its positive expectations. In fact, organic growth is expected to continue, in terms of revenue and, to a greater extent, profit margins as well, due above all to the new commercial and operating organisation of Alkemy S.p.A., the positive effects of which will be visible starting from the second half of 2024.

Allocation of profit for the year

We believe we have thus duly informed you on the Company's performance and propose you resolve to carry forward Alkemy S.p.A.'s profit for 2023 of 4,424,636 euros.

Acknowledgements

We would like to offer our sincerest thanks to the staff and all those who have helped pursue the corporate business and achieve the positive results recognised. We would now, therefore, ask you to kindly approve these Separate and Group Consolidated Financial Statements at 31 December 2023.

Milan, 28 March 2024

On behalf of the Board of Directors

the Chief Executive Officer

Duccio Vitali

Alkemy S.p.A.

Consolidated financial statements

as at and for the year ended 31 December 2023

Financial statements

Income statement

	Notes	2023	2022
		Figures in thousands of euros	
Revenue	1	115,037	104,852
Other income	2	4,121	1,722
Total revenue and other income		**119,158**	**106,574**
Services, goods and other operating costs	3	(52,566)	(49,440)
- of which non-recurring		(39)	(293)
Personnel expense	4	(54,674)	(46,065)
- of which non-recurring		(1,187)	(459)
Total costs and other operating costs		**(107,240)**	**(95,505)**
Gross operating profit		**11,918**	**11,069**
Amortisation/depreciation	5	(4,189)	(3,226)
Provisions and impairment losses	6	(839)	(337)
Operating profit		**6,890**	**7,506**
Other financial income	7	1,118	1,308
Other financial expense	8	(3,169)	(1,716)
Pre-tax profit (loss)		**4,839**	**7,098**
Income taxes	9	(1,304)	(1,484)
Profit/(loss) for the year		**3,535**	**5,614**
- Owners of the parent		3,463	5,583
- Non-controlling investors		72	31
Earnings (loss) per share	10		
Basic		0.63	1.01
Diluted		0.63	1.01

The notes given below are an integral part of these consolidated financial statements.
In accordance with CONSOB Resolution no. 15519 of 27 July 2006, the effects of related party transactions on the Income Statement are highlighted in the specific table of the Income Statement given in annex 2 and are also described in the paragraph on "Related party transactions" in the Report on Operations.

Statement of comprehensive income

	Note	Figures in thousands of euros 2023	2022
Profit/(loss) for the year		**3,535**	**5,614**
Items that will be reclassified to profit or loss:			
Translation differences on foreign operations		96	105
Total items that will be reclassified to profit or loss	24	**96**	**105**
Items that will not be reclassified to profit or loss			
Actuarial gains (losses)		115	776
Related tax		(28)	(186)
Total	24	**87**	**590**
Other comprehensive income (expense) net of tax		**183**	**695**
Comprehensive income		**3,718**	**6,309**
Attributable to:			
- Owners of the parent		3,646	6,278
- Non-controlling investors		72	31

The notes given below are an integral part of these consolidated financial statements.

Statement of financial position

			Figures in thousands of euros
Assets	**Notes**	**31 Dec. 2023**	**31 Dec. 2022**
Property, plant and equipment	11	1,939	2,209
Right-of-use assets	12	6,274	4,633
Goodwill	13	54,871	54,868
Intangible assets	14	2,079	1,934
Equity investments	15	5	5
Other financial assets	16	245	588
Deferred tax assets	17	1,818	2,206
Other assets	18	295	267
Non-current assets		**67,526**	**66,710**
Trade receivables	19	45,929	41,541
Other financial assets	20	107	291
Tax assets	21	2,258	2,065
Other assets	22	2,470	2,011
Cash and cash equivalents	23	12,029	9,115
Current assets		**62,793**	**55,023**
Total assets		**130,319**	**121,733**

The notes given below are an integral part of these consolidated financial statements.
In accordance with CONSOB Resolution no. 15519 of 27 July 2006, the effects of related party transactions on the Statement of Financial Position are highlighted in the specific table of the Statement of Financial Position given in annex 2 and are also described in the paragraph on “Related party transactions” in the Report on Operations.

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		Figures in thousands of euros	
Liabilities and Equity	**Note**	**31 Dec. 2023**	**31 Dec. 2022**
Equity	24		
Share capital		596	596
Reserves		43,184	36,828
Profit/(loss) for the year		3,463	5,583
Equity attributable to owners of the parent		**47,243**	**43,007**
Equity attributable to non-controlling investors	25	473	399
Total equity		**47,716**	**43,406**
Financial liabilities	26	12,007	13,081
Lease liabilities	28	4,396	3,425
Put option and earn-out liabilities	29	9,553	13,436
Employee benefits	30	6,477	5,543
Provisions	31	107	100
Deferred tax liabilities	32	18	128
Non-current liabilities		**32,558**	**35,713**
Financial liabilities	26	11,620	9,023
Lease liabilities	28	2,110	1,345
Put option and earn-out liabilities	29	4,202	3,225
Trade payables	33	16,196	16,217
Tax liabilities	34	3,174	1,622
Other liabilities	35	12,743	11,182
Current liabilities		**50,045**	**42,614**
Total liabilities		**82,603**	**78,327**
Total liabilities and equity		**130,319**	**121,733**

Statement of cash flows

Figures in thousands of euros

	Notes	31 Dec. 2023	31 Dec. 2022
Cash flow from operating activities			
Profit/(loss) for the year		3,535	5,614
Financial income	7	(1,119)	(1,308)
Financial expense	8	3,169	1,716
Income taxes	9	1,304	1,484
Amortisation/depreciation	5	4,189	3,226
Provisions and impairment losses	6	839	337
Cost for share-based payments	4	212	518
Other non monetary elements	24	(246)	-
Decrease (increase) in trade receivables	19	(5,001)	(3,642)
Increase (decrease) in trade payables	33	76	2,046
Decrease (increase) in other assets	21, 22	(791)	522
Increase (decrease) in other liabilities	34, 35	5,165	(3,215)
Cash flows from operating activities		**11,332**	**7,298**
Net interest paid	7, 8	(838)	(407)
Income tax paid	9	(1,289)	(1,623)
Net cash flows from operating activities		**9,205**	**5,268**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	11, 14	(1,977)	(2,542)
Decrease (increase) in financial assets	16, 20	208	1,737
Change in the consolidation scope net of cash and cash equivalents acquired		-	(4,361)
Net cash flows used in investing activities		**(1,769)**	**(5,166)**
Cash flows from financing activities			
Change in financial liabilities	26	1,560	4,050
Change in lease liabilities – IFRS 16	28	(1,993)	(1,714)
Change in treasury shares	24	(120)	(435)
Dividends paid to non-controlling investors	35	(1,283)	(613)
Payment of put options	29	(2,686)	(2,733)
Net cash flows from (used in) financing activities		**(4,522)**	**(1,445)**
Net increase/(decrease) in cash and cash equivalents		**2,914**	**(1,343)**
Opening balance		**9,115**	**10,458**
Closing balance		**12,029**	**9,115**

The notes given below are an integral part of these consolidated financial statements.
The statement of cash flows was prepared in accordance with the indirect method.

Statement of changes in equity

Figures in thousands of euros

	Notes	Share capital	Treasury shares	Legal reserve	Other riserves	Retained earnings	Profit/(loss) for the year	Equity attributable to owners of the parent	Equity attributable to non-controlling	Total equity
Balance at 31 Dec. 2021		**596**	**(1,743)**	**202**	**31,215**	**1,843**	**4,263**	**36,376**	**323**	**36,699**
Allocation of profit for the year		-	-	-	-	4,263	(4,263)	-	-	-
Repurchase of treasury shares	24	-	(435)	-	-	-	-	(435)	-	(435)
Assignment of treasury shares	24	-	385	-	-	(133)	-	252	-	252
Stock options	4	-	-	-	(37)	51	-	14	-	14
Change in put option liabilities	29	-	-	-	1,164	(851)	-	313	-	313
Long Terms Incentive Plan	4	-	-	-	251	-	-	251	-	251
Other movements		-	-	-	(4)	(38)	-	(42)	45	3
Other comprehensive income (expense)		-	-	-	695	-	-	695	-	695
Profit/(loss) for the year		-	-	-	-	-	5,583	5,583	31	5,614
Balance at 31 Dec. 2022		**596**	**(1,793)**	**202**	**33,284**	**5,135**	**5,583**	**43,007**	**399**	**43,406**

Figures in thousands of euros

	Notes	Share capital	Treasury shares	Legal reserve	Other riserves	Retained earnings	Profit/(loss) for the year	Equity attributable to owners of the parent	Equity attributable to non-controlling	Total equity
Balance at 31 Dec. 2022		**596**	**(1,793)**	**202**	**33,284**	**5,135**	**5,583**	**43,007**	**399**	**43,406**
Allocation of profit for the year		-	-	-	-	5,583	(5,583)	-	-	-
Repurchase of treasury shares	24	-	(120)	-	-	-	-	(120)	-	(120)
Assignment of treasury shares	24	-	137	-	-	(47)	-	90	-	90
Change in put option liabilities	29	-	-	-	-	661	-	661	-	661
Long Terms Incentive Plan	4	-	-	-	(46)	-	-	(46)	-	(46)
Other movements		-	-	-	5	-	-	5	2	7
Other comprehensive income (expense)		-	-	-	183	-	-	183	-	183
Profit/(loss) for the year		-	-	-	-	-	3,463	3,463	72	3,535
Balance at 31 Dec. 2023		**596**	**(1,776)**	**202**	**33,426**	**11,332**	**3,463**	**47,243**	**473**	**47,716**

The notes given below are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

General information

The Alkemy Group (hereinafter the "Group") works to improve the market position and competitiveness of large and medium enterprises, innovating and transforming the business model to keep pace with the evolution of technology and new consumer habit. The Group integrates into its offer, competences in the areas of strategy, communication, performance, technology, design and data management, developing complete digital transformation projects that cover the whole of the value chain, from strategy to implementation.

The parent, Alkemy S.p.A. has its registered and administrative office at Via San Gregorio 34, Milan, Italy and it is registered with the Milan Company Register under Economic and Administrative Index (REA) no. 1835268.

The shares of Alkemy S.p.A. (hereinafter the "Company", "Alkemy" or the "Parent") have been listed on the STAR segment of the EURONEXT MILAN market organised and managed by Borsa Italiana since 17 December 2019.

These consolidated financial statements are prepared in euros, which is the currency of the economy in which the Parent operates. The Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and figures given in the Notes, are all expressed in thousands of euros.

As parent, Alkemy S.p.A. has prepared the consolidated financial statements of the Alkemy Group at 31 December 2023.

The draft consolidated financial statements at 31 December 2023 were approved by the Board of Directors on 28 March 2024, which also authorised their publication.

Reporting standards

Basis of preparation

The consolidated financial statements at 31 December 2023 have been prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. The term "IFRS" is used to also refer to all the revised International Accounting Standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The consolidated financial statements were also prepared in compliance with the provisions adopted by CONSOB for financial statements in application of article 9 of Legislative Decree 38/2005 and other rules and provisions issued by CONSOB regarding financial statements.

They are prepared on a going concern and historical cost basis, with the exception of certain financial instruments, which are measured at fair value.

Format and contents of the financial statements

The financial statements have the following characteristics:

- the income statement classifies revenue and costs by nature;
- the statement of financial position is prepared and separately presents both current and non-current assets and current and non-current liabilities.
- the statement of cash flows is drawn up in accordance with the indirect method.

The format used, as described above, is that considered best able to represent the elements that determined the Group's financial position, financial performance and cash flows. This format is the same used for the presentation of the separate financial statements of Alkemy S.p.A.

In order to fulfil the requirements set out in CONSOB Resolution 15519 of 27 July 2006 on the financial statements, specific income statement and statement of financial position tables have been prepared to show any significant related party transactions, and any transactions that can be classified as non-recurring, atypical and/or unusual, are indicated on the tables and then highlighted in the notes.

Basis of consolidation

The Consolidated Financial Statements have been prepared consolidating the financial statements of the Parent and those of all companies in which the company directly or indirectly holds the majority of voting rights on a line-by-line basis.

These financial statements have the same reporting date as the Parent.

The profit (loss) of the subsidiaries acquired or sold during the period are included in the income statement as from the date of acquisition and until the effective date of disposal. Where necessary, adjustments are made to the financial statements of subsidiaries in order to bring the accounting policies used into line with those adopted by the Group.

in relation to the consolidation scope, note the following:

- On 28 July, the Parent formalised the purchase of an additional 47% of DGI S.r.l. from its non-controlling investors. The residual 2% of the quota capital was purchased on 1 August. As of this date, the Parent wholly owns

At 31 December 2023, the consolidation scope was as follows:

Company name	% held	Registered office
Direct subsidiaries:		
Alkemy Play S.r.l.	75%	Milan
Alkemy SEE D.o.o.	70%	Serbia – Belgrade
Alkemy Iberia S.L.U.	100%	Spain - Madrid

Design Group Italia ID S.r.l.	100%	Milan
eXperience Cloud Consulting S.r.l.	51%	Rome
Alkemy South America S.L.	100%	Spain - Madrid
Innocv Solutions S.L.	100%	Spain - Madrid
Indirect subsidiaries:		
Alkemy Play D.o.o.	75%	Serbia – Belgrade
Kreativa D.o.o.	36%	Serbia – Belgrade
Ontwice Interactive Service S.A. Mexico City	100%	Mexico - Mexico City
Ontwice Interactive Service Digital S.A. Mexico City	100%	Mexico - Mexico City
Design Group Italia Corp.	100%	USA - New York

Measurement criteria

Non-current assets

Property, plant and equipment

The property, plant and equipment used to supply goods and services or for administrative purposes, are recognised at purchase or production cost, net of accumulated depreciation and any impairment losses.

Costs incurred after purchase are capitalised only if they increase the future economic benefits applying to the asset to which they refer. They are depreciated in connection with the residual useful life of the asset to which they refer. All the other costs are recognised in the income statement when incurred.

Ordinary maintenance charges are charged in full to the income statement. Maintenance costs increasing the value of the assets are allocated to the asset to which they refer and depreciated using the applicable rates.

In accordance with and pursuant to Art. 10 of Italian Law no. 72 of 19 March 1983, as also recalled by the subsequent monetary revaluation laws, it is noted that no monetary revaluation has been made for the assets still held.

Leasehold improvements are classified under property, plant and equipment according to the nature of the cost incurred and are depreciated over the shorter period of time between that of the future usefulness of the expenses incurred and the residual term of the lease, taking into account any renewal period, if such depends on the lessee.

Depreciation is charged from when the asset is available for use and is calculated on a straight-line basis throughout the estimated useful life of the asset, as follows:

Buildings	3%
Plant and machinery	20% - 25%
Telephone systems	20%
Equipment	20%
Electronic machines	20%

Hardware	15% - 20%
Furniture and furnishings	12%
Other assets	10% - 25%

Land is not depreciated, as it has an indefinite useful life.

With regard to the procedures carried out in relation to the potential recoverability of this item, please refer to the paragraph on "Impairment".

Leases (right-of-use assets and lease liabilities)

<u>Accounting model for the lessor</u>

At the commencement date, the Group recognises the right-of-use asset and lease liability. The right-of-use asset is initially measured at cost, including the amount of the initial measurement of the lease liability, adjusted by any lease payments made at or before the commencement date.

The right-of-use asset is thereafter depreciated on a straight-line basis from the commencement date to the end of the lease term, unless the lease should transfer ownership of the underlying asset to the Group at the end of the lease or, considering the cost of the right-of-use asset, it is expected that the Group will exercise the purchase option. In this case, the right-of-use asset will be amortised throughout the useful life of the underlying asset, determined on the same basis as for properties and machinery.

The Group measures the lease liability at the present value of lease payments not paid at the commencement date, which includes fixed payments (including in-substance fixed payments) and variable lease payments, which depend on an index or rate.

The lease liability is measured at amortised cost, using the effective interest criterion and is remeasured in the event of any change to future payments due for the lease as a result of a change in the index or rate, an extension or termination or in the event of a revision of payments due for the lease.

If the lease liability is reassessed, the Group adjusts the right-of-use asset accordingly. If the carrying amount of the right-of-use asset is reduced to zero, the Group recognises the change in profit or loss.

With regard to the procedures carried out in relation to the potential recoverability of this item, please refer to the paragraph on "Impairment".

Intangible assets

Goodwill

In accordance with IFRS 3 (Business combinations), goodwill is recognised at the date of acquisition of businesses or business units; it is determined as the difference between the price paid for the purchase and the fair value of the identifiable assets acquired, net of identifiable liabilities assumed.

After its initial recognition, goodwill is measured at cost net of accumulated impairment losses.

Goodwill is not amortised insofar as it has an indefinite useful life; rather, it is tested for impairment once a year or more frequently if any specific events suggest that it may have suffered impairment. The test carried out is described on the paragraph on "Impairment". Impairment losses on goodwill cannot be reversed, not even in application of specific laws.

Intangible assets with a finite useful life

Other intangible assets purchased or produced internally are recognised as assets in accordance with IAS 38 - *Intangible Assets*, when it is likely that their use will generate future economic benefits and when their cost can be reliably determined.

These assets are measured at purchase or production cost and amortised on a straight-line basis throughout their useful life, thereby meaning the estimated period during which the assets will be used by the company.

More specifically, trademarks are amortised over a period of 10 years, whilst "Industrial patents and intellectual property rights" and other intangible assets are amortised over five years.

Intangible assets with a finite useful life are tested for impairment if specific events suggest that they may have been impaired. The test carried out is described on the paragraph on "Impairment".

Development costs can be capitalised as long as the cost is reliably able to be determined and it can be shown that the asset is able to produce future economic benefits. Intangible assets that are generated internally deriving from the development of Group products (such as IT solutions) are recognised under assets but only where all the following conditions are met:

the asset must be identifiable (such as, for example, software or new processes); it is likely that the asset created will generate future economic benefits and the cost of developing the asset can be reliably measured.

These intangible assets are amortised according to their marketing or use.

Business combinations:

The acquisition of subsidiaries is booked in accordance with accounting standard IFRS 3 according to the acquisition method when all assets and goods acquired satisfy the definition of corporate assets and the Group controls them. The consideration transferred and identifiable net assets acquired are usually noted at fair value. The carrying amount of any goodwill is impairment tested once a year to identify any impairment losses. Any gains deriving from a bargain purchase are recognised immediately in profit or loss, while the costs related to the merger, other than those relating to the issue of debt securities or equity instruments, are expensed in profit or loss as incurred.

The consideration transferred excludes amounts relating to the termination of a pre-existing contract. As a rule, such amounts are recognised in profit or loss.

The contingent consideration (or "earn-out") is noted at fair value on the date of acquisition. If the contingent consideration that meets the definition of financial instrument is classified in equity, it is not subsequently measured and the future extinguishing is recognised directly as equity. The other contingent consideration is measured at fair value at each year end date and changes in fair value are recognised in profit or loss.

Investments in other companies

Investments in other companies are measured at fair value, if can be determined. When equity investments are not listed and their fair value cannot be determined reliably, they are measured at cost and adjusted for impairment losses.

Impairment

At each reporting date, the Group reviews the carrying amount of its property, plant and equipment and intangible assets (including goodwill) to determine if there is any indication that they may be impaired.

To this end, the Company considers both internal and external sources of information. With regard to internal sources, the Company considers evidence that the economic performance of the asset is, or will be, better than is expected. With regard to external sources, on the other hand, the Company considers the following: the market price trend of the assets, any changes in the market or legal environment, the trend in market interest rates and the cost of capital used to value investments, and, finally, if the carrying amount of the net assets exceeds market capitalisation.

Should this be the case, their recoverable amount is estimated in order to calculate the potential amount of the impairment. The recoverable amount of goodwill is instead estimated each year and whenever there is indication of impairment.

In order to identify any impairment losses, assets are grouped into the smallest identifiable group of assets generating cash flows, largely independent of cash flows generated by other assets or groups of assets ("CGUs" or "Cash-Generating Units"). Goodwill acquired through a business combination is allocated to the CGU that is expected to benefit from the synergies of the merger.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value, net of the costs of decommissioning. In order to determine the value in use, estimated expected cash flows are discounted using a discount rate that reflects current market valuations of the time value of money and specific risks of the asset or CGU.

If the recoverable amount of an asset (or of a cash-generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable amount. The impairment is recognised in profit or loss.

When there is no longer any reason for an impairment loss to be maintained, the carrying amount of the asset (or of the cash generating unit), with the exception of goodwill, is reinstated in accordance with the new estimate of its recoverable amount; however, this amount cannot exceed the net carrying amount that the asset would have had if the impairment loss had not been recognised, net of any amortisation/depreciation that should have been calculated before the previous impairment. The impairment gain is recognised in profit or loss.

Financial instruments

The financial instruments held by the Group are included in the following captions:

- Non-current assets: Equity investments, Other financial assets, Other non-current assets;
- Current assets: Trade receivables, Other current financial assets, Other current assets, Cash and equivalents;
- Non-current liabilities: Non-current financial liabilities, Other non-current liabilities;
- Current liabilities: Trade payables, Current financial liabilities, Other liabilities.

Financial liabilities

Financial liabilities include loans and borrowings, other financial liabilities, including derivatives and lease liabilities

In accordance with IFRS 9, they also include trade payables and other liabilities.

Financial liabilities other than derivatives are initially recognised at fair value; thereafter they are measured at amortised cost.

Financial liabilities hedged by derivatives intended to cover the risk of a change in the liability (fair value hedges), are measured at fair value, as established by IFRS 9 for hedge accounting: gains and losses deriving from subsequent fair value adjustments, limited to the hedged item, are recognised as profit and loss and offset against the effective portion of the loss or gain deriving from the corresponding fair value measurements of the hedge.

Financial liabilities hedged by derivatives aiming to cover the risk of changes in cash flows (cash flow hedges) remain measured at amortised cost, in the manner established by IFRS 9 for hedge accounting.

Put option liabilities

Put option liabilities are recognised according to IAS 32, paragraph 23, which establishes that a contract containing the obligation for the entity to acquire its own equity instruments (in the case in point, referring to non-controlling interests) in exchange for cash or other financial asset, gives rise to a financial liability for the current value of the amount of the redemption (i.e. the present value of the forward purchase price, the strike price of the option or other redemption method).

In the case of a transferred put option, the financial liability is initially measured at the present value of the option strike price and reclassified from equity. Thereafter, the liability is measured in compliance with IFRS 9. More specifically, in application of that standard:

- shares subject to put options transferred in relation to equity attributable to non-controlling interests are considered as already acquired from the company/group, even if the non-controlling investors should retain the risks and benefits linked with ownership of the shares and continue to be exposed to the equity risk;
- the liability deriving from the onset of the obligation and any subsequent changes to such not due to the simple passage of time, is recognised as a balancing entry in the equity reserve;
- changes in the liability that depend on the passage of time (the discounting of the strike price) are recognised in profit or loss.

Derivatives

Derivatives are initially recognised at fair value and, after purchase, measured differently depending on whether or not they are defined as "hedges" in accordance with IFRS 9.

In line with that established by IFRS 9, derivatives can be recognised according to the methods established for hedge accounting only when, at the start of the hedge, there is the formal designation and documentation of its hedging relationship, where it is expected that the hedge will be highly effective during the various accounting periods for which it is designated.

If derivatives are entered into as hedges, but not formally designated as hedges under hedge accounting, the fair value gains or losses on the derivative are taken immediately to profit or loss.

Other financial assets

Other financial assets which consist of debt securities are classified and measured both on the basis of the Group's business model adopted for their management and the cash flows associated with each of said assets.

The business models for financial assets (other than trade receivables) have been defined on the basis of the use of the liquidity and the financial instrument management techniques; the aim is to ensure a suitable level of financial flexibility and the best possible management - in terms of risk/return - of immediately-available financial resources, as per the strategic guidelines.

As envisaged by IFRS 9, the following business models are adopted:

- Hold to Collect: financial instruments used to absorb temporary cash surpluses; they are low risk and are held mainly to maturity; they are measured at amortised cost;
- Hold to Collect and Sell: monetary instruments or bonds used to absorb short/medium-term cash surpluses; they are low risk and held, as a rule, to maturity or alternatively sold to cover specific needs for liquid funds; they are measured at fair value through other comprehensive income (FVOCI);

- all other financial assets that do not meet the criteria for classification amongst instruments measured at amortised cost or FVOCI are measured at fair value through profit or loss (FVTPL).

Financial assets are tested for impairment based on expected credit losses (ECL).

Fair value measurement

Fair value is the price that would be received, at the measurement date, for the sale of an asset or that would be paid for the transfer of a liability in a normal transaction between market participants on the main (or most advantageous) market to which the Group has access at that time. The fair value of a liability reflects the effect of a risk of default.

Where available, the Group measures the fair value of an instrument using the listed price of that instrument on an active market. A market is active when the transactions relative to the asset or liability take place with sufficient frequency and volumes to provide useful information to determining the price continuously.

For lack of a price listed on an active market, the Group uses measurement techniques, using observable input data and minimising the use of non-observable input data. The chosen measurement technique includes all factors that market participants would consider in appraising the price of the transaction.

In the absence of observable input data, unobservable inputs are used.

Cash and cash equivalents

Cash and equivalents are recognised, depending on their nature, at nominal amount or amortised cost.

Other cash and cash equivalents consist of highly-liquid, short-term financial commitments that are readily convertible into cash, known and with a negligible risk of change to their value; their original maturity, at the time of purchase, is not more than 3 months.

Issued capital

Share capital is recognised at nominal value, less any share capital proceeds to be received.

Treasury shares

Treasury shares are recognised for an amount that corresponds to their purchase cost, in an equity reserve at the same time the shares are purchased. The reserve is eliminated, following a resolution by the shareholders' meeting to cancel treasury shares, and the share capital is simultaneously reduced by the nominal amount of the shares cancelled. Any difference between the carrying amount of the reserve and the nominal amount of the shares cancelled is recognised as an increase or decrease in equity. In the event of the disposal of treasury shares, any difference between the carrying amount of the reserve and the realisable value of the shares disposed of, is recognised as an increase or decrease in another item of equity. Similarly, in the event of the assignment of treasury shares under the employee incentive plans, the reduction of the negative reserve has, as a balancing entry in the specific reserve under Equity for the "Long Term Incentive Plan".

Stock Option Plans

Stock option plans, with the assignment of options whose exercise entails the delivery of shares, are measured at fair value determined at the plan grant date. This fair value is taken to profit or loss in the vesting period envisaged by the plan, with the corresponding increase in equity.

Share-based payments (share-based incentive plans)

Employee benefits (long term incentive plan - LTIP) include, as they are substantially a form of remuneration, the cost of share-based incentive plans. The cost of the incentive is determined with reference to the fair value of the instruments attributed and the forecast number of shares that will effectively be assigned; the portion pertaining to the year is determined *pro rata temporis* throughout the vesting period, i.e. the period running between the grant date and the date of assignment. The fair value of the shares underlying the incentive plan is determined at the grant date, taking into account forecast achievement of the performance parameters associated with market conditions and is not rectified in subsequent years; when the benefit is obtained, the forecast relative to these conditions is reflected by adjusting the number of shares to effectively be assigned, throughout the vesting period. Starting 1 January 2021, the incentive plan, as it was approved by the Shareholders' Meeting on 26 April 2021, is based only on shares and the equivalent cost of the purchase has been reclassified from "Other liabilities" to a new equity reserve.

Employee benefits

The Italian post-employment benefits (TFR) are considered a "defined benefit" plan.

The group's obligations are determined separately for each plan, estimating the present value of future benefits accrued by the employees during the current and previous years. This calculation is carried out using the projected unit credit method.

The components of the defined benefits are recorded as follows:

- the components for remeasuring the liabilities, which include actuarial gains and losses, are recognised immediately under "Other comprehensive income (expense)";
- service costs are recognised in profit or loss;
- net financial expense on defined benefit liabilities is recognised in profit or loss under financial expense.

The remeasurement components recognised under "Other comprehensive income (expense)" are never reclassified to the income statement in subsequent periods.

Provisions

The Group recognises provisions for risks and charges when it has a legal or constructive obligation, in regard to a past event, and it is likely that resources will be necessary to fulfil the obligation, which can be reliably estimated.

Provisions are recognised when the Group has an obligation as a result of a past event and it is likely that it will be required to fulfil such obligation. Provisions are made on the basis of the best estimate of the costs involved in fulfilling such obligation at the reporting date and are discounted when the effect is significant.

Recognition of revenue and costs

Revenue is measured taking into account the price specified in the contract with the customer. The Group records revenue when the service is performed, i.e. when the performance obligations contained in the contracts with the customers are fulfilled.

If the revenue of a specific contract must be estimated, as it relates to projects still in progress, it is recognised in relation to the progress of the contract at the reporting date, on the basis of the ratio of the costs incurred for the contract up to the reporting date to the estimated total contract costs.

Costs are allocated according to criteria similar to that used to recognise revenue and in any case on an accruals basis.

Government grants

They are recognised when there is reasonable certainty that all conditions envisaged for their obtainment are met and they will therefore be disbursed.

Grants related to income are recognised in profit or loss, with a systematic criterion in the years in which the Group recognises as costs the related expenses that the grant is intended to offset.

Grants related to assets that refer to property, plant and equipment are recognised as deferred income and taken to profit or loss over the time frame corresponding to the useful life of the relevant asset.

Financial income and expense

Financial income and expense are recognised in the income statement during the year in which they accrued.

Tax

The parent Alkemy S.p.A. and its subsidiaries XCC S.r.l., DGI S.r.l. and Alkemy Play S.r.l. have exercised the option for the "National tax consolidation" pursuant to Articles 117 *et seq.* of Italian Presidential Decree no. 917/86 (the Consolidated Law on Income Tax), which allows IRES tax to be determined on a tax base that coincides with the algebraic sum of the taxable income of the individual companies. Transactions, in addition to the mutual responsibilities and commitments of the consolidating company and subsidiaries, are defined by the tax consolidation scheme agreement.

Current tax represents the estimated amount of income tax due, calculated on taxable profit for the year, determined by applying current tax rates or tax rates that are substantively in force at the reporting date and any adjustments to the amount relative to previous years.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated on the according to the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax values.

Deferred tax assets are recognised on all deductible temporary differences and any tax losses carried forward, to the extent that it is probable that there will be adequate future tax profits that can make their use applicable.

Deferred tax assets and liabilities are not recognised on:

- temporary differences relative to the initial recognition of assets or liabilities in a transaction other than a business combination, which does not impact the accounting profit (or loss) nor the taxable profit (or tax loss);
- temporary differences relative to investments in subsidiaries, associates and joint ventures to the extent to which the Group can control the time-frames for the reversal of the temporary differences and it is likely that in the foreseeable future, the temporary difference will not be cancelled;
- taxable temporary differences relative to the initial recognition of goodwill.

The amount of deferred tax assets is reviewed at each year-end and reduced to the extent to which the amount is no longer likely to be recovered. Unrecognised deferred tax assets are reassessed annually at the end of each reporting period and a previously unrecognised deferred tax asset is recognised to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have already been enacted by the end of the reporting period.

Translation of foreign currency amounts

Revenue and costs relating to transactions in foreign currencies are recognised at the exchange rate in force at the date of the transaction.

Assets and liabilities denominated in foreign currencies are recognised at the closing rate. Exchange gains and losses are classified as financial items.

Consolidation of foreign operations

All the assets and liabilities of foreign operations held in currencies other than the euro, which come under the scope of consolidation, are translated using the exchange rates. Income and costs are translated at the average rate of the year Exchange differences resulting from the application of this method are classified as items of equity.

Below are the exchange rates used for the translation into euros of the financial statements of companies in foreign currencies:

Currency	2023 average rate	2023 closing rate
Mexican peso	19.18	18.72
Serbian dinar	117.25	116.98
US dollar	1.08	1.11

Dividends

Dividends are recognised in the reporting period in which their distribution is resolved.

Earnings per share

Basic earnings per share are calculated by dividing the Group's profit (loss) by the weighted average of outstanding shares during the year, excluding any treasury shares held in the portfolio.

Diluted earnings per share are obtained by means of the adjustment of the weighted average of outstanding shares, so as to take into account all the potential ordinary shares with a diluting effect.

The Group’s profit (loss) is also adjusted to consider the effects, net of tax, of the conversion.

Use of estimates

The preparation of the consolidated financial statements and notes thereto in accordance with the IFRS requires company management to make estimates and assumptions that impact the carrying amount of recognised assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date as well as the amount of revenue and costs for the year.

Actual figures may differ, even significantly, from these estimates following possible changes to the factors considered in their determination.

In particular, the estimates are used to measure goodwill, to recognise lease liabilities, put&call option liabilities and determine loss allowances, provisions for inventory write-downs, amortisation/depreciation and impairment losses on assets, employee benefits, tax, provisions for risks and charges and other provisions.

The estimates and assumptions are reviewed periodically, and any changes are immediately reflected in profit or loss.

Collateral

The term "collateral" is used to mean obligations arising from guarantees given or received by the company with reference to a certain contract whereby the guarantor shall be held specifically liable with assets given as guarantee.

New standards, amendments and interpretations applicable from annual periods starting on or after 1 January 2023

Below is a list of the standards, amendments, interpretations and improvements in force starting 1 January 2023, for which there has been no significant impact on the Group's 2023 Annual Financial Report:

IFRS 17 – Insurance contracts: (published in June 2020);

Initial application of IFRS 17 and IFRS 9 — Comparative information (Amendments to IFRS 17): (published in December 2021);

Definition of accounting estimates (Amendments to IAS 8): (published in February 2021);

Disclosure of accounting policies (Amendments to IAS 1): (published in February 2021)

Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12): (published in May 2021);

International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12): (published in May 2023).

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, not yet applicable and not adopted in advance by the Company as at 31 December 2023

Below are the standards, amendments, interpretations and improvements to be applied in the future:

Lease liability in a sale and leaseback (Amendments to IFRS 16): (published in September 2022). The amendments apply to reporting periods starting on or after 1 January 2024;

Classification of liabilities as current or non-current (Amendments to IAS 1) and Non-current liabilities with covenants (Amendments to IAS 1): (published in January 2020, July 2020 and October 2022, respectively). The amendments apply to annual reporting periods starting on or after 1 January 2024.

With reference to the foregoing standards and amendments, it is not expected that the adoption shall have any significant impact on the Group.

Below are the amendments not yet approved at the reporting date:

IFRS 14 Regulatory deferral accounts (published in January 2014). Endorsement process suspended pending the new standard on rate-regulated activities;

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28) (published in September 2014). Endorsement process suspended pending conclusion of the IASB project on the equity method;

Lack of Exchangeability (Amendment to IAS 21): (published in August 2023). Endorsement date to be set;

Supplier Finance Arrangements (Amendment to IAS 7 and IFRS 9): (published in May 2023). In force since 1 January 2024. Endorsement date to be set.

Financial risk management

Under the scope of its operations, the Group is exposed to financial risks connected with:

- credit risk;
- liquidity risk;
- market risk and, specifically, interest rate and currency risks.

Below is information about the Group's exposure to each of the above risks; reference is made to the more extensive description given in the Report on Operations for a description of how financial risks are monitored in order to prevent any potential negative effects thereof, and, consequently, take corrective action.

Credit risk

Credit risk is the exposure to potential losses deriving from the failure by commercial or financial counterparties to fulfil the commitments made.

The Group's credit risk essentially relates to the amount of trade receivables due for the provision of services.

The very nature of the services provided means that the Group has no significant concentration of the credit risk and is subject to moderate credit risk, insofar as debtors are mainly large, highly-solvent private companies.

Exposure to credit risk at 31 December 2023 and 31 December 2022 is as follows:

	Figures in thousands of euros	
	31 Dec. 2023	**31 Dec. 2022**
Other non-current financial assets	245	588
Other non-current assets	295	267
Trade receivables	47,511	43,640
Other current financial assets	107	291
Other current assets	2,470	2,011
Total exposure	**50,628**	**46,797**
Loss allowance	(1,582)	(2,099)
Total exposure net of the loss allowance	**49,046**	**44,698**

(*) the table does not include tax assets and equity investments

Below is a breakdown of financial assets at 31 December 2023 and 31 December 2022, grouped by category and due date:

Figures in thousands of euros

	Carrying amount 31 Dec. 2023	**Failing due**	**Past due**						**Loss allowance**
			0 - 30	**30 - 90**	**90 - 180**	**180-365**	**More than 365**	**Total past due**	
Non-current financial assets	245	245	-	-	-	-	-	-	-
Other non-current assets	295	295	-	-	-	-	-	-	-
Trade receivables	45,929	33,446	6,555	2,554	1,612	1,173	2,171	14,065	(1,582)
Current financial assets	107	107	-	-	-	-	-	-	-
Other current assets	2,470	2,470	-	-	-	-	-	-	-
Total financial assets (*)	**49,046**	**36,563**	**6,555**	**2,554**	**1,612**	**1,173**	**2,171**	**14,065**	**(1,582)**

(*) the table does not include tax assets and equity investments

									Figures in thousands of euros
	Carrying amount 31 Dec. 2022	**Failing due**	**Past due**						**Loss allowance**
			0 - 30	**30 - 90**	**90 - 180**	**180-365**	**More than 365**	**Total past due**	
Non-current financial assets	588	588	-	-	-	-	-	-	-
Other non-current assets	267	267	-	-	-	-	-	-	-
Trade receivables	41,541	29,729	4,507	4,838	871	1,738	1,957	13,911	(2,099)
Current financial assets	291	291	-	-	-	-	-	-	-
Other current assets	2,011	2,011	-	-	-	-	-	-	-
Total financial assets (*)	**44,698**	**32,886**	**4,507**	**4,838**	**871**	**1,738**	**1,957**	**13,911**	**(2,099)**

(*) the table does not include tax assets and equity investments

Liquidity risk

The Group's financial management is characterised by procedures aimed at regulating the collection and payment duties, controlling and avoiding any critical liquidity positions.

During the year, the Group met its financial requirements using own funds, the stipulation of bank loans and bank overdrafts.

Financial liabilities at 31 December 2023 and 31 December 2022, including interest payable, divided up by contractual due date, are as follows:

						Figures in thousands of euros
	Carrying amount 31 Dec. 2023	Contractual financial flows	Current portion	from 1 to 2 years	from 2 to 5 years	More than 5 years
Bank loans and borrowings	21,846	23,325	12,265	5,290	5,745	26
Lease liabilities	6,506	6,856	2,271	2,030	2,541	14
Put option and earn-out liabilities	13,755	14,966	4,736	553	9,677	-
Loans and borrowings from other financial backers	1,781	1,791	193	247	675	675
Total financial liabilities	**43,888**	**46,938**	**19,466**	**8,119**	**18,638**	**715**

						Figures in thousands of euros
	Carrying amount 31 Dec. 2022	Contractual financial flows	Current portion	from 1 to 2 years	from 2 to 5 years	More than 5

						years
Bank loans and borrowings	20,853	22,000	9,492	5,939	6,456	113
Lease liabilities	4,770	4,941	1,422	1,285	2,234	-
Put option and earn-out liabilities	16,661	18,622	4,061	5,494	9,067	-
Loans and borrowings from other financial backers	1,251	1,267	108	93	715	351
Total financial liabilities	**43,535**	**46,830**	**15,083**	**12,811**	**18,472**	**464**

As regards trade payables and other liabilities, the cash flows expected from the related contracts are within 12 months.

Financial liabilities at 31 December 2023 and 31 December 2022, as resulting from the statement of financial position, divided up by contractual due date, are as follows:

					Figures in thousands of euros
	Carrying amount 31 Dec. 2023	Current portion	from 1 to 2 years	from 2 to 5 years	More than 5 years
Bank loans and borrowings	21,846	11,532	4,875	5,413	26
Lease liabilities	6,506	2,110	1,929	2,453	14
Put option and earn-out liabilities	13,755	4,202	98	9,455	-
Loans and borrowings from other financial backers	1,781	188	243	675	675
Total financial liabilities	**43,888**	**18,032**	**7,145**	**17,996**	**715**

					Figures in thousands of euros
	Carrying amount 31 Dec. 2022	Current portion	from 1 to 2 years	from 2 to 5 years	More than 5 years
Bank loans and borrowings	20,853	8,935	5,605	6,200	113
Lease liabilities	4,770	1,345	1,231	2,194	-
Put option and earn-out liabilities	16,661	3,225	4,825	8,611	-
Loans and borrowings from other financial backers	1,251	88	102	710	351
Total financial liabilities	**43,535**	**13,593**	**11,763**	**17,715**	**464**

Four loans (8,913 thousand euros at 31 December 2023) envisage compliance with two covenants and, in particular: (i) Leverage Ratio, i.e., Net Financial Position/gross operating profit <3, to be calculated annually and (ii) Gearing Ratio, i.e., ratio of Net Financial Position and Equity <1. The covenants were fully complied with as at 31 December 2023.

Market risk

The market risk to which the Group is exposed consists of the risk of changes to interest rates and the currency risk.

Interest rate risk

The Group is exposed to the risk of changes in interest rates in connection with the variable rate indexed medium- and long-term loans.

There are "cap" options in place (at fixed rate, already paid), in connection with some medium-term loans agreed from 2019 onwards to hedge the risk of future rises in interest rates, in connection with loans that are worth approximately 64% of the bank loans and borrowings in place at 31 December 2023.

Financial liabilities of 43,888 thousand euros at 31 December 2023 and 43,535 thousand euros at 31 December 2022 include variable rate loans of 14,048 thousand euros and 16,425 thousand euros, respectively.

The financial instruments exposed to the interest rate risk have been subjected to sensitivity analysis, which shows the effects on pre-tax profit (loss) that would have been recognised in terms of changes to borrowing costs in the event of an increase and decrease of 50 basis points in the Euribor interest rates applied to the financial liabilities.

The effects at 31 December 2023 and 31 December 2022 are shown in the table below:

		Figures in thousands of euros
	+ 50 basis points	**- 50 basis points**
Greater (lesser) interest on variable rate loans - 2023	67	(67)
Total	**67**	**(67)**

		Figures in thousands of euros
	+ 50 basis points	**- 50 basis points**
Greater (lesser) interest on variable rate loans - 2022	61	(61)
Total	**61**	**(61)**

Currency risk

The Group's assets are subject to the currency risk.

The Group is therefore exposed to the currency risk, i.e. the risk that changes in the exchange rates of certain currencies with respect to the consolidation currency impact both the Alkemy Group profit (loss) and its net financial debt and equity.

The Group is also exposed to a limited currency risk generated by commercial and financial transactions implemented by the individual companies in currencies other than the functional currency of the company performing the transaction.

This exposure is monitored, but at the reporting date, the Alkemy Group policy is not to hedge said currency risk insofar as there are no significant transactions implemented in currencies other than the euro between Group companies, except for the annual payment of dividends resolved by the

Mexican companies. A significant fluctuation of Mexican pesos or the other currencies in which the Group operates may in any case negatively impact the Group's financial position and financial performance, proportionally to the impact of the business carried out by said companies, with respect to the general business pursued by the Group as a whole.

Financial assets and liabilities measured at fair value

Based on the requirements of IFRS 13 "*Fair value measurement*", the following disclosure is provided.

The fair value of trade receivables and liabilities and other financial assets and liabilities is approximately the nominal amount recognised.

The fair value of amounts due to and from banks, as well as to and from related companies does not differ from the recognised amounts, insofar as the credit spread has been kept constant.

In relation to the financial instruments recognised in the statement of financial position at fair value, IFRS 7 requires these amounts to be classified on the basis of a level hierarchy that reflects the materiality of the input used in determining the fair value. The following levels can be distinguished:

Level 1 – quoted prices observed on the active market for assets and liabilities;

Level 2 – inputs other than the quoted prices above, which can be observed directly (prices) or indirectly (derived from prices) on the market;

Level 3 – inputs that are based on observable market figures.

With reference to the values presented at 31 December 2023 and 31 December 2022, the tables below show the fair value hierarchy for the Group's assets and liabilities measured at fair value:

			Figures in thousands of euros
	Level 1	**Level 2**	**Level 3**
Assets measured at fair value			
Hedging derivatives	-	257	-
Liabilities measured at fair value			
Earn-out liabilities	-	-	(10,328)
Balance at 31 Dec. 2023	**-**	**257**	**(10,328)**

			Figures in thousands of euros
	Level 1	**Level 2**	**Level 3**
Assets measured at fair value			
Hedging derivatives	-	576	-
Liabilities measured at fair value			
Earn-out liabilities	-	-	(9,939)
Balance at 31 Dec. 2022	**-**	**576**	**(9,939)**

Other information

Government grants

As envisaged by Article 1, paragraphs 125-129 of Italian Law no. 124/2017 (the "2017 Competition Law"), subsequently supplemented by the "Security" Decree Law (no. 113/2018) and the "Simplification" Decree Law (no. 135/2018), under the scope of transparency obligations in connection with financing and economic grants of any type received from the public administrations and similar or equivalent subjects, these amounts are disclosed and in 2023, the Parent and Subsidiary Design Group Italia ID S.r.l., XCC S.r.l. and Alkemy Play S.r.l. received grants related to income respectively of 1,377 thousand euros, 188 thousand euros, 33 thousand euros and 5 thousand euros, for a total of 1,603 thousand euros. The table below gives details of data relating to the providers and the amount of cash disbursements:

		Figures in thousands of euros
Provider	**2023 amount collected**	**Reason**
National Agency for Active Labour Policies	760	New Skills Fund
Regional Authority of Sardinia	300	DEEP project
Ministry of Made in Italy	317	ProtectID Project
Ministry of Economic Development	95	D-ALL
Ministry of Economic Development	67	Nextshop project
Lombardy Region	64	Training
	1,603	

The Parent has also received financing grants of 174 thousand euros from the Ministry of Economic Development in connection with the Protect-ID project.

Grants for the above projects refer entirely to research and development carried out by the Group during previous years.

A complete disclosure of income from government grants is given in Note 2.

Segment reporting

The Group has identified the operating segments on the basis of two geographical areas, which represent the organisational components according to which the business is managed and monitored, namely, as envisaged by IFRS 8, "*a component... whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance*".

Said segments are "Italy" and "Abroad".

Below is the data of 2023 and 2022, broken down by segment as required by IFRS 8, indicating any inter-segment adjustments.

Figures in thousands of euros

2023	**Italy**	**Abroad**	**Inter-segment adjustments**	**Total**
Revenue	69,224	46,128	(316)	**115,037**
Other income	3,027	1,139	(44)	**4,121**
Total revenue and other income	**72,251**	**47,267**	**(360)**	**119,158**
Services, goods and other operating costs	(27,613)	(25,315)	362	**(52,566)**
- of which non-recurring	(35)	(5)	-	**(39)**
Personnel expense	(38,226)	(16,448)	-	**(54,674)**
- of which non-recurring	(1,172)	(15)	-	**(1,187)**
Total costs and other operating costs	**(65,839)**	**(41,763)**	**362**	**(107,240)**
Gross operating profit	**6,412**	**5,504**	**2**	**11,918**
Amortisation/depreciation	(3,503)	(687)	1	**(4,189)**
Provisions and impairment losses	(302)	(537)	-	**(839)**
Operating profit	**2,606**	**4,281**	**3**	**6,890**
Net gains (losses) on equity investments	1,691	-	(1,691)	**-**
Other financial income	485	675	(42)	**1,118**
Other financial expense	(2,491)	(718)	39	**(3,169)**
Pre-tax profit (loss)	**2,292**	**4,238**	**(1,691)**	**4,839**
Income taxes	(340)	(964)	-	**(1,304)**
Profit/(loss) for the year	**1,952**	**3,274**	**(1,691)**	**3,535**

				Figures in thousands of euros
2022	**Italy**	**Abroad**	**Inter-segment adjustments**	**Total**
Revenue	68,767	36,495	(410)	**104,852**
Other income	1,392	383	(52)	**1,722**
Total revenue and other income	**70,159**	**36,878**	**(462)**	**106,574**
Services, goods and other operating costs	(28,554)	(21,361)	475	**(49,440)**
- of which non-recurring	(242)	(51)	-	**(293)**
Personnel expense	(34,316)	(11,747)	(2)	**(46,065)**
- of which non-recurring	(205)	(253)	-	**(459)**
Total costs and other operating costs	**(62,870)**	**(33,109)**	**473**	**(95,505)**
Gross operating profit	**7,289**	**3,769**	**11**	**11,069**
Amortisation/depreciation	(2,819)	(405)	(2)	**(3,226)**
Provisions and impairment losses	(286)	(51)	-	**(337)**
Operating profit	**4,185**	**3,312**	**9**	**7,506**
Net gains (losses) on equity investments	2,018	-	(2,018)	**-**
Other financial income	791	537	(20)	**1,308**
Other financial expense	(1,128)	(597)	9	**(1,716)**
Pre-tax profit (loss)	**5,865**	**3,253**	**(2,020)**	**7,098**
Income taxes	(556)	(930)	1	**(1,484)**
Profit/(loss) for the year	**5,310**	**2,323**	**(2,019)**	**5,614**

Italy segment

The Italy segment includes the following companies: Alkemy S.p.A., Alkemy Play S.r.l., XCC S.r.l., DGI S.r.l.. It also includes Alkemy Play D.o.o. (Serbia) which operates exclusively for the Italian parent.

Revenue in 2023 from the Italy segment came to 72,251 thousand euros, up 2,092 thousand euros (+3%) on the previous year. The increase is mostly due to the positive effects of the Go-To-Market strategy which enabled strong monitoring of existing customers and more than offset the uncertainty which partly still affects the reference market.

Revenue of 69,224 thousand euros comprises revenue from sales and services (68,767 thousand euros in 2022) and 3,027 thousand euros for other revenue and income (1,392 thousand euros in 2022); details are given in the comments to the accounts.

Operating costs, represented by costs for services, goods and other items and for personnel expenses, total 65,839 thousand euros, up 2,969 thousand euros (+4.8%) on the previous year, with a trend in line with the increase in revenue.

Gross operating profit came to 6,412 thousand euros (7,289 thousand euros in 2022), down 878 thousand euros.

Amortisation, depreciation and impairment losses came to 3,805 thousand euros, up by a total of 701 thousand euros on 2022 (+3%). This item includes:

- amortisation/depreciation for property, plant and equipment and intangible fixed assets with a finite useful life for a total of 3,503 thousand euros (2,819 thousand euros in 2022);
- the accrual made for 302 thousand euros, allocated essentially to cover potential future losses connected with specific disputed loans at the reporting date (286 thousand euros in 2022).

The Italy segment therefore recorded a pre-tax profit of 2,292 thousand euros (profit of 5,865 thousand euros in 2022), which, less tax, gave rise to a profit of 1,952 thousand euros, as compared with 5,310 thousand euros for the previous year.

Abroad segment

The Abroad segment regards all the foreign markets on which the Group operates, namely Spain, Mexico, the USA and Serbia.

The following companies are included: Alkemy Iberia S.L.U. (Spain) Alkemy South America S.L. (Spain), Innocv Solutions S.L. (Spain), OIS Digital S.L. (Mexico), OIS Service S.L. (Mexico), Kreativa D.o.o. (Serbia), Alkemy SEE D.o.o. (Serbia) and DGI Corp. (USA).

2023 Abroad segment revenue came to 47,267 thousand euros as compared with 36,878 thousand euros in 2022 (+28.2%). The increase in revenue is mainly due to the positive performance of the Mexican, Spanish and US subsidiaries.

Operating costs and personnel expense went from 33,109 thousand euros in 2022 to 41,763 thousand euros in 2023.

Gross operating profit margin therefore comes to 5,504 thousand euros, as compared with 3,769 thousand euros of the previous year.

Operating profit, including financial income and expense, comes to 4,281 thousand euros, as compared with last year's 3,312 thousand euros.

The profit for the year totals 3,274 thousand euros, as compared with 2,323 thousand euros in 2022.

Additionally, in order to assure a complete disclosure, below are the trade receivables and payables at 31 December 2023 and at 31 December 2022, divided up by segment:

31 Dec. 2023	Italy	Abroad	Inter-segment adjustments	Total
				Figures in thousands of euros
Trade receivables	34,211	12,175	(457)	**45,929**
Trade payables	10,342	7,637	(1,783)	**16,196**

31 Dec. 2022	Italy	Abroad	Inter-segment adjustments	Total
				Figures in thousands of euros
Trade receivables	31,009	11,042	(511)	**41,541**
Trade payables	10,403	6,364	(550)	**16,217**

Notes to the consolidated financial statements

Income statement

1. Revenue

Revenue comes to 115,037 thousand euros (104,852 thousand euros in 2022) and mostly relates to the sale of services.

Turnover in the year is up 10,185 thousand euros (+9.7%) on the previous year. The increase is mainly attributable to (i) inorganic growth, following the acquisition of INNOCV Solution S.L. for a total of 5.125 thousand euros (following consolidation of the entire year, compared to 5 months in 2022), (ii) the retention of the main Italian and foreign customers, especially related to the Mexican subsidiaries (+859 thousand euros, due to the favourable trend of the Euro-Mexican peso exchange rate, compared to the previous year), (iii) the increase in revenue of Kreativa D.o.o. and Alkemy Iberia S.L.U. (+2,015 thousand euros and +916 thousand euros, respectively, compared with the previous year) and (iv) the increase in revenue of DGI Corp. (+685 thousand euros compared with the previous year).

The effect of the Euro-Serbian dinar and the Euro-US dollar exchange rate had no significant impact.

2. Other income

Other income totals 4,121 thousand euros (1,722 thousand euros at 31 December 2022), as follows:

	Figures in thousands of euros	
	2023	**2022**
Government grants	1,679	18
Capitalisation of costs	1,105	1,025
Tax credit	985	335
Other revenue	352	344
Total other income	**4,121**	**1,722**

Income on the capitalisation of costs came to 1,105 thousand euros and mainly relates to the internal implementation of software and platforms relative to the pursuit of Group companies' commercial activities, in particular: the development of an innovative generative AI tool; a product that standardises the reporting flow for digital marketing campaigns; a process for advertising platforms; a platform for the automation of some of the Digital Data Products team's products; a unique tool that allows users to track and analyse the position of their website in Google search results; a project concerning the optimisation of advertising expenses; a unique tool for measuring the Marketing Mix;

a tool for planning promotional campaigns; specific Machine Learning models for the prediction of anomalies in the operation of machinery or production lines; a data product to improve the quality of deliverables of forecasting projects; a real estate asset for managing opportunities to buy or sell a property.

The tax credit amounts to 985 thousand euros (335 thousand euros in 2022) and mainly relates to investments for 250 thousand euros made by the Parent in training 4.0 pursuant to Art. 1, paragraph 53 of Law no. 205/2017 and Art. 4, paragraph 1 of Ministerial Decree 2018 and for 702 thousand euros by the subsidiary Innocv Solutions S.L. in technological innovation.

Government grants amounting to 1,679 thousand euros (18 thousand euros in 2022) mainly relate to the grant from the New Skills Fund, a public fund co-financed by the European Social Fund, created to enable companies to update their workers' skills by allocating part of their time to training.

Other revenue came to 352 thousand euros (344 thousand euros in 2022) and mainly consists of reimbursements and other positive income components.

3. Services, goods and other operating costs

Services, goods and other operating costs comes to 52,567 thousand euros (49,440 thousand euros in 2022), as detailed hereto:

	Figures in thousands of euros	
	2023	**2022**
Services	51,491	48,819
Purchase goods	563	223
Operating leases	240	170
Other operating costs	272	228
Total	**52,566**	**49,440**

Services

Costs for services come to 51,492 thousand euros (48,819 thousand euros in 2022) and are detailed below:

	Figures in thousands of euros	
	2023	**2022**
Services for customers	44,835	42,693
Other consultancy	944	590
Maintenance services	865	659
Marketing services	810	703
Travel and transfer expenses	757	639
Restaurant vouchers	697	501
Administrative services	454	555
Insurance	381	383
Consultancy and legal expenses	367	372
Audit and attestation fees	261	245
Postal, telephone and data transmission services	210	351
Condominium and supervisory expenses	170	133
Cleaning expenses	151	129
Utilities	144	111
Payslip processing	96	104
Banking services	79	76
Statutory Auditors' fees	69	68
Costs for non-recurring services	39	293
Commercial services	1	61
Collaborators' fees	-	28
Other services	161	125
Total services	**51,491**	**48,819**

Services mainly include commercial costs incurred for activities provided to customers, media space, costs for third party services, distribution costs and costs for collaborators.
The increase of 2,673 thousand euros (+5.5%) in the year is correlated with the Group's inorganic growth and the business growth.

Purchase of goods materials

Costs for the purchase of goods total 563 thousand euros (223 thousand euros in 2022) and mainly regard materials relating to specific projects, especially concerning design, and consumables for the office.

Operating leases

Costs for operating leases come to 240 thousand euros (170 thousand euros in 2022) and relate to costs that, by nature, do not come under the scope of application of IFRS 16.

Other operating costs

Other operating costs come to 272 thousand euros (198 thousand euros in 2022) and mainly regard credit losses not relating to trade receivables, entertainment costs and other operating expense.

4. Personnel expense

Personnel expense comes to 54,674 thousand euros (46,065 thousand euros in 2022), up 8,609 thousand on 2022 (+18.7%), of which 4,551 thousand euros relates to changes in the consolidation scope; they comprise:

	Figures in thousands of euros	
	2023	**2022**
Wages and salaries	39,566	32,924
Non-recurring personnel expense	1,187	459
Directors' fees	1,144	1,636
Social security expenses	10,640	8,579
Costs for defined benefit plans	1,817	1,862
Cost of share-based payments	218	517
Other personnel expense	102	88
Total personnel expense	**54,674**	**46,065**

This item includes all costs incurred during the year, directly or indirectly relating to employees and collaborators, as well as directors' fees for 1,144 thousand euros.

"Non-recurring personnel expense" includes all costs incurred for redundancy incentives granted and fully paid in the year as well as one-off amounts paid to some employee categories in order to mitigate the impact of inflation.

The cost of share-based payments includes the cost relative to the long-term incentive plan for five key managers, as well as the Chairman, Chief Executive Officer and a Director of the Parent.

The average number of employees during 2023 was 936 (809 in 2022).

The Group had 916 employees at 31 December 2023, as compared with 899 in the previous year.

The table below shows the average number of employees in 2023, divided up by category.

	2023	**2022**
Managers	22	17
Middle managers	116	108
Office employees	798	684
Total	**936**	**809**

The 3.7% increase in average wages and salaries per employee, net of directors' fees, costs for share-based payments and non-recurring personnel expense, is mainly due to contract and merit-based

raises paid in the course of 2023.

5. Amortisation/depreciation

Amortisation/depreciation comes to 4,189 thousand euros (3,226 thousand euros in 2022) and consists of:

- 2,087 thousand euros (1,700 thousand euros in 2022) relate to the depreciation of right-of-use assets;
- 1,337 thousand euros (866 thousand euros in 2022) for the amortisation of intangible assets;
- 765 thousand euros (660 thousand euros in 2022) for the depreciation of property, plant and equipment.

The increase in amortisation/depreciation compared with the previous year is due to investments as of the second half of 2022 which continued in 2023.

6. Provisions and impairment losses

Provisions come to 839 thousand euros (337 thousand euros in 2022) and refer to the impairment of trade receivables (613 thousand euros), to the impairment of other current receivables (174 thousand euros), and to provisions (53 thousand euros), for which reference should be made to Note 38 "Contingent liabilities and main disputes".

7. Other financial income

Other financial income comes to 1,119 thousand euros (1,308 thousand euros in 2022) and is detailed below:

	Figures in thousands of euros	
	2023	**2022**
Exchange gains	622	542
Earn-out gain	127	306
Capital gains	2	-
Fair value gains on derivatives	-	353
Other financial income	367	107
Total other financial income	**1,118**	**1,308**

Exchange gains come to 622 thousand euros (542 thousand euros in 2022) and essentially refer to the subsidiary Ontwice Interactive Services S.A. Mexico City, which also generated most of the exchange losses, of 721 thousand euros (579 thousand euros in 2022), included in financial expense, as detailed below.

Exchange gains and losses, which offset each other, are in line with the previous year and refer to purchases and sales made in US dollars by the Mexican subsidiaries.

Other financial income comes to 368 thousand euros and mainly relate for 309 thousand euros to premiums collected on the aforementioned transactions to hedge the fluctuation of variable rates of certain medium/long-term bank loans.

The earn-out gain comes to 127 thousand euros (306 thousand euros in 2022) and refers to the difference between the carrying amount of the earn-out liability, to be paid to the former non-controlling investors of Innocv Solutions S.L. and its fair value at 31 December 2023.

8. Other financial expense

Other financial expense comes to 3,169 thousand euros (1,716 thousand euros in 2022) and is detailed below:

	Figures in thousands of euros	
	2023	**2022**
Interest expense on loans	776	464
Interest expense on put option and earn-out liabilities	762	441
Exchange losses	721	579
Fair value loss on derivatives	309	-
Interest expense on employee benefits (IAS 19)	244	64
Interest on leases	181	107
Interest expense on current accounts	113	17
Other financial expense	63	44
Total other financial expense	**3,169**	**1,716**

The increase in this item is due to the rise in interest expense, mainly on loans and put option and earn-out liabilities, in line with the general upward trend in interest rates and the increase in financial liabilities in 2023 compared to 2022.

The fair value loss on derivatives come to 309 thousand euros (in 2022: fair value gain of 353 thousand euros) and relate to the effects of the fair value measurement of hedging transactions entered into in connection with certain medium- and long-term bank loans.

9. Income taxes

Tax has been calculated in compliance with current tax legislation and is detailed below:

	Figures in thousands of euros	
	2023	**2022**
Current income tax	855	750
Current IRAP	124	317
Previous years' tax	23	(10)
Change in deferred tax assets	359	323
Change in deferred tax liabilities	(57)	104
Total income taxes	**1,304**	**1,484**

In order to understand the trend in income tax, below is a reconciliation of the theoretical and effective tax charge for 2023 and 2022:

	Figures in thousands of euros	
	2023	**2022**
Pre-tax profit	**4839**	**7098**
Current tax rate	24%	24%
Theoretical tax charge	**1161**	**1704**
Temporary differences deductible in subsequent years:	162	201
Temporary differences reversed from previous years	(482)	(429)
Permanent differences	(189)	(866)
Effect deriving from other items and foreign tax rates different to the theoretical tax rate	204	140
Actual tax charge	**855**	**750**
Effective rate on the income statement	18%	11%

In order to better understand the reconciliation of the tax charge recognised and the theoretical tax burden, no consideration is given to IRAP (regional tax on productivity), as it is a tax with a tax base that differs from the pre-tax profit. Theoretical tax has also been determined applying only the current IRES rate in force in Italy, of 24%.

10. Earnings per share

Basic earnings per share are calculated by dividing the Group's profit (loss) by the weighted average of outstanding shares during the year, excluding any treasury shares held in the portfolio.

In the calculation of diluted earnings per share, the weighted average of outstanding shares takes into account the conversion of any instruments with a diluting effect (none at 31 December 2023).

The calculation of earnings per share is shown in the table below:

Figures expressed in units of euros

	2023	2022
Profit		
Profit for the year attributable to the owners of the parent	3,463,000	5,583,000
Profit for the year attributable to the owners of the parent, attributable to ordinary shares	3,463,000	5,583,000
Number of shares		
Average number of outstanding ordinary shares	5,535,771	5,530,892
Adjusted average number of ordinary shares	5,535,771	5,530,892
Basic earnings per share	0.63	1.01
Diluted earnings per share	0.63	1.01

For further details, please refer to note 24 on equity.

Statement of financial position

Assets

Non-current assets

11. Property, plant and equipment

The item totals 1,939 thousand euros (2,209 thousand euros at 31 December 2022); changes are shown below:

Figures in thousands of euros

	Lands and buildings	Plant and machinery	Other assets	Total
Balance at 31 Dec. 2021	**69**	**11**	**1,729**	**1,809**
Change in the scope of consolidation	-	-	130	130
Investments	-	7	914	921
Depreciation	(4)	(3)	(652)	(659)
Other movements	-	(1)	9	8
Balance at 31 Dec. 2022	**65**	**14**	**2,130**	**2,209**
Investments	-	6	535	541
Depreciation	(4)	(3)	(758)	(765)
Other movements	(1)	(1)	(44)	(46)
Balance at 31 Dec. 2023	**60**	**16**	**1,863**	**1,939**

Land and buildings include a property owned in Rende (CS).

"Other assets" mainly includes computers and IT equipment purchased for Group employees, as well as furniture and furnishings of the company offices and sites.
Increases are mainly due to the purchase of computers and IT equipment.

Accumulated depreciation, coming to 4,084 thousand euros at 31 December 2023 (3,594 thousand euros at 31 December 2022) changed in the course of the year essentially as a result of depreciation for the year.

12. Right-of-use assets

The item totals 6,274 thousand euros (4,633 thousand euros at 31 December 2022); changes are shown below:

	Buildings	Other assets	Total
			Figures in thousands of euros
Balance at 31 Dec. 2021	**4,591**	**741**	**5,332**
Change in the scope of consolidation	51	1	52
Investments	291	725	1,016
Depreciation	(1,205)	(495)	(1,700)
Other movements	(13)	(54)	(67)
Balance at 31 Dec. 2022	**3,715**	**918**	**4,633**
Investments	2,855	885	3,740
Depreciation	(1,523)	(564)	(2,087)
Other movements	(11)	(1)	(12)
Balance at 31 Dec. 2023	**5,036**	**1,238**	**6,274**

"Other assets" includes rights-of-use on company cars and increases in the year mainly relate to the signing of new rental contracts, also to replace those that expired during the year.
The increase in the rights-of-use on land and buildings mainly relates to the agreement of new leases and to the ISTAT adjustments envisaged by contract.
Accumulated depreciation, coming to 5,813 thousand euros at 31 December 2023 (4,198 thousand euros at 31 December 2022) changed in the course of the year essentially as a result of depreciation for the year and, to a limited extent, as a result of the reversal of the rights-of-use no longer in place and fully depreciated.

13. Goodwill

Goodwill comes to 54,871 thousand euros (54,868 thousand euros at 31 December 2022), as detailed below:

		Figures in thousands of euros
	31 Dec. 2023	**31 Dec. 2022**
Goodwill of the ITALY CGU	**27,598**	**27,598**
- Bizup acquisition	6,883	6,883
- Nunatac acquisition	6,603	6,603
- XCC acquisition	4,885	4,885
- DGI acquisition	4,610	4,610
- Alkemy Tech acquisition	2,898	2,898
- Seolab acquisition	1,167	1,167
- Between acquisition	552	552
Goodwill of the SPAIN CGU	**23,051**	**23,051**
- Acquisition of Alkemy Iberia (formerly Ontwice Interactive Service)	9,455	9,455
- Innocv acquisition	13,596	13,596
Goodwill of the MEXICO CGU	**3,218**	**3,218**
- Alkemy South America acquisition	3,218	3,218
Goodwill of the BALKANS CGU	**1,004**	**1,001**

- Kreativa acquisition	1,004	1,001
Total goodwill	**54,871**	**54,868**

The Group expects to receive cash flows from these assets, for an indefinite period of time.

As mentioned in the section on accounting policies, goodwill is not amortised, but only tested for impairment. The Group checks the potential recoverability of goodwill once a year, testing each identified cash generating unit ("CGU").

Goodwill has been allocated to the four CGUs corresponding to the geographic areas in which the Group operates, as summarised below:

- CGU – Italy;
- CGU – Spain;
- CGU – Mexico;
- CGU – the Balkans.

The recoverable amount of the four identified CGUs, to which the individual goodwill entries refer, has been verified through the value in use, determined by applying the unlevered discounted cash flow. If the recoverable amount exceeds the carrying amount of the CGU's goodwill, no impairment is recognised; if not, the difference between the carrying amount and the recoverable amount, as resulting from the impairment test, determines the amount of the adjustment to be made.

The main assumptions on which the recoverable amount is calculated regard the discount rate, the use of the latest budgets and medium-term forecasts and the projected growth rate at the end of the explicit forecasting period.
Discounting regarded expected cash flows as resulting from the 2024-2026 three-year plan approved by the Board of Directors on 23 February 2024.
It is considered useful to specify that this plan was prepared, according to principles of prudence, with the exclusive aim of supporting the economic and equity measurements correlated to certain items entered into the separate and consolidated financial statements at 31 December 2023.
The hypotheses underlying this plan consider, amongst others:

- The changes in the Group perimeter;
- the best estimate of the 2023 pre-closure data;
- for 2024, the data of the annual consolidated Budget, prepared on the basis of the budgets prepared by each company, presented and approved by the Board of Directors of Alkemy S.p.A. on 24 January 2024 and 23 February 2024;
- for 2025 and 2026, the data considered derive from general economic and equity logics, valid for each Group company, which assume the ordinary continuity of business (equal commercial offer, equal organisational structure, same customer type, constant investments over the three years), in "normal" market conditions (i.e. without: pandemics, new conflicts, additional energy shocks, hyperinflation) with the usual percentage increases in year-on-year revenue and costs, in line with contractual forecasts, and a slight percentage improvement

in overall profit margins as a consequence of the growth in volumes handled. These forecasts include the impact of the new commercial and operating organisation of Alkemy S.p.A. Since January 2024;

- complete compliance with all present and future commitments already made by the Group, including (i) the exercise of existing put and earn-out options on minority shares and (ii) the regular repayment of loans.

The terminal value was calculated using the "perpetual income" method determined by the normalised cash flow projection relative to the first year after the explicit forecasting period, assuming a growth rate of 1.9% for the CGU – Italy, 2% for the CGU – Spain, Mexico and the Balkans.

In discounting cash flows, the Group adopted a rate that expresses the weighted average cost of capital (WACC) comprising a weighted average of the cost of capital and the cost of debt. The rates were differentiated for each CGU, taking into account the specific risk level of the countries in which the subsidiaries are based.

More specifically, with reference to the valuations at 31 December 2023, the Group applied a rate of 11.5% for the CGU – Italy, 11.2% for the CGU – Spain, 15.8% for the CGU – Mexico and 17% for the CGU – the Balkans.

The impairment test results revealed for each CGU that the recoverable amount exceeded the carrying amount, accordingly no impairment losses were recognised.

It should also be noted that at 31 December 2023, Alkemy's capitalisation amounted to 52,249,376 euros, compared to Group equity of almost 48 million euros.

A sensitivity analysis has also been carried out, hypothesising changes in the WACC discounting rate with an increase/decrease of 1 percentage point, matched with (i) an increase/decrease of 1 percentage point of the perpetual g-rate, (ii) a different determination of the gross operating profit terminal value, in respect of changes in results envisaged by the three-year plan (average gross operating profit 2024-2026, average 2025-2026 and gross operating profit for 2026).

These analyses did not indicate any impairment loss on goodwill.

In order to ensure a more in-depth sensitivity analysis, break-even thresholds were identified for the main parameters, namely the values beyond which the cover for each CGU is zeroed and, therefore, there begin to be impairment losses on goodwill.

The table below provides a summary of these results.

2023 PARAMETER		**Italy CGU**	**Spain CGU**	**Mexico CGU**	**Balkans CGU**
	basic	11.48%	11.15%	15.79%	16.99%
WACC	break-even	13.63%	14.18%	36.96%	53.26%
	delta	*2.15%*	*3.03%*	*21.17%*	*36.27%*
	basic	1.90%	2.00%	2.00%	2.00%
G-rate	break-even	-0.61%	-1.53%	-33.50%	-88.03%
	delta	*-2.51%*	*-3.53%*	*-35.50%*	*-90.03%*

Reduction in gross operating profit BP and TV	break-even	-11.57%	-21.37%	-51.80%	-64.31%

Below are the results for 2022.

2022 PARAMETER		**Italy CGU**	**Spain CGU**	**Mexico CGU**	**Balkans CGU**
	basic	11.34%	11.24%	16.49%	13.91%
WACC	break-even	12.10%	13.00%	76.80%	25.70%
	delta	*0.76%*	*1.76%*	*60.31%*	*11.79%*
	basic	1.90%	2.00%	2.00%	2.00%
G-rate	break-even	1.10%	0.00%	-251.90%	-14.10%
	delta	*-0.80%*	*-2.00%*	*-253.90%*	*-16.10%*
Reduction in gross operating profit BP and TV	break-even	-4.40%	-14.40%	-72.40%	-41.20%

14. Intangible assets

Intangible assets come to 2,079 thousand euros (1,934 thousand euros at 31 December 2022). Below are details on changes seen therein:

Figures in thousands of euros

	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other	Total
Balance at 31 Dec. 2021	**297**	**15**	**551**	**863**
Change in the scope of consolidation	9	-	314	323
Investments	335	(1)	1,280	1,614
Depreciation	(296)	(4)	(566)	(866)
Balance at 31 Dec. 2022	**368**	**11**	**1,555**	**1,934**
Investments	259	-	1,228	1,487
Depreciation	(286)	(3)	(1,048)	(1,337)
Other movements	5	-	(10)	(5)
Balance at 31 Dec. 2023	**346**	**8**	**1,725**	**2,079**

Industrial patents and intellectual property rights

This item mainly includes the costs incurred to purchase of the company management software.

Concessions, licences, trademarks and similar rights

This item mainly includes the costs incurred by the Parent to register trademarks.

Other

This item includes deferred costs that, due to their different nature, do not fit under any of the other items of this category. More specifically, the item includes: (i) the costs incurred by the subsidiary Alkemy Play S.r.l., including through the subsidiary Alkemy Play D.o.o., in relation to the programming and development of a web platform dedicated to the supply of digital services for small and medium enterprises and (ii) the costs relating to the internal implementation of software and platforms inherent to the conduct of the commercial business of the Group companies, for which reference is made to note 2 of these consolidated financial statements for details on increases in the year.

Accumulated amortisation for the various asset classes, which at 31 December 2023 came to a total of 2,434 thousand euros (5,270 thousand euros at 31 December 2022), changed during the year mainly due to the reversal of fully amortised assets in the amount of 4,208 thousand euros and amortisation for the year in the amount of 1,337 thousand euros.

15. Investments in associates and other companies

The item totals 5 thousand euros, in line with the balance at 31 December 2022.
The amount refers to the investment in the consortium company ICT SUD S.c.r.l., held by the Parent.

16. Other financial assets

Other non-current financial assets come to 245 thousand euros (588 thousand euros at 31 December 2022) and are detailed below:

	Figures in thousands of euros	
	31 Dec. 2023	**31 Dec. 2022**
Derivatives	236	576
Amounts due from employees	9	12
Total other financial assets	**245**	**588**

Derivatives refer to the hedging transactions carried out in connection with certain medium/long-term bank loans, as described earlier. The 340 thousand euro decrease is mostly related to fair value losses.

17. Deferred tax assets

Deferred tax assets amount to 1,818 thousand euros (2,206 thousand euros at 31 December 2022).

Their overall decrease for the year of 388 thousand euros is mainly attributable for 151 thousand euros to the utilisation of prior year tax losses and ACE by the Parent, to cover the profits for the year resulting from the national tax consolidation scheme, and for the remainder to the effect of deductible temporary differences reversed during the year.

They are detailed below:

Figures in thousands of euros

	Temporary differences at 31 December 2023	**Tax effect 31 Dec. 2023**	**Temporary differences at 31 December 2022**	**Tax effect 31 Dec. 2022**
Personnel expense	950	245	925	228
Loss allowance and provisions for other risks	1,530	369	2,082	501
Prior year losses	223	53	594	142
Tax assets	2,835	706	3,134	783
Consolidation adjustments and other items	1,195	445	1,828	553
Total	**6,733**	**1,818**	**8,563**	**2,206**

They arise on the temporary differences between the carrying amounts of the assets and liabilities used to prepare the financial statements and the respective tax bases (mainly loss allowances and outstanding directors' fees), as well as on tax losses that can be carried forward.

Deferred tax assets are recognised when it is considered, on the basis of forecasts for future results, that their recovery in future years is reasonably certain.

18. Other non-current assets

Other non-current assets come to 295 thousand euros (267 thousand euros at 31 December 2022) and mainly relate to guarantee deposits for leased offices.

Current assets

19. Trade receivables

Trade receivables come to 45,929 thousand euros (41,541 thousand euros at 31 December 2022), as detailed below:

Figures in thousands of euros

	31 Dec. 2023	**31 Dec. 2022**
Italy	28,057	25,227
EU	6,717	8,493
Non-EU	11,155	7,821
Total trade receivables	**45,929**	**41,541**

There are no amounts due after one year.
The increase in trade receivables is linked to the change in the consolidation scope and the increase in Group turnover.

Trade receivables are stated net of a loss allowance of 1,582 thousand euros (2,099 thousand euros at 31 December 2022). The loss allowance was calculated on the basis of the lifetime expected credit losses from initial recognition and during subsequent measurements. The estimate is mainly prepared by determining the average expected credit losses, based on historical indicators. For some categories, characterised by specific risk elements, specific valuations are instead made on the individual positions.

Below are year changes to the loss allowance:

	Figures in thousands of euros
Balance at 31 Dec. 2022	**(2,099)**
Accruals	(613)
Uses	1,078
Others	52
Balance at 31 Dec. 2023	**(1,582)**

Uses for the year refer to receivables that were no longer collectible and for which there was already a loss allowance at the end of the previous year.

20. Other financial assets

Other financial assets amount to 107 thousand euros. At 31 December 2022, this item amounts to 291 thousand euros and mainly relates to securities held by the subsidiary Innocv Solutions S.L. that were sold during the year.

21. Tax assets

Tax assets come to 2,258 thousand euros (2,065 thousand at 31 December 2022) and are detailed as follows:

	Figures in thousands of euros	
	31 Dec. 2023	**31 Dec. 2022**
VAT asset	936	1,090
Tax asset pursuant to DL.145/2013	818	758
Tax assets	415	188
Other tax assets	89	29
Total tax assets	**2,258**	**2,065**

The tax asset pursuant to DL 145/2013 of 818 thousand euros mainly refers for 766 thousand euros to technological innovation projects for investments made by the Spanish subsidiary Innocv Solutions S.L..
It is noted that at the end of this year and the previous year, there are no tax assets due beyond 5 years.

22.Other current assets

Other current assets of 2,470 thousand euros (2,011 thousand euros at 31 December 2022) are detailed as follows:

	Figures in thousands of euros	
	31 Dec. 2023	**31 Dec. 2022**
Government grants	1,848	1,674
Impairment of government grants	(497)	(497)
Prepayments	742	603
Other	377	231
Total other current assets	**2,470**	**2,011**

Government grants increased by 174 thousand euros due to the recognition of new grants of 1,777 thousand euros, net of payments received for 1,603 thousand euros.

Other assets include 166 thousand euros of advances to suppliers and 151 thousand euros of other current assets.

It is noted that at the end of this year and the previous year, there are no other current assets due beyond 5 years.
There is no accrued income.
Prepayments total 742 thousand euros and are summarised below:

	Figures in thousands of euros	
	31 Dec. 2023	**31 Dec. 2022**

Costs for services for customers	338	163
IT costs	154	49
Hire, rental and licence costs	19	229
Insurance	17	19
Stock exchange costs	4	37
Other	210	107
Total prepayments	**742**	**603**

23. Cash and cash equivalents

The balance of 12,029 thousand euros (9,115 thousand euros at 31 December 2022) is detailed below:

	Figures in thousands of euros	
	31 Dec. 2023	**31 Dec. 2022**
Bank deposits	12,025	9,110
Cash on hand	4	5
Total cash and cash equivalents	**12,029**	**9,115**

Generation and use of cash flows for the year are analysed in the statement of cash flows.

Liabilities and equity

Non-current liabilities

24. Equity

Changes in and a breakdown of equity at 31 December 2022 and 2023 are given in the changes to the equity items, to which you are referred.

Share capital

The Parent's share capital comes to 596 thousand euros (unchanged from the previous year end), is fully paid-up and is comprised of 5,685,460 shares (unchanged from the previous year end), with no par value.

Treasury shares

The negative reserve for treasury shares comes to 1,776 thousand euros, for a total of 149,315 treasury shares, accounting for 2.63% of the share capital (1,793 thousand euros for a total of 150,864 treasury shares or 2.65% of the share capital at 31 December 2022). The change is due (i) to the purchase of treasury shares worth 120 thousand euros, equal to 10,000 treasury shares and (ii) worth 137 thousand euros, equal to 11,549, the assignment of treasury shares to the Chairman, CEO and a Director of the Parent in execution of the Long-Term Incentive Plan, in connection with 50% of the shares accrued by them on the profit for 2022.

Legal reserve

The legal reserve amounts to 202 thousand euros (no change on 31 December 2022).

Other reserves

Other Reserves come to 33,426 thousand euros (33,284 thousand euros at 31 December 2022), as follows:

- share premium reserve of 27,372 thousand euros (unchanged on 31 December 2022);
- reserve for the Long-Term Incentive Plan of 1,166 thousand euros (1,213 at 31 December 2022);
- the FTA reserve of 147 thousand euros (unchanged from the previous year);
- the reserve for tax alignment of goodwill of 4,478 thousand euros (no change on 31 December 2022)
- actuarial gains of 391 thousand euros (304 thousand euros at 31 December 2022); the item relates to the discounting of post-employment benefits, envisaged by IAS 19;
- the translation reserve of 160 thousand euros (65 thousand euros at 31 December 2022)

- My Share reserve in the amount of 6 thousand euros (zero at 31 December 2022).

The change in the reserve for the long-term incentive plan, for -47 thousand euros, is due to the combination of (i) the provision of the year for +207 thousand euros and (ii) the reduction in the reserve following the specified assignment of treasury shares, equal to -254 thousand euros.

Retained earnings

Retained earnings come to 11,332 thousand euros (5,135 thousand euros at 31 December 2022); the change for the year is mainly due to:

- +5,583 thousand euros as a result of the allocation of the profit for 2022, in accordance with the resolution passed by the shareholders' meeting of the Parent on 27 April 2023;
- +661 thousand euros due to the fair value gain on put option liabilities;
- -47 thousand euros due to the reduction deriving from the difference between the carrying value of the aforementioned 11,549 treasury shares assigned in execution of the "Long Term Incentive Plan" and their carrying amount in the Long Term Incentive Plan, determined on the basis of the contractual provisions.

25. Equity attributable to non-controlling investors

Equity attributable to non-controlling interests comes to 473 thousand euros (399 thousand euros at 31 December 2022) and mainly refers to the portion pertaining to the non-controlling investors of the subsidiaries in the Balkans area.

26. Financial liabilities

Current and non-current financial liabilities come to 23,627 thousand euros (22,104 thousand euros at 31 December 2022) and are broken down below by due dates:

- 12,007 thousand euros (13,081 thousand euros at 31 December 2022) related to non-current financial liabilities;
- 11,620 thousand euros (9,023 thousand euros at 31 December 2022) related to current financial liabilities.

There are financial liabilities due after 5 years, for the amount of 701 thousand euros.
The increase in financial liabilities for 1,523 thousand euros is mainly due to:

- The multi-year loans agreed in the year and better described below (+5,823 thousand euros);
- the net effect of invoice discounting during the year and of the related repayments, for +2,178 thousand euros.
- repayments made during the year (-6,440 thousand euros).

Unless otherwise specified, the financial liabilities, all held by the Parent Alkemy S.p.A., are detailed below:

Bank	Year of disbursement	Original amount	Term	31 Dec. 2023	31 Dec. 2022
					Figures in thousands of euros
Intesa Sanpaolo	2022	5,000	5 years	4,755	5,010
Unicredit (invoice discounting and factoring)	2023	-	-	3,154	2,436
Banco di Desio e della Brianza	2023	3,000	5 years	3,013	-
Intesa Sanpaolo	2020	3,500	5 years	2,097	3,269
Unicredit	2021	3,500	4 years	2,069	3,249
Credem	2023	1,500	3 years	1,503	-
CDTI (Innocv, 3 loans)	2021-2022	884	Sundry	1,415	884
Invoice advance (DGI Italia S.r.l.)	2023	-	-	1,072	-
Mediocredito Italiano	2019	7,000	5 years	883	2,660
Mediocredito Centrale (11 loans)	2019-2023	1,290	Sundry	851	842
Banco BPM	2022	1,000	3 years	649	999
Invoice advance (Innocv)	2023	-	-	632	-
Santander (Innocv, 3 loans)	2019-2023	1,342	Sundry	373	643
Banca Popolare di Sondrio (DGI Italia S.r.l)	2021	480	5.5 years	320	427
Intesa Sanpaolo	2019	1,000	5 years	269	524
Finlombarda (DGI)	2021	320	5.5 years	213	284
Credem (invoice discounting)	2023	-	-	207	-
Founders loan (Kreativa)	2022	14	-	100	14
Ministerio de Economia (Alkemy Iberia)	2015-2017	116	Sundry	52	69
Intesa Sanpaolo (invoice discounting)	2022	-	-	-	450
Banco BPM	2019	1,000	4 years	-	293
Credem	2020	500	3 years	-	51
Total financial liabilities				**23,627**	**22,104**

It should be noted that the weighted average rate of current bank loans and borrowings is 5.1% and the average spread of variable-rate loans is 1.7%.

There are cap in place (at fixed rate, already paid), in connection with some medium-term loans agreed from 2019 onwards to hedge the risk of future rises in interest rates, in connection with an equal number of loans that are worth approximately 64% of the bank debt for loans in place at 31 December 2023.

27. 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 "Guidelines on disclosure obligations under the Prospectus Regulation" and with CONSOB's "Warning no. 5/21" dated 29 April 2021, below is the Group's net financial debt at 31 December 2023:

			Figures in thousands of euros
		31 Dec. 2023	**31 Dec. 2022**
A	Cash	12,029	9,115
B	Cash equivalents	-	-
C	Other current financial assets	86	291
D	**Cash and cash equivalents (A + B + C).**	**12,115**	**9,406**
E	Current financial liabilities (including debt instruments but excluding the current portion of non-current financial liabilities)	11,472	7,550
F	Current portion of non-current financial liabilities	6,460	6,043
G	**Current financial debt (E + F)**	**17,932**	**13,593**
H	**Net current financial debt (G - D)**	**5,817**	**4,187**
I	Non-current financial liabilities (excluding the current portion and debt instruments)	25,956	29,942
J	Debt instruments	-	-
K	Trade payables and other non-current liabilities	-	-
L	**Non-current financial debt (I + J + K)**	**25,956**	**29,942**
M	**Total financial debt (H + L)**	**31,773**	**34,129**

Current financial liabilities include lease liabilities for current rights of use, the current portion of put option and earn-out liabilities, the aforementioned advances on invoices obtained during the year and the current portion of loans and borrowings from other financial backers.
Non-current financial liabilities include the non-current portion of bank loans and borrowings, lease liabilities, the non-current portion of put option and earn-out liabilities and the non-current portion of loans and borrowings from other financial backers.

28. Lease liabilities

Current and non-current lease liabilities total 6,506 thousand euros (4,770 thousand euros at 31 December 2022) and are broken down below by due dates:

- 4,396 thousand euros (3,425 thousand euros at 31 December 2022) is non-current;
- 2,110 thousand euros (1,345 thousand euros at 31 December 2022) is current.

The increase compared with the previous year, of 1,736 thousand euros, is mainly attributable to the signing of new contracts for a total of 3,740 thousand euros (mainly new leased offices), which more than offset the repayments made during the year for a total of 1,992 thousand euros.

There are lease liabilities due after 5 years, for the amount of 14 thousand euros.

29. Put option and earn-out liabilities

The current and non-current liabilities to non-controlling interests and for earn-outs total 13,755 thousand euros (16,661 thousand euros at 31 December 2022) and refer to the commitment relating to the acquisition of the residual portion of the investment in the subsidiaries XCC S.r.l. and Alkemy Play S.r.l. for a total of 3,427 thousand euros, comprising a contractual structure of put and call options between the Company and the non-controlling investors, as well as the earn-outs to be paid to the previous owners of Innocv S.L., equal to 10,328 thousand euros (9,939 thousand euros at 31 December 2022).

As is frequently the case in purchases of controlling investments, the contractual arrangements include a put option in favour of the remaining non-controlling investors and a call option in favour of Alkemy. The liabilities to non-controlling investors are recognised with a balancing entry in goodwill in the case of companies acquired, whereas for companies established with non-controlling investors, the put option liability is recognised as a reduction in equity. In accordance with the provisions of IAS 32, the assignment of a put option requires the initial recognition of a liability corresponding to the estimated redemption value, expected when the option is exercised, discounted at a factor calculated on the basis of the risk-free rate and credit spread of Alkemy and whose recalculation at 31 December 2023 was obtained using the present value of the redemption price method, with the help of an independent expert.

The earn-out liability refers to the acquisition of Innocv in 2022. It was initially measured at fair value at the date of acquisition, in accordance with IFRS 3. In the course of the year it was adjusted to the fair value at the accounts closing date, noting the change as profit and loss with the help of an independent expert.

The put option relative to 14% of the capital of XCC S.r.l., whose exercise is expected by the end of June 2024, and the earn-outs to be paid by the end of May 2024, are classified under current financial liabilities.

The remaining put option and earn-out liabilities can contractually be exercised after 31 December 2024.

The decrease of 2,906 thousand euros is due to:

- the interest relating to the passage of time (unwinding of the discounting of the strike price) (+762 thousand euros);
- the exercise of the option for 49% of the capital of the company DGI S.r.l. (-2,880 thousand euros);
- the fair value measurement of option and earn-out liabilities (-788 thousand euros).

30. Employee benefits

Employee benefits come to 6,477 thousand euros (5,543 thousand euros at 31 December 2022) and refer to the post-employment benefits of employees in service.

Changes of the year were as follows:

	Figures in thousands of euros
Balance at 31 Dec. 2021	**6,361**
Accruals	1,862
Actuarial (gains)/losses	(776)
Utilisation of the year	(1,904)
Balance at 31 Dec. 2022	**5,543**
Accruals	1,817
Actuarial (gains)/losses	(115)
Utilisation of the year	(768)
Balance at 31 Dec. 2023	**6,477**

In accordance with IAS 19, this liability is recognised as a defined benefit plan and measured using the projected unit credit method, in line with the following economic-financial assumptions:

Economic-financial assumptions		**31 Dec. 2023**	**31 Dec. 2022**
Discount rate		3.17%	3.77%
Remuneration increase rate			
	Alkemy S.p.A.	Inflation + 2%	Inflation + 1%
	Alkemy Play S.r.l.	Inflation + 2%	Inflation + 1%
	XCC S.r.l.	Inflation + 2%	Inflation + 1%
	DGI S.r.l.	Inflation + 2%	Inflation + 1%
Increase in the cost of living		2023: 5.6%, 2024: 2.4% and 2025 2%	2023: 5.9%, 2024: 3.33% and 2025 3%

The following demographic assumptions have also been made:

- for the probability of death, those determined by the General State Accountancy called RG48, broken down by gender;
- for the probability of incapacity, those, broken down by gender, adopted in the INPS model for 2010 projections;
- for retirement age, it was assumed that active employees would stop working as soon as they reach the first pre-requisite for retirement as set forth in the mandatory general insurance scheme;
- for the probability of leaving work for reasons other than death, annual frequencies have been considered of 2.50% for XCC and DGI and 12.5% for all the other companies;
- for the probability of advances being paid, a year-on-year value has been assumed of 3.00%.

As part of the measurement of post-employment benefits in compliance with IAS 19, in regard to the discount rate, reference was made to the iBoxx Eurozone Corporates AA 10+ index, at the measurement date.

According to that required by the revised version of IAS 19, we have analysed sensitivity to changes in the main actuarial assumptions.
The most significant assumptions were increased and decreased, namely average annual discount rate, average inflation rate and turnover rate respectively by half, a quarter and two percentage points. The results have not shown any significant change.

31. Provisions

Provisions come to 107 thousand euros (100 thousand euros at 31 December 2022) and relate to:

- 54 thousand euros (unchanged from 31 December 2022) for risks relative to an assessment by the employment inspectorate at the Spanish subsidiary Alkemy Iberia S.L.U., following which it received a request for payment of fines, against which the subsidiary has lodged an appeal;
- 40 thousand euros accrued in the year by the Parent for a contingent liability relating to social security contributions;
- 13 thousand euros accrued in the year by the Mexican subsidiary Ontwice Interactive Service de Mexico S.A., following a claim for compensation for damages made by a customer in 2022. At 31 December 2022, this provision comes to 46 thousand euros, entirely used during the year.

32. Deferred tax liabilities

Deferred tax liabilities come to 18 thousand euros (128 thousand euros at 31 December 2022) and the decrease compared to the previous year is mainly related to the reversal of temporary differences arising in 2022 in the calculation of DGI Corp.'s tax income.

Current liabilities

33. Trade payables

Trade payables come to 16,196 thousand euros (16,217 thousand euros at 31 December 2022).

Below is a breakdown of trade payables by geographical segment:

	Figures in thousands of euros	
	31 Dec. 2023	**31 Dec. 2022**
Italy	8,580	6,894
EU	3,136	4,876
Non-EU countries	4,481	4,447
Total trade payables	**16,196**	**16,217**

34. Tax liabilities

Tax liabilities come to 3,174 thousand euros (1,622 thousand euros at 31 December 2022) and include liabilities for tax that is both certain and quantified, in relation to VAT, income tax and withholdings applied as a tax substitute; the breakdown is as follows:

	Figures in thousands of euros	
	31 Dec. 2023	**31 Dec. 2022**
Current tax liabilities	206	169
Withholdings	1,248	896
VAT	1,695	449
Other tax liabilities	25	108
Total tax liabilities	**3,174**	**1,622**

The increase in tax liabilities is mainly attributable to higher VAT liabilities compared to the previous year, as a result of invoicing in December.

35. Other current liabilities

Other current liabilities come to 12,743 thousand euros (11,182 thousand euros at 31 December 2022), detailed as follows:

	Figures in thousands of euros	
	31 Dec. 2023	**31 Dec. 2022**
Social security charges	2,311	2,127
Due to employees	5,249	5,465
Accrued expenses and deferred income	4,766	2,042
Other liabilities	417	1,548
Total other liabilities	**12,743**	**11,182**

Due to employees includes the amounts due to employees, directors and collaborators; the item includes accruals for 2023 not yet paid, in relation to bonuses, holidays, paid leave and 14th month salaries.

Other liabilities total 417 thousand euros (1,548 thousand euros at 31 December 2022). The 1,131 thousand euro decrease is mainly due to dividends to the former shareholders of Innocv Solutions S.L. (1,284 thousand euros).
The item includes 235 thousand euros still due to former non-controlling investors of DGI S.r.l. , based on contractual provisions.

Accrued expenses and deferred income are recognised on an accruals basis. At 31 December 2023, there were no accruals or deferrals with a residual term of more than five years.
Accrued expenses come to 31 thousand euros (29 thousand euros at 31 December 2022).
Deferred income totals 4,735 thousand euros (2,013 thousand euros at 31 December 2022) and essentially relates to revenue from the core business pertaining to 2024 but invoiced in 2023.

36. Guarantees given and other commitments

At 31 December 2023, there are nine insurance sureties for 1,140 thousand euros of the Parent issued in favour of as many customers, to guarantee the correct fulfilment of its contractual obligations, as well as a bank surety.

At the reporting date, there are no commitments in place.

37. Related party transactions

Related party transactions are part of the company's routine business and were settled at arm's length and no atypical or unusual transactions were noted.

The tables below show the trade and financial transactions carried out in 2023 by and between the Parent and its subsidiaries and other related parties.

Trade transactions between the Parent and the subsidiaries

The Parent has carried out the following related party transactions:

A

Figures in thousands of euros

Commercial transactions	Assets	Liabilities	Revenue	Costs
Alkemy play S.r.l.	657	(114)	257	(163)
Alkemy Iberia S.L.U.	-	(13)	-	(40)
Alkemy South America S.L.	-	(8)	-	-
Ontwice Interactive Service de Mexico S.A.	-	-	160	-
Alkemy SEE D.o.o.	243	(105)	-	(77)
Experience Cloud Consulting S.r.l.	453	(22)	107	(113)
Design Group Italia S.r.l.	135	(753)	139	(420)
Innocv Solutions S.L.	1	-	-	-
Total	**1,489**	**(1,015)**	**663**	**(813)**

As permitted by Articles 117 to 128 of the Consolidated Law on Income Tax, the Parent opted for the national tax consolidation scheme with the subsidiaries DGI S.r.l., XCC S.r.l. and Alkemy Play S.r.l.. In this respect, the Parent also has an amount due to subsidiaries for the tax consolidation scheme of 282 thousand euros.

Financial transactions between the Parent and the subsidiaries

Financial transactions with subsidiaries are interest-bearing, carried out at arm's length and regulated by written agreements signed by the parties. The table below shows the financial transactions carried out between the Company and its subsidiaries in 2023, indicating interest accrued (income):

Figures in thousands of euros

Financial transactions	Assets	Liabilities	Revenue	Costs
Alkemy South America S.L.	-	(1,160)	-	(17)
Alkemy SEE D.o.o.	330	-	5	-
Kreativa D.o.o.	200	-	-	-
Experience Cloud Consulting S.r.l.	852	-	39	-
Total	**1,382**	**(1,160)**	**44**	**(17)**

Note that dividends due to the Parent at 31 December 2023 total 537 thousand euros and relate entirely to the subsidiary Alkemy Iberia S.L..

Fees paid to directors, statutory auditors and key management personnel

The fees paid in 2023 to the Parent's Board of Directors totalled 872 thousand euros (1,059 thousand euros in 2022), whilst those due to the Board of Statutory Auditors came to 60 thousand euros (same amount in 2022). The fees due to the Board of Directors also include the remuneration of the Chief Executive Officer for the role of key management personnel.

The fees due to the other five key managers in force at 31 December 2023 came to 770 thousand euros (company cost of 1,078 thousand euros) compared with 998 thousand euros in 2022 (company cost of 1,280 thousand euros).

38. Contingent liabilities and main disputes

The Group does not have any significant contingent liabilities for which information has not been disclosed in this report and which are not covered by suitable provisions.

As mentioned in Note 31, in 2021, the Spanish subsidiary Alkemy Iberia S.L.U. was audited by the employment inspectorate hence a provision for risks has been made for 54 thousand euros, which corresponds to the contingent liability connected with such dispute. The total amount demanded by the authorities comes to 84 thousand euros, for which the subsidiary has prepared an appeal and in connection with which the directors have prudently provisioned more than half the amount.

In 2022, the Mexican subsidiary OIS de Mexico S.A. received a claim for damage compensation from a customer, in connection with which the provision for risk set aside the previous year was used and a further 13 thousand euros was set aside to cover potential legal fees.

39. Events after the reporting date

As previously mentioned, in January 2024 Alkemy S.p.A. set up a new commercial organisation structured by industry, which should significantly change the way business is managed and developed, consolidate customer relations and have positive impacts on margins from the second half of 2024 for all Italian companies.

To support and complement this significant organisational change, on 1 March 2024 Paolo Cederle, a top manager with recognised and wide-ranging experience, who has held various senior roles in large national and international groups, joined the Alkemy team as general manager. His contribution will certainly be decisive for the Group's success.

In January 2024, the parent agreed an option to hedge the risk of interest rate changes related to the 3,000 thousand euro loan granted by Banco Desio in July 2023. This collar, valid from 10 February 2024 to 10 August 2024, with a 3.75% cap rate and a 2.20% floor rate, computed in line with the principal resulting from the loan amortisation plan, did not entail any costs for the parent.

Milan, 28 March 2024

On behalf of the Board of Directors

the Chief Executive Officer

Duccio Vitali

Alkemy Group

Information in accordance with Art. 149-duodecies of the CONSOB Issuers' Regulation

The table below, prepared in accordance with Art. 149-*duodecies* of the CONSOB Issuers' Regulation, shows the fees for 2023 for audit and non-audit services provided by the independent auditors appointed or by entities belonging and not belonging to its network.

Figures in thousands of euros

Service provider	Beneficiary	Notes	Fees for 2023
Audit and attestation services			
KPMG S.p.A.	Parent – Alkemy S.p.A.	**[1]**	122
KPMG network companies	Subsidiaries		126
Deloitte & Touche S.p.A.	Parent – Alkemy S.p.A.	**[1] – [2]**	16
Other services			
KPMG S.p.A.	Parent – Alkemy S.p.A.	**[1] – [3]**	2
Deloitte & Touche S.p.A.	Parent – Alkemy S.p.A.	**[1] – [4]**	20
Total			**286**

[1] See the chart attached to the financial statements of Alkemy S.p.A.

[2] Refers to the non-financial statement prepared in accordance with Italian Legislative Decree no. 254/16

[3] Includes the preparation of the Income tax, IRAP and 770 forms

[4] Includes methodological support in connection with impairment testing and fair value measurement of put options and the valuation of goodwill

Annex 1

THE ALKEMY GROUP COMPANIES at 31 December 2023

Below is a list of companies and significant equity investments of the Group with the information required by Consob communication no. 6064293 of 28 July 2006.

The list indicates the companies divided by type of control and consolidation method.

For each company, moreover, the following information is given: business name, registered office and share/quota capital. The percentage held by Alkemy, directly or indirectly, is also shown.

Figures expressed in thousands

Business name	Registered office	Currency	Share/quota capital (in local currency)	Held by	Percentage of control
Parent					
Alkemy S.p.A.	Milan	Euro	596		
Subsidiaries consolidated on a line-by-line basis:					
Alkemy Play S.r.l.	Milan	Euro	10	Alkemy S.p.A.	75
Design Group Italia I.D. S.r.l.	Milan	Euro	119	Alkemy S.p.A.	100
eXperience Cloud Consulting S.r.l.	Rome	Euro	10	Alkemy S.p.A.	51
Innocv Solutions S.L.	Madrid	Euro	246	Alkemy S.p.A.	100
Alkemy South America S.L.	Madrid	Euro	89	Alkemy S.p.A.	100
Alkemy Iberia S.L.U.	Madrid	Euro	6	Alkemy S.p.A.	100
Alkemy SEE D.o.o.	Belgrade	Serbian dinar	48402	Alkemy S.p.A.	70
Ontwice Interactive Service S.A. Mexico City	Mexico City	Mexican peso	100	Alkemy South America S.L.	100
Ontwice Interactive Service Digital S.A. Mexico City	Mexico City	Mexican peso	50	Alkemy South America S.L.	100
Kreativa D.o.o.	Belgrade	Serbian dinar	1168	Alkemy SEE D.o.o.	36
Alkemy Play D.o.o.	Belgrade	Serbian dinar	625	Alkemy Play S.r.l.	75
Design Group Italia Corp.	New York	USD	10	Design Group Italia I.D. S.r.l.	100

Annex 2

INCOME STATEMENT PREPARED IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

In compliance with the provisions of Consob resolution no. 15519 of 27 July 2006 and Consob communication no. DEM/6064293 of 28 July 2006, below is the Income Statement with separate indication of related party transactions.

Figures in thousands of euros

	2023	related parties	2022	related parties
Revenue	115,037	-	104,852	-
Other income	4,121		1,722	
Total revenue and other income	**119,158**	**-**	**106,574**	**-**
Services, goods and other operating costs	(52,566)	-	(49,440)	-
- of which non-recurring	(39)	-	(293)	-
Personnel expense	(54,674)	(1,950)	(46,065)	(2,339)
- of which non-recurring	(1,187)	-	(459)	-
Total costs and other operating costs	**(107,240)**	**(1,950)**	**(95,505)**	**(2,339)**
Gross operating profit	**11,918**	**(1,950)**	**11,069**	**(2,339)**
Amortisation/depreciation	(4,189)		(3,226)	
Provisions and impairment losses	(839)		(337)	
Operating profit	**6,890**	**(1,950)**	**7,506**	**(2,339)**
Other financial income	1,118		1,308	
Other financial expense	(3,169)		(1,716)	
Pre-tax profit (loss)	**4,839**	**(1,950)**	**7,098**	**(2,339)**
Income taxes	(1,304)		(1,484)	
Profit/(loss) for the year	**3,535**	**(1,950)**	**5,614**	**(2,339)**

STATEMENT OF FINANCIAL POSITION PREPARED IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

In compliance with the provisions of Consob resolution no. 15519 of 27 July 2006 and Consob communication no. DEM/6064293 of 28 July 2006, below is the Statement of Financial Position with separate indication of related party transactions.

Figures in thousands of euros

Assets	31 Dec. 2023	related parties	31 Dec. 2022	related parties
Property, plant and equipment	1,939		2,209	
Right-of-use assets	6,274		4,633	
Goodwill	54,871		54,868	
Intangible assets	2,079		1,934	
Equity investments	5		5	
Other financial assets	245	-	588	-
Deferred tax assets	1,818		2,206	
Other assets	295		267	
Non-current assets	**67,526**	**-**	**66,710**	**-**
Trade receivables	45,929	-	41,541	-
Other financial assets	107		291	
Tax assets	2,258		2,065	
Other assets	2,470	-	2,011	-
Cash and cash equivalents	12,029		9,115	
Current assets	**62,793**	**-**	**55,023**	**-**
Total assets	**130,319**	**-**	**121,733**	**-**

Figures in thousands of euros

Liabilities and Equity	31 Dec. 2023	related parties	31 Dec. 2022	related parties
Equity				
Share capital	596		596	
Reserves	43,184		36,828	
Profit/(loss) for the year	3,463	(1,950)	5,583	(2,339)
Equity attributable to owners of the parent.	**47,243**	**(1,950)**	**43,007**	**(2,339)**
Equity attributable to non-controlling investors	473		399	
Total equity	**47,716**	**(1,950)**	**43,406**	**(2,339)**
Financial liabilities.	12,007		13,081	
Lease liabilities	4,396		3,425	
Put option and earn-out liabilities	9,553		13,436	
Employee benefits	6,477		5,543	
Provisions	107		100	
Deferred tax liabilities	18		128	
Non-current liabilities	**32,558**	**-**	**35,713**	**-**
Financial liabilities	11,620		9,023	
Lease liabilities	2,110		1,345	
Put option and earn-out liabilities	4,202		3,225	
Trade payables	16,196	-	16,217	-
Tax liabilities	3,174		1,622	
Other liabilities	12,743	90	11,182	96
Current liabilities	**50,045**	**90**	**42,614**	**96**
Total liabilities	**82,603**	**90**	**78,327**	**96**
Total liabilities and equity	**130,319**	**(1,860)**	**121,733**	**(2,243)**

ATTESTATION ON THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH ART. 81-*TER* OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND INTEGRATED

1. We the undersigned, Duccio Vitali, Chief Executive Officer and Claudio Benasso, the manager in charge of financial reporting of Alkemy S.p.A., having also taken into account the provisions of Art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 dated 24 February 1998, hereby certify:

- the adequacy, considering the Group's characteristics, and
- the effective application

of the administrative and accounting procedures for the preparation of the consolidated financial statements, during 2023.

2. It is also attested that the consolidated financial statements:

- are consistent with the underlying books and accounting records;
- have been prepared in accordance with the International Financial Reporting Standards endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and the Council of 19 July 2002;
- give a true and fair view of the financial position, financial performance and cash flows of the issuer and the group of companies included in the scope of consolidation.

3. Finally, it is certified that the Report on Operations contains a reliable analysis of the business outlook and results of operations, the financial position of the Company and group of companies included in the scope of consolidation and a description of the main risks and uncertainties to which they are exposed.

Milan, 28 March 2024

Chief Executive Officer	Manager in charge of financial reporting

(signed on the Italian original version)

KPMG S.p.A.
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PEC kpmgspa@pec.kpmg.it

(The accompanying translated consolidated financial statements of the Alkemy Group constitute a non-official version which is not compliant with the provisions of Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

*To the shareholders of
Alkemy S.p.A.*

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Alkemy Group (the "group"), which comprise the statement of financial position as at 31 December 2023, the income statement and the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include material information on the accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Alkemy S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of the carrying amount of goodwill

Notes to the consolidated financial statements: note "Measurement criteria - Intangible assets - Goodwill", "Measurement criteria - Intangible assets - Impairment" and note 13 "Goodwill"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2023 include goodwill of €54,871 thousand. The parent's directors allocated goodwill to the cash-generating units ("CGUs") that they identified, namely, the Italy, Spain, Mexico and the Balkans CGUs. The parent's directors tested the reporting-date carrying amount for impairment by comparing it to its recoverable amount. They estimated the recoverable amount based on value in use, calculated using the discounted cash flow model. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective about: • the expected cash flows, calculated by taking into account the general economic performance and that of the company's sector, the actual cash flows for recent years and the projected growth rates; • the financial parameters used to calculate the discount rate. For the above reasons, we believe that the recoverability of goodwill is a key audit matter.	Our audit procedures included: • updating our understanding of the process adopted to prepare the impairment test approved by the parent's board of directors; • understanding the process adopted to prepare the group's 2024-2026 business plan approved by the parent's board of directors and supplemented with the 2023 provisional figures, from which the expected cash flows used for impairment testing have been derived; • analysing the reasonableness of the main assumptions used by the parent's directors to prepare the forecasts; • checking any discrepancies between the previous year business plans' forecast and actual figures, in order to check the accuracy of the estimation process adopted; • analysing the accuracy of the expected cash flows underlying the impairment test and the main assumptions used; • involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing and related assumptions, including by means of a comparison with external data and information; • checking the sensitivity analysis presented in the notes in relation to the main assumptions used for impairment testing; • assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.

Measurement of put option liabilities

Notes to the consolidated financial statements: note "Measurement criteria - Put option liabilities" and note 29 "Put option and earn-out liabilities"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2023 include put option liabilities of €3,427 thousand, relating to contractual arrangements entitling the non-controlling investors in a number of subsidiaries to sell their equity investments to the group. At 31 December 2023, the group's put option liabilities have been recognised at the options' strike prices. Assisted by an independent expert, the parent's directors estimated the carrying amount of the put option liabilities on the basis of the formulae provided for in the arrangements, discounting the resulting amount at the parent's borrowing rate. The above model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective about: • the subsidiaries' expected cash flows, calculated by taking into account the general economic performance and that of the subsidiaries' sector, the actual cash flows for recent years and the projected growth rates; • the financial parameters used to calculate the discount rate. • other variables governed by the individual arrangements with the non-controlling investors. For the above reasons, we believe that the measurement of the put option liabilities is a key audit matter.	Our audit procedures included: • updating our understanding of the process adopted by the parent to measure the put option liabilities; • analysing the contractual arrangements signed with the non-controlling investors; • analysing the reasonableness of the assumptions used by the parent's directors to prepare the acquired businesses' forecasts; • checking any discrepancies between the investees' previous year business plans' forecast and actual figures, in order to check the accuracy of the estimation process adopted; • analysing the accuracy of the expected cash flows underlying the measurement of the subsidiaries' financial liability and the main assumptions used; • involving experts of the KPMG network in the assessment of the reasonableness of the estimation model and related assumptions, including by means of a comparison with external data and information; • assessing the appropriateness of the disclosures provided in the notes about the measurement of put option liabilities.

Measurement of earn-out liabilities

Notes to the consolidated financial statements: note "Measurement criteria - Business combinations", "Measurement criteria - Put option liabilities" and note 29 "Put option and earn-out liabilities"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2023 include earn-out liabilities of €10,328 thousand, which represent the financial liability for the contingent consideration that the parent will have to pay to the sellers for its investment in Innocv Solutions S.L.. These liabilities are recognised as part of business combinations and measured at fair value. They are remeasured at each reporting date on the basis of the formulae and algorithms contractually provided for and discounted at the parent's borrowing rate. The contractual arrangement includes four price variables that have generated the earn-out liabilities. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective about: • the acquired businesses' expected cash flows; • the financial parameters used to calculate the discount rate. • other variables governed by the purchase agreement. For the above reasons, we believe that the measurement of earn-out liabilities is a key audit matter.	Our audit procedures included: • updating our understanding of the process adopted by the parent to measure the earn-out liabilities; • analysing the purchase agreement stipulating the earn-out's calculation and settlement methods and how the liabilities' fair value is to be checked; • assessing the main assumptions used to determine the fair value by analysing the acquired business' expected cash flows; • involving experts of the KPMG network in the assessment of the reasonableness of the valuation methods and related assumptions; • assessing the appropriateness of the disclosures provided in the notes.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the carve-out consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in this report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 25 June 2019, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2019 to 31 December 2027.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements at 31 December 2023 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements at 31 December 2023 have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's report on operations and report on corporate governance and ownership structure at 31 December 2023 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the report on operations and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2023 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the report on operations and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2023 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Alkemy S.p.A. are responsible for the preparation of a non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, other auditors attested the compliance of the non-financial statement separately.

Milan, 29 March 2024

KPMG S.p.A.

(signed on the original)

Alain Rigamonti
Director of Audit

Alkemy S.p.A.

Financial statements

as at and for the year ended 31 December 2023

Financial statements

Income statement

		Figures expressed in euros	
	Notes	**2023**	**2022**
Revenue	1	58,112,202	58,622,634
Other income	2	2,378,508	894,090
Total operating revenue and other income		**60,490,710**	**59,516,724**
Services, goods and other operating costs	3	(25,383,817)	(27,021,757)
- of which non-recurring		(28,669)	(242,264)
Personnel expense	4	(29,362,563)	(26,390,525)
- of which non-recurring		(924,081)	(156,269)
Total costs and other operating costs		**(54,746,380)**	**(53,412,282)**
Gross operating profit		**5,744,330**	**6,104,442**
Amortisation/depreciation	5	(2,752,589)	(2,198,356)
Provisions and impairment losses	6	(205,098)	(169,000)
Operating profit		**2,786,643**	**3,737,086**
Net gains (losses) on equity investments	7	1,691,259	1,948,302
Net gains (losses) on options	8	1,657,040	(2,537,774)
Other financial income	9	497,477	426,042
Other financial expense	10	(1,777,127)	(734,985)
Pre-tax profit (loss)		**4,855,292**	**2,838,671**
Income taxes	11	(430,656)	(415,059)
Profit (loss) for the year		**4,424,636**	**2,423,612**
Earnings (loss) per share	12		
Basic		0.80	0.44
Diluted		0.80	0.44

The notes given below are an integral part of these financial statements.
In accordance with CONSOB Resolution no. 15519 of 27 July 2006, the effects of related party transactions on the Consolidated Statement of Financial Position are highlighted in the specific table of the Consolidated Statement of Financial Position given in annex 2 and are also described in the paragraph on "Related party transactions" in the Report on Operations

Statement of comprehensive income

	Note	2023	2022
		Figures expressed in euros	
Profit (loss) for the year		**4,424,636**	**2,423,612**
Items that will not be reclassified to profit or loss			
Actuarial gains (losses)		152,908	403,475
Related tax		(36,698)	(96,834)
Total	26	**116,210**	**306,641**
Other comprehensive income (expense) net of tax		**116,210**	**306,641**
Comprehensive income		**4,540,846**	**2,730,253**

The notes given below are an integral part of these financial statements.

Statement of financial position

		Figures expressed in euros	
Assets	**Notes**	**31 Dec. 2023**	**31 Dec. 2022**
Property, plant and equipment	13	1,392,674	1,581,161
Right-of-use assets	14	4,661,544	3,759,671
Goodwill	15	18,102,969	18,102,969
Intangible assets	16	1,150,694	1,017,701
Equity investments	17	40,420,167	37,270,281
Other financial assets	18	1,821,901	1,623,442
Deferred tax assets	19	546,132	834,474
Other assets	20	205,303	205,443
Non-current assets		**68,301,384**	**64,395,142**
Trade receivables	21	28,965,237	27,615,917
Other financial assets	22	267,102	-
Tax assets	23	364,589	416,331
Other assets	24	2,178,187	3,785,671
Cash and cash equivalents	25	6,075,698	4,271,457
Current assets		**37,850,813**	**36,089,376**
Total assets		**106,152,197**	**100,484,518**

The notes given below are an integral part of these financial statements.
In accordance with CONSOB Resolution no. 15519 of 27 July 2006, the effects of related party transactions on the Consolidated Statement of Financial Position are highlighted in the specific table of the Consolidated Statement of Financial Position given in annex 2 and are also described in the paragraph on "Related party transactions" in the Report on Operations

Statement of financial position

		Figures expressed in euros	
Liabilities and Equity	**Note**	**31 Dec. 2023**	**31 Dec. 2022**
Equity	26		
Share capital		595,534	595,534
Reserves		40,445,563	37,977,388
Profit/(loss) for the year		4,424,636	2,423,612
Equity attributable to owners of the parent		**45,465,733**	**40,996,534**
Financial liabilities	27	10,024,345	11,274,532
Lease liabilities	29	3,407,191	2,866,958
Earn-out liabilities	30	6,802,177	9,938,633
Employee benefits	31	5,153,562	4,507,976
Provisions	32	40,000	-
Deferred tax liabilities	33	6,440	24,220
Other liabilities	34	417,653	1,252,767
Non-current liabilities		**25,851,368**	**29,865,086**
Financial liabilities	27	10,585,409	9,658,455
Lease liabilities	29	1,401,442	1,007,650
Earn-out liabilities	30	3,525,711	-
Trade payables	35	9,731,844	10,513,035
Tax liabilities	36	1,073,787	682,052
Other liabilities	37	8,516,903	7,761,706
Current liabilities		**34,835,096**	**29,622,898**
Total liabilities		**60,686,464**	**59,487,984**
Total liabilities and equity		**106,152,197**	**100,484,518**

The notes given below are an integral part of these financial statements.
In accordance with CONSOB Resolution no. 15519 of 27 July 2006, the effects of related party transactions on the Consolidated Statement of Financial Position are highlighted in the specific table of the Consolidated Statement of Financial Position given in annex 2 and are also described in the paragraph on "Related party transactions" in the Report on Operations

A

Statement of Cash Flows

Figures expressed in euros

	Notes	31 Dec. 2023	31 Dec. 2022
Cash flow from operating activities			
Profit/(loss) for the year		4,424,636	2,423,612
Dividends and other loss (gain) on equity investments	7	(1,691,259)	(1,948,302)
Expense on (income from) options	8	(1,657,040)	2,537,774
Other financial income	9	(497,477)	(426,042)
Other financial expense	10	1,777,127	734,985
Income taxes	11	430,656	415,059
Amortisation/depreciation	5	2,752,589	2,198,356
Provisions and impairment losses	6	205,098	169,000
Cost for share-based payments	4	212,346	517,133
Other non monetary elements		(163,730)	-
Decrease (increase) in trade receivables	21	(1,784,681)	(2,112,579)
Increase (decrease) in trade payables	35	(781,191)	1,366,653
Decrease (increase) in other assets	24, 25	498,128	1,141,226
Increase (decrease) in other liabilities	36, 37	2,208,669	(3,779,529)
Cash flows from operating activities		**5,933,871**	**3,237,346**
Net interest paid	9, 10	(723,750)	(177,546)
Income tax paid	11	(309,395)	(199,581)
Net cash flows from operating activities		**4,900,726**	**2,860,219**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	13, 16	(1,244,612)	(1,671,333)
Decrease (increase) in financial assets		(420,315)	1,183,188
Decrease (increase) in associated company	17	(2,646,039)	(7,783,000)
Dividends received	24	3,172,956	1,216,633
Acquisition of equity investments	17	-	1,937,698
Net cash flows used in investing activities		**(1,138,010)**	**(5,116,814)**
Cash flows from financing activities			
Change in financial liabilities	27	(417,879)	4,787,298
Change in financial liabilities pursuant to IFRS 16	29	(1,420,332)	(1,129,836)
Change in treasury shares	26	(120,264)	(435,406)
Net cash flows from (used in) financing activities		**(1,958,475)**	**3,222,056**
Net increase/(decrease) in cash and cash equivalents		**1,804,241**	**965,461**
Opening balance		**4,271,457**	**3,305,996**
Closing balance		**6,075,698**	**4,271,457**

The notes given below are an integral part of these financial statements.

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

Statement of changes in equity

Figures expressed in euros

	Notes	Share capital	Treasury shares	Legal reserve	Other riserves	Retained earnings	Profit/(loss) for the year	Total equity
Balance at 31 Dec. 2021		**595,534**	**(1,742,489)**	**202,489**	**33,019,393**	**6,029,293**	**(147,399)**	**37,956,821**
Allocation of profit/loss for the year		-	-	-	-	(147,399)	147,399	-
Increase from merger	26	-	-	-	(164,290)	392,023	-	227,733
Repurchase of treasury shares	26	-	(435,406)	-	-	-	-	(435,406)
Assignment of treasury shares	26	-	385,078	-	-	(132,679)	-	252,399
Stock options	4	-	-	-	(37,125)	50,683	-	13,558
Change in long-term incentive plan reserves	4	-	-	-	250,601	-	-	250,601
Other movements	4	-	-	-	575	-	-	575
Other comprehensive income/(expense)	26	-	-	-	306,641	-	-	306,641
Profit for the year		-	-	-	-	-	2,423,612	2,423,612
Balance at 31 Dec. 2022		**595,534**	**(1,792,817)**	**202,489**	**33,375,795**	**6,191,921**	**2,423,612**	**40,996,534**

Figures expressed in euros

	Notes	Share capital	Treasury shares	Legal reserve	Other riserves	Retained earnings	Profit/(loss) for the year	Total equity
Balance at 31 Dec. 2022		**595,534**	**(1,792,817)**	**202,489**	**33,375,795**	**6,191,921**	**2,423,612**	**40,996,534**
Allocation of profit/loss for the year		-	-	-	-	2,423,612	(2,423,612)	-
Repurchase of treasury shares	26	-	(120,264)	-	-	-	-	(120,264)
Assignment of treasury shares	26	-	137,244	-	-	(47,288)	-	89,956
Change in long-term incentive plan reserves	4	-	-	-	(46,554)	-	-	(46,554)
Other movements	4	-	-	-	5,215	-	-	5,215
Other comprehensive income/(expense)	26	-	-	-	116,210	-	-	116,210
Profit for the year		-	-	-	-	-	4,424,636	4,424,636
Balance at 31 Dec. 2023		**595,534**	**(1,775,837)**	**202,489**	**33,450,666**	**8,568,245**	**4,424,636**	**45,465,733**

The notes given below are an integral part of these financial statements.

Notes to the financial statements

General information

Alkemy S.p.A. (hereinafter the "Company", the "Parent" or "Alkemy") works to improve the market position and competitiveness of large and medium enterprises, innovating and transforming the business model to keep pace with the evolution of technology and new consumer conduct. The Company integrates into its offer, competences in the areas of strategy, communication, performance, technology and data management, developing complete digital transformation projects that cover the whole of the value chain, from strategy to implementation.

The Company has its registered and administrative office at Via San Gregorio 34, Milan, Italy and is registered with the Milan Company Register under Economic and Administrative Index (REA) no. 1835268.

Starting 17 December 2019, the shares of Alkemy S.p.A. have been listed on the STAR segment of the EURONEXT Milan stock market ("MTA") organised and managed by Borsa Italiana.

These financial statements are prepared in euros, which is the currency of the economy in which the Company operates. The Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows and the Statement of Changes in Equity are presented in units of euros, while the figures given in the Notes, are all expressed in thousands of euros.

As Parent, Alkemy has also prepared the consolidated financial statements of the Alkemy Group at 31 December 2023.

Alkemy's draft separate financial statements at 31 December 2023 were approved by the Board of Directors on 28 March 2024, which also authorised their publication.

Reporting standards

Basis of preparation

The financial statements of Alkemy S.p.A. at 31 December 2023, were prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. The IFRS are understood to also be all the international accounting standards reviewed ("IAS"), all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The first set of separate financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") were the 2018 separate financial statements, when the Company voluntarily adopted these standards in accordance with Italian Legislative Decree no. 38/2005.

They are prepared on a going concern and historical cost basis, with the exception of certain financial instruments, which are measured at fair value.

Format and contents of the financial statements

The financial statements have the following characteristics:

- the income statement classifies revenue and costs by nature;
- the statement of financial position is prepared and separately presents both current and non-current assets and current and non-current liabilities;
- the statement of cash flows is drawn up in accordance with the indirect method.

The format used, as described above, is that considered best able to represent the elements that determined the Company's financial position, financial performance and cash flows. This format is the same used for the presentation of the consolidated financial statements of the Alkemy Group.

In order to fulfil the requirements set out in CONSOB Resolution no. 15519 of 27 July 2006 of the financial statements, specific income statement and statement of financial position tables have been prepared to show any significant related party transactions, and any transactions that can be classified as non-recurring, atypical and/or unusual, are indicated on the tables and then highlighted in the notes.

Measurement criteria

Non-current assets

Property, plant and equipment

The property, plant and equipment used to supply goods and services or for administrative purposes, are recognised at purchase or production cost, net of accumulated depreciation and any impairment losses.

Costs incurred after purchase are capitalised only if they increase the future economic benefits applying to the asset to which they refer. They are depreciated in connection with the residual useful life of the asset to which they refer. All the other costs are recognised in the income statement when incurred.

Ordinary maintenance charges are charged in full to the income statement. Maintenance costs increasing the value of the assets are allocated to the asset to which they refer and depreciated using the applicable rates.

In accordance with and pursuant to Art. 10 of Italian Law no. 72 of 19 March 1983, as also recalled by the subsequent monetary revaluation laws, it is noted that no monetary revaluation has been made for the fixed assets still held.

Leasehold improvements are classified under property, plant and equipment according to the nature of the cost incurred and are depreciated over the shorter period of time between that of the future usefulness of the expenses incurred and the residual term of the lease, taking into account any renewal period, if such depends on the lessee.

Depreciation is charged from when the asset is available for use and is calculated on a straight-line basis throughout the estimated useful life of the asset, as follows:

Buildings	3%
Plant and machinery	20% - 25%
Telephone systems	20%
Equipment	20%
Electronic machines	20%
Hardware	15% - 20%
Furniture and furnishings	12%
Other assets	10% - 25%

Land is not depreciated, as it has an indefinite useful life.

With regard to the procedures carried out in relation to the verification of the potential recoverability of this item, please refer to the paragraph on "Impairment".

Leases (right-of-use assets and lease liabilities)

Accounting model for the lessor

At the commencement date, the Company recognises the right-of-use assets and lease liabilities. The right-of-use asset is initially measured at cost, including the amount of the initial measurement of the lease liability, adjusted by any lease payments made at or before the commencement date.

The right-of-use asset is thereafter depreciated on a straight-line basis from the commencement date to the end of the lease term, unless the lease should transfer ownership of the underlying asset to the Company at the end of the lease or, considering the cost of the right-of-use asset, it is expected that the Company will exercise the purchase option. In this case, the right-of-use asset will be amortised throughout the useful life of the underlying asset, determined on the same basis as for properties and machinery.

The Company measures the lease liability at the present value of lease payments not paid at the commencement date, which includes fixed payments (including in-substance fixed payments) and variable lease payments, which depend on an index or rate.

The lease liability is measured at amortised cost, using the effective interest criterion and is remeasured in the event of any change to future payments due for the lease as a result of a change in the index or rate, an extension or termination or in the event of a revision of payments due for the lease.

If the lease liability is reassessed, the Company adjusts the right-of-use asset accordingly. If the carrying amount of the right-of-use asset is reduced to zero, the Company recognises the change in profit or loss.

With regard to the procedures carried out in relation to the verification of the potential recoverability of this item, please refer to the paragraph on "Impairment".

Intangible assets

Goodwill

In accordance with IFRS 3 (Business combinations), goodwill is recognised at the date of acquisition (also carried out through merger or conferral) of businesses or business units; it is determined as the difference between the price paid for the purchase and the fair value of the identifiable assets acquired, net of identifiable liabilities assumed.

After its initial recognition, goodwill is measured at cost net of accumulated impairment losses.

Goodwill is not amortised insofar as it has an indefinite useful life; rather, it is tested for impairment once a year or more frequently if any specific events suggest that it may have suffered impairment. The test carried out is described on the paragraph on "Impairment". Impairment losses on goodwill cannot be reversed, not even in application of specific laws.

Intangible assets with a finite useful life

Other intangible assets purchased or produced internally are recognised as assets in accordance with IAS 38 – *Intangible Assets*, when it is likely that their use will generate future economic benefits and when their cost can be reliably determined.

These assets are measured at purchase or production cost and amortised on a straight-line basis throughout their useful life, thereby meaning the estimated period during which the assets will be used by the company.

More specifically, trademarks are amortised over a period of 10 years, whilst "Industrial patents and intellectual property rights" and other intangible assets are amortised over five years.

Intangible assets with a finite useful life are tested for impairment if specific events suggest that they may have been impaired. The test carried out is described on the paragraph on "Impairment".

Development costs can be capitalised as long as the cost is reliably able to be determined and it can be shown that the asset is able to produce future economic benefits. Intangible assets that are generated internally deriving from the development of Group products (such as IT solutions) are recognised under assets but only where all the following conditions are met:

- the asset can be identified (such as, for example, software or new processes);
- it is likely that the asset created will generate future economic benefits and the cost of developing the asset can be reliably measured.

These intangible assets are amortised according to their marketing or use.

Equity investments

Investments in subsidiaries and associates are recognised at cost, adjusted for impairment losses.

The positive difference, emerging at the time of purchase, between the cost of purchase and the portion of equity at current values of the investee pertaining to the Company, is included in the carrying amount of the equity Investment.

Investments in other companies are measured at fair value, if can be determined. When equity investments are not listed and their fair value cannot be determined reliably, they are measured at cost and adjusted for impairment losses.

Impairment

At each reporting date, the Company reviews the carrying amount of its property, plant and equipment and intangible assets (including goodwill) to determine if there is any indication that they may be impaired.

To this end, the Company considers both internal and external sources of information. With regard to internal sources, the Company considers evidence that the economic performance of the asset is, or will be, better than is expected. With regard to external sources, on the other hand, the Company considers the following: the market price trend of the assets, any changes in the market or legal environment, the trend in market interest rates and the cost of capital used to value investments, and, finally, if the carrying amount of the net assets exceeds market capitalisation.

Should this be the case, their recoverable amount is estimated in order to calculate the potential amount of the impairment. The recoverable amount of goodwill is instead estimated each year and whenever there is indication of impairment.

In order to identify any impairment losses, assets are grouped into the smallest identifiable group of assets generating cash flows, largely independent of cash flows generated by other assets or groups of assets ("CGUs" or "Cash-Generating Units"). Goodwill acquired through a business combination is allocated to the CGU that is expected to benefit from the synergies of the merger.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value, net of the costs of decommissioning. In order to determine the value in use, estimated expected cash flows are discounted using a discount rate that reflects current market valuations of the time value of money and specific risks of the asset or CGU.

If the recoverable amount of an asset (or of a cash-generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable amount. The impairment is recognised in profit or loss.

When there is no longer any reason for an impairment loss to be maintained, the carrying amount of the asset (or of the cash generating unit), with the exception of goodwill, is reinstated in accordance with the new estimate of its recoverable amount; however, this amount cannot exceed the net carrying amount that the asset would have had if the impairment loss had not been recognised, net of any amortisation/depreciation that should have been calculated before the previous impairment. The impairment gain is recognised in profit or loss.

Investments in subsidiaries are tested for impairment each year or, if necessary, more frequently. When there is evidence that these investments have become impaired, an impairment loss is recognised in profit or loss. If the share pertaining to the Company of the losses of the subsidiary exceeds the carrying amount of the equity investment, the carrying amount of said is impaired to zero and the portion of any additional losses is recognised under liabilities, as a provision, to the extent to which the Company has any legal or constructive obligation to cover the subsidiary's losses. If the impairment subsequently ceases to exist or decreases, the impairment loss is reversed through profit or loss.

Financial instruments

The financial instruments held by the company are included in the following captions:

- non-current assets: Equity investments, Other financial assets, Other non-current assets;
- current assets: Trade receivables, Other financial assets, Other current assets, Cash and cash equivalents;
- non-current liabilities: Non-current financial liabilities, Other non-current liabilities;
- current liabilities: Trade payables, Current financial liabilities, Other current liabilities.

Financial liabilities

Financial liabilities include loans and borrowings, other financial liabilities, including derivatives and lease liabilities

In accordance with IFRS 9, they also include trade payables and other liabilities.

Financial liabilities other than derivatives are initially recognised at fair value; thereafter they are measured at amortised cost.

Financial liabilities hedged by derivatives intended to cover the risk of a change in the liability (fair value hedges), are measured at fair value, as established by IFRS 9 for hedge accounting: gains and losses deriving from subsequent fair value adjustments, limited to the hedged item, are recognised as profit and loss and offset against the effective portion of the loss or gain deriving from the corresponding fair value measurements of the hedge.

Financial liabilities hedged by derivatives aiming to cover the risk of changes in cash flows (cash flow hedges) remain measured at amortised cost, in the manner established by IFRS 9 for hedge accounting.

Derivatives

Derivatives are initially recognised at fair value and, after purchase, measured differently depending on whether or not they are defined as "hedges" in accordance with IFRS 9.

In line with that established by IFRS 9, derivatives can be recognised according to the methods established for hedge accounting only when, upon taking out a hedge, there is the formal designation and documentation of its hedging relationship, where it is expected that the hedge will be highly effective during the various accounting periods for which it is designated.

If derivatives are entered into as hedges, but not formally designated in hedge accounting, gains or losses on the fair value measurement of the derivative are recognised immediately in the income statement.

Financial assets

Financial assets represented by debt securities are classified and measured both on the basis of the Company's business model adopted for their management and the cash flows associated with each of said assets.

The business models for financial assets (other than trade receivables) have been defined on the basis of the logics for the use of liquidity and financial instrument management techniques; the aim is to ensure a suitable level of financial flexibility and the best possible management – in terms of risk/return – of immediately-available financial resources, as per the strategic guidelines.

As envisaged by IFRS 9, the following business models are adopted:

- Hold to Collect: financial instruments used to absorb temporary cash surpluses; they are low risk and are held mainly to maturity; they are measured at amortised cost;
- Hold to Collect and Sell: monetary instruments or bonds used to absorb short/medium-term cash surpluses; they are low risk and held, as a rule, to maturity or alternatively sold to cover specific needs for liquid funds; they are measured at fair value through other comprehensive income (FVOCI);
- all other financial assets that do not meet the criteria for classification amongst instruments measured at amortised cost or FVOCI (fair value through other comprehensive income) are measured at fair value through profit or loss (FVTPL).

Financial assets are tested for impairment based on expected credit losses (ECL).

Fair value measurement

Fair value is the price that would be received, at the measurement date, for the sale of an asset or that would be paid for the transfer of a liability in a normal transaction between market participants on the main (or most advantageous) market to which Company has access at that time. The fair value of a liability reflects the effect of a risk of default.

Where available, the Company measures the fair value of an instrument using the listed price of that instrument on an active market. A market is active when the transactions relative to the asset or liability take place with sufficient frequency and volumes to provide useful information to determining the price continuously.

For lack of a price listed on an active market, the Group uses measurement techniques, using observable input data and minimising the use of non-observable input data. The chosen measurement technique includes all factors that market participants would consider in appraising the price of the transaction.

In the absence of observable input data, unobservable input data are used.

Cash and cash equivalents

Cash and equivalents are recognised, depending on their nature, at nominal amount or amortised cost.

Other cash and cash equivalents consist of highly-liquid, short-term financial commitments that are readily convertible into cash, known and with a negligible risk of change to their value; their original maturity, at the time of purchase, is not more than 3 months.

Issued capital

Share capital is recognised at nominal value, less any share capital proceeds to be received.

Treasury shares

Treasury shares are recognised for an amount that corresponds to their purchase cost, in an equity reserve at the same time the shares are purchased. The reserve is eliminated, following a resolution by the shareholders' meeting to cancel treasury shares, and the share capital is simultaneously reduced by the nominal amount of the shares cancelled. Any difference between the carrying amount of the reserve and the nominal amount of the shares cancelled is recognised as an increase or decrease equity. In the event of the disposal of treasury shares, any difference between the carrying amount of the reserve and the realisable value of the shares disposed of, is recognised as an increase or decrease in another item of equity.

Stock Option Plans

Stock option plans, with the assignment of options whose exercise entails the delivery of shares, are measured at fair value determined at the plan grant date. This fair value is taken to profit or loss in the vesting period envisaged by the plan, with the corresponding increase in equity.

The remuneration component deriving from stock option plans with underlying Alkemy S.p.A. shares, but relative to employees of other Group companies, is recognised as a grant related to assets in favour of the subsidiaries of which the beneficiaries of the stock option plans are employees and consequently recognised as an increase in the related value of the equity investments, with a direct balancing entry in equity.

Share-based payments (share-based incentive plans)

Employee benefits (long term incentive plan – LTIP) include, as they are substantially a form of remuneration, the cost of share-based incentive plans. The cost of the incentive is determined with reference to the fair value of the instruments attributed and the forecast number of shares that will effectively be assigned; the portion pertaining to the year is determined *pro rata temporis* throughout the vesting period, i.e. the period running between the grant date and the date of assignment. The fair value of the shares underlying the incentive plan is determined at the grant date, taking into account forecast achievement of the performance parameters associated with market conditions and is not rectified in subsequent years; when the benefit is obtained, the forecast relative to these conditions is reflected by adjusting the number of shares to effectively be assigned, throughout the vesting period. Starting 01 January 2021, the incentive plan, as it was approved by the Shareholders' Meeting on 26 April 2021, is based only on shares and the equivalent cost of the purchase has been reclassified from "Other liabilities" to a new equity reserve.

Earn-out liabilities

The earn-out liabilities deriving from company acquisitions are measured at fair value. Fair value gains or losses on the subsequent measurement of the liability are immediately taken to profit or loss.

Employee benefits

The Italian post-employment benefits (TFR) are considered a "defined benefit" plan.

The company's obligations are determined separately for each plan, estimating the present value of future benefits accrued by the employees during the current and previous years. This calculation is carried out using the projected unit credit method.

The components of the defined benefits are recorded as follows:

- the components for remeasuring the liabilities, which include actuarial gains and losses, are recognised immediately under "Other comprehensive income (expense)";
- service costs are recognised in profit or loss;
- net financial expense on defined benefit liabilities is recognised in profit or loss under financial expense.

The remeasurement components recognised under "Other comprehensive income (expense)" are never reclassified to the income statement in subsequent periods.

Provisions

The company recognises provisions for risks and charges when it has a legal or constructive obligation, in regard to a past event, and it is likely that resources will be necessary to fulfil the obligation, which can be reliably estimated.

Provisions are recognised when the Group has an obligation as a result of a past event and it is likely that it will be required to fulfil such obligation. Provisions are made on the basis of the best estimate of the costs involved in fulfilling such obligation at the reporting date and are discounted when the effect is significant.

Recognition of revenue and costs

Revenue is measured taking into account the price specified in the contract with the customer. The company records revenues when it transfers control over the assets or service, i.e. when the performance obligations contained in the contracts with the customers are fulfilled.

If the revenue of a specific contract must be estimated, as it relates to projects still in progress, it is recognised in relation to the progress of the contract at the reporting date, on the basis of the ratio of the costs incurred for the contract up to the reporting date to the estimated total contract costs.

Costs are allocated according to criteria similar to that used to recognise revenues and in any case on an accruals basis.

Government grants

They are recognised when there is reasonable certainty that all conditions envisaged for their obtainment are met and they will therefore be disbursed.

Grants related to income are recognised in profit or loss, with a systematic criterion in the years in which the Company recognises as costs the related expenses that the grant is intended to offset.

Grants related to assets that refer to property, plant and equipment are recognised as deferred income and taken to profit or loss over the time frame corresponding to the useful life of the relevant asset.

Financial income and expense

Financial income and expense are recognised in the income statement during the year in which they accrued.

Dividends received

Dividends received from investees are recognised in the income statement when the right to receive the relevant payment is established.

Tax

The parent Alkemy S.p.A. and its subsidiaries XCC S.r.l., DGI S.r.l. and Alkemy Play S.r.l. have exercised the option for the "National tax consolidation" pursuant to Articles 117 *et seq.* of Italian Presidential Decree no. 917/86 (the Consolidated Law on Income Tax), which allows IRES tax to be determined on a tax base that coincides with the algebraic sum of the taxable income of the individual companies. Transactions, in addition to the mutual responsibilities and commitments of the consolidating company and subsidiaries, are defined by the tax consolidation scheme agreement.

Current tax represents the estimated amount of income tax due, calculated on taxable profit for the year, determined by applying current tax rates or tax rates that are substantively in force at the reporting date and any adjustments to the amount relative to previous years.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated according to the liability method, on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax values.

Deferred tax assets are recognised on all deductible temporary differences and any tax losses carried forward, to the extent that it is probable that there will be adequate future tax profits that can make their use applicable.

Deferred tax assets and liabilities are not recognised on:

- temporary differences relative to the initial recognition of assets or liabilities in a transaction other than a business combination, which does not impact the accounting profit (or loss) nor the taxable profit (or tax loss);
- temporary differences relative to investments in subsidiaries, associates and joint ventures to the extent to which the Group can control the time-frames for the reversal of the temporary differences and it is likely that in the foreseeable future, the temporary difference will not be cancelled;
- taxable temporary differences relative to the initial recognition of goodwill.

The amount to be recorded of deferred tax assets is reviewed at each year-end and reduced to the extent to which the amount is no longer likely to be recovered. Unrecognised deferred tax assets are reassessed annually at the end of each reporting period and a previously unrecognised deferred tax asset is recognised to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have already been enacted by the end of the reporting period.

Dividends

Dividends are recognised in the reporting period in which their distribution is resolved.

Earnings per share

Basic earnings per share are calculated by dividing the Company's profit (loss) by the weighted average of outstanding shares during the year, excluding any treasury shares held in the portfolio.

Diluted earnings per share are obtained by means of the adjustment of the weighted average of outstanding shares, so as to take into account all the potential ordinary shares with a diluting effect.

The Company's profit (loss) is also adjusted to consider the effects, net of tax, of the conversion.

Translation of foreign currency amounts

Revenue and costs relating to transactions in foreign currencies are recognised at the exchange rate in force at the date of the transaction.

Assets and liabilities denominated in foreign currencies are recognised at the closing rate. Exchange gains and losses are classified as financial items.

Use of estimates

The preparation of the separate financial statements and notes thereto in accordance with the IFRS requires company management to make estimates and assumptions that impact the carrying amount of recognised assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date as well as the amount of revenue and costs for the year.

Actual figures may differ, even significantly, from these estimates following possible changes to the factors considered in their determination.

In particular, the estimates are used to measure goodwill, to recognise lease liabilities, put&call liabilities and determine loss allowances, provisions for inventory write-downs, amortisation/depreciation and impairment losses on assets, employee benefits, tax, provisions for risks and charges and other provisions.

The estimates and assumptions are reviewed periodically, and any changes are immediately reflected in profit or loss.

Collateral

The term "collateral" is used to refer to the guarantee obligations given to or received by the company with

reference to a certain contract that envisages that the guarantor shall specifically answer with the

assets given as guarantee.

New standards, amendments and interpretations applicable from annual periods starting on or after 1 January 2023

Below is a list of the standards, amendments, interpretations and improvements in force starting 1 January 2023, for which there has been no significant impact on the Group's 2023 Annual Financial Report:

IFRS 17 – Insurance contracts: (published in June 2020);

Initial application of IFRS 17 and IFRS 9 — Comparative information (Amendments to IFRS 17): (published in December 2021);

Definition of accounting estimates (Amendments to IAS 8): (published in February 2021);
Disclosure of accounting policies (Amendments to IAS 1): (published in February 2021)
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12): (published in May 2021);
International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12): (published in May 2023).

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, not yet applicable and not adopted in advance by the Company as at 31 December 2023

Below are the standards, amendments, interpretations and improvements to be applied in the future:

Lease liability in a sale and leaseback (Amendments to IFRS 16): (published in September 2022). The amendments apply to reporting periods starting on or after 1 January 2024;

Classification of liabilities as current or non-current (Amendments to IAS 1) and Non-current liabilities with covenants (Amendments to IAS 1): (published in January 2020, July 2020 and October 2022, respectively). The amendments apply to annual reporting periods starting on or after 1 January 2024.

With reference to the foregoing standards and amendments, it is not expected that the adoption shall have any significant impact on the Group.

Below are the amendments not yet approved at the reporting date:

IFRS 14 Regulatory deferral accounts (published in January 2014). Endorsement process suspended pending the new standard on rate-regulated activities;

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28) (published in September 2014). Endorsement process suspended pending conclusion of the IASB project on the equity method;
Lack of Exchangeability (Amendment to IAS 21): (published in August 2023). Endorsement date to be set;

Supplier Finance Arrangements (Amendment to IAS 7 and IFRS 9): (published in May 2023). In force since 1 January 2024. Endorsement date to be set.

Financial risk management

Under the scope of its operations, the Company is exposed to financial risks connected with:

- credit risk;

- liquidity risk;
- market risk and, specifically, interest rate and currency risks.

Below is information about the Company's exposure to each of the above risks; reference is made to the more extensive description given in the Report on Operations for a description of how financial risks are monitored in order to prevent any potential negative effects thereof, and take corrective action.

Credit risk

Credit risk is the exposure to potential losses deriving from the failure by commercial or financial counterparties to fulfil the commitments made.

The Company's credit risk essentially relates to the amount of trade receivables due for the provision of services.

The very nature of the services provided means that the Company has no significant concentration of the credit risk and is subject to moderate credit risk, insofar as debtors are large, highly-solvent private companies.

Exposure to credit risk at 31 December 2023 and 31 December 2022 is as follows:

	Figures in thousands of euros	
	31 Dec. 2023	**31 Dec. 2022**
Non-current financial assets	1,822	1,623
Other non-current assets	205	205
Trade receivables	29,600	29,098
Current financial assets	267	0
Other current assets	2,178	3,786
Total exposure	**34,073**	**34,712**
Loss allowance	(635)	(1,482)
Total exposure net of the loss allowance	**33,438**	**33,230**

(*) the table does not include tax assets and equity investments

Below is a breakdown of financial assets at 31 December 2023 and 31 December 2022, grouped by category and due date:

										Figures in thousands of euros
	Carrying amount 31 Dec. 2023	Failing due	Past due							Loss allowance
			0 - 30	30 - 90	90 - 180	180-365	More than 365	Total past due		
Non-current financial assets	1,822	1,822	-	-	-	-	-	-		-
Other non-current assets	205	205	-	-	-	-	-	-		-
Trade receivables	28,965	22,208	3,042	1,642	836	597	1,275	7,392		(635)
Current financial assets	267	267	-	-	-	-	-	-		-
Other current assets	2,178	2,178	-	-	-	-	-	-		-
Total financial assets (*)	**33,438**	**26,681**	**3,042**	**1,642**	**836**	**597**	**1,275**	**7,392**		**(635)**

(*) the table does not include tax assets and equity investments

										Figures in thousands of euros
	Carrying amount 31 Dec. 2022	Failing due	Past due							Loss allowance
			0 - 30	30 - 90	90 - 180	180-365	More than 365	Total past due		
Non-current financial assets	1,623	1,623	-	-	-	-	-	-		-
Other non-current assets	205	205	-	-	-	-	-	-		-
Trade receivables	27,616	21,138	3,147	1,824	286	1,185	1,518	7,960		(1,482)
Current financial assets	0	0	-	-	-	-	-	-		-
Other current assets	3,786	3,786	-	-	-	-	-	-		-
Total financial assets (*)	**33,230**	**26,752**	**3,147**	**1,824**	**286**	**1,185**	**1,518**	**7,960**		**(1,482)**

(*) the table does not include tax assets and equity investments

Liquidity risk

The Company's financial management is characterised by procedures aimed at regulating the collection and payment duties, controlling and avoiding any critical liquidity positions.

During the year, the Company met its financial requirements using own funds and bank loans and borrowings.

Financial liabilities at 31 December 2023 and 31 December 2022, including interest payable, divided up by contractual due date, are as follows:

						Figures in thousands of euros
	Carrying amount 31 Dec. 2023	Contractual financial flows	Current portion	from 1 to 2 years	from 2 to 5 years	More than 5 years
Bank loans and borrowings	19,450	20,912	10,148	5,102	5,636	26
Earn-out liabilities	10,328	11,200	3,916	326	6,958	-
Loans and borrowings from other financial backers	1,160	1,189	1,189	-	-	-
Lease liabilities	4,808	5,065	1,512	1,392	2,146	14
Total financial liabilities	**35,746**	**38,365**	**16,765**	**6,820**	**14,740**	**40**

						Figures in thousands of euros
	Carrying amount 31 Dec. 2022	Contractual financial flows	Current portion	from 1 to 2 years	from 2 to 5 years	More than 5 years

Bank loans and borrowings	19,783	20,900	9,053	5,575	6,159	113
Earn-out liabilities	9,939	11,314	592	4,662	6,060	
Loans and borrowings from other financial backers	1,150	1,164	1,164	-	-	-
Lease liabilities	3,875	4,018	1,069	1,012	1,937	-
Total financial liabilities	**34,747**	**37,396**	**11,878**	**11,249**	**14,157**	**113**

As regards trade payables and other liabilities, the cash flows expected from the related contracts are within 12 months.

Financial liabilities at 31 December 2023 and 31 December 2022, as resulting from the statement of financial position, divided up by contractual due date, are as follows:

					Figures in thousands of euros
	Carrying amount 31 Dec. 2023	Current portion	from 1 to 2 years	from 2 to 5 years	More than 5 years
Bank loans and borrowings	19,450	9,426	4,692	5,307	26
Earn-out liabilities	10,328	3,526	-	6,802	-
Loans and borrowings from other financial backers	1,160	1,160	-	-	-
Lease liabilities	4,808	1,401	1,324	2,069	14
Total financial liabilities	**35,746**	**15,513**	**6,016**	**14,178**	**40**

					Figures in thousands of euros
	Carrying amount 31 Dec. 2022	Current portion	from 1 to 2 years	from 2 to 5 years	More than 5 years
Bank loans and borrowings	19,783	8,508	5,252	5,910	113
Earn-out liabilities	9,939	-	4,274	5,664	-
Loans and borrowings from other financial backers	1,150	1,150	-	-	-
Lease liabilities	3,875	1,008	966	1,901	-
Total financial liabilities	**34,747**	**10,666**	**10,492**	**13,475**	**113**

Four loans (8,913 thousand euro at 31 December 2023) envisage compliance with for two covenants on a consolidated level and, in particular: (i) Leverage Ratio, i.e., Net Financial Position/gross operating profit <3 and (ii) Gearing Ratio, i.e., ratio of Net Financial Position and Equity <1. The covenants were fully complied with as at 31 December 2023.

Market risk

The market risk to which the Company is exposed consists of the risk of changes to interest rates and the currency risk.

Interest rate risk

The Company is expected to the risk of changes in interest rates in connection with the variable rate indexed medium- and long-term loans payable.

There are "cap" options in place (at fixed rate, already paid), in connection with some medium-term loans agreed from 2019 onwards to hedge the risk of future rises in interest rates, in connection with loans that are worth approximately 67% of the bank loans and borrowings in place at 31 December 2023.

Financial liabilities of 35,746 thousand euros at 31 December 2023 and 34,747 thousand euros at 31 December 2022 include variable rate loans respectively for 15,999 thousand euros and 13,728 thousand euros at 31 December 2022.

The financial instruments exposed to the interest rate risk have been subjected to sensitivity analysis, which shows the effects on pre-tax profit (loss) that would have been recorded in terms of changes to borrowing costs in the event of an increase and decrease of 50 basis points in the Euribor interest rates applied to the financial liabilities.

The effects are shown in the tables below:

		Figures in thousands of euros
	+ 50 basis points	**- 50 basis points**
Greater (lesser) interest on variable rate loans – 2023	63	(63)
Total	**63**	**(63)**

		Figures in thousands of euros
	+ 50 basis points	**- 50 basis points**
Greater (lesser) interest payable on variable rate loans – 2022	57	(57)
Total	**57**	**(57)**

The Company is also, to a marginal extent, exposed to the currency risk on amounts expressed in currencies other than the euro.

Financial assets and liabilities measured at fair value

Based on the requirements of IFRS 13 "*Fair value measurement*", the following disclosure is provided.

The fair value of trade receivables and liabilities and other financial assets and liabilities is approximately the nominal amount recognised.

The fair value of amounts due to and from banks, as well as to and from related companies does not differ from the recognised amounts, insofar as the credit spread has been kept constant.

In relation to the financial instruments recognised in the statement of financial position at fair value, IFRS 7 requires these amounts to be classified on the basis of a level hierarchy that reflects the materiality of the input used in determining the fair value. The following levels can be distinguished:

Level 1 – quoted prices observed on the active market for assets and liabilities;

Level 2 – inputs other than the quoted prices above, which can be observed directly (prices) or indirectly (derived from prices) on the market;

Level 3 – inputs that are based on observable market figures.

With reference to the values presented at 31 December 2023 and 31 December 2022, the tables below show the fair value hierarchy for the company's assets and liabilities measured at fair value:

			Figures in thousands of euros
	Level 1	**Level 2**	**Level 3**
Assets measured at fair value			
Put and call options	-	-	451
Hedging derivatives	-	236	-
Liabilities measured at fair value			
Earn-out liabilities	-	-	(10,328)
Put and call options	-	-	(418)
Balance at 31 Dec. 2023	**-**	**236**	**(10,295)**

			Figures in thousands of euros
	Level 1	**Level 2**	**Level 3**
Assets measured at fair value			
Put and call options	-	-	85
Hedging derivatives	-	576	-
Liabilities measured at fair value			
Earn-out liabilities	-	-	(9,939)
Put and call options	-	-	(2,018)
Balance at 31 Dec. 2022	**-**	**576**	**(1,933)**

Other information

Government grants

As envisaged by Article 1, paragraphs 125-129 of Italian Law no. 124/2017 (the "2017 Competition Law"), subsequently supplemented by the "Security" Decree Law (no. 113/2018) and the "Simplification" Decree Law (no. 135/2018), under the scope of transparency obligations in connection with financing and economic grants of any type received from the public administrations and similar or equivalent subjects, these amounts are disclosed and in 2023, the Company received grants related to income of 1,377 thousand euros. The table below gives details of data relating to the providers and the amount of cash disbursements:

	Figures in thousands of euros	
Provider	**2023 amount collected**	**Reason**
National Agency for Active Labour Policies	538	New Skills Fund
Ministry of Made in Italy	317	Protect-ID Project
Regional Authority of Sardinia	300	DEEP project
Ministry of Economic Development	95	D-ALL
Ministry of Economic Development	67	Nextshop project
	1377	

The Parent has also received financing grants of 174 thousand euros from the Ministry of Economic Development in connection with the Protect-ID project.

Grants for the above projects refer entirely to research and development carried out by the Company in previous years.

A complete disclosure of income from government grants is given in Note 2.

Notes to the financial statements

Income statement

1. Revenue

Revenue relates entirely to sales of services and come to 58,112 thousand euros (58,623 thousand euros in 2022), of which 663 thousand euros with related parties (757 thousand euros in 2022):

Turnover for 2023 is down 510 thousand euros on the previous year. This decrease is mainly attributable to the effect of the different mix of services rendered (in particular the sale of media services).

The breakdown of revenue by geographical segment is not significant insofar as almost all revenue is with domestic customers.

2. Other income

Other income totals 2,379 thousand euros (894 thousand euros at 31 December 2022), as follows:

	Figures in thousands of euros	
	2023	**2022**
Government grants	1,452	10
Capitalisation of costs	594	517
Tax credit	250	250
Other revenue	83	117
Total other revenue	**2,379**	**894**

Income from government grants amounting to 1,452 thousand euros (10 thousand euros in 2022) mainly relates to the grant from the New Skills Fund, a public fund promoted by the National Agency for Active Labour Policies (ANPAL) to enable companies to update their workers' skill through training.

Income on the capitalisation of costs came to 594 thousand euros (517 thousand euros in 2022) and mainly relates to the internal implementation of software and platforms relative to the pursuit of the Company's commercial activities, in particular: the development of an innovative generative AI tool; a product that standardises the reporting flow for digital marketing campaigns; a process for advertising platforms; a platform for the automation of some of the Digital Data Products team's products; a unique tool that allows users to track and analyse the position of their website in Google search results; a project concerning the optimisation of advertising expenses; a unique tool for measuring the Marketing Mix; a tool for planning promotional campaigns; specific Machine Learning models for the prediction of anomalies in the operation of machinery or production lines; a data product to improve the quality of deliverables of forecasting projects; a real estate asset for managing opportunities to buy or sell a property.

The tax credit, in the amount of 250 thousand euros, is accrued, continuing on from the previous year, on the investments made by the Company in 4.0 training pursuant to Art. 1, paragraph 78-81 of Italian Law no. 145 of 30.12.2018.

Other revenue came to 83 thousand euros (117 thousand euros in 2022) and mainly relates to other operating revenue.

3. Services, goods and other operating costs

Services, goods and other operating costs comes to 25,384 thousand euros (27,022 thousand euros in 2022), as detailed below:

	Figures in thousands of euros	
	2023	**2022**
Services	25,192	26,805
Purchase of goods	102	119
Lease costs	35	53
Other operating costs	55	45
Total	**25,384**	**27,022**

Services

Costs for services come to 25,191 thousand euros (26,805 thousand euros in 2022) and are detailed below:

	Figures in thousands of euros	
	2023	**2022**
Services for customers	20,992	22,419
Other consultancy	701	460
Marketing services	560	576
Restaurant vouchers	554	432
Travel and transfer expenses	428	382
Maintenance services	418	354
Consultancy and legal expenses	339	394
Insurance	178	246
Condominium and supervisory expenses	161	124
Administrative services	158	266
Postal, telephone and data transmission services	142	158
Audit and attestation fees	137	147
Cleaning expenses	119	100
Utilities	86	85
Payslip processing	83	88
Statutory Auditors' fees	62	62
Banking services	45	37
Costs for non-recurring services	29	242
Commercial services	-	61
Collaborators' fees	-	11
Other services	-	161
Total services	**25,192**	**26,805**

Services mainly include commercial costs incurred for services provided to customers, media space, costs for third party services, distribution costs and costs for collaborators.
Services for customers refers to external costs incurred to execute contracts with customers and mainly include media space, marketing services, commercial services, IT consultancy and the cost of professionals dedicated to specific orders.
The overall decrease in service costs is related to both the efficiency gains made during the year, which also led to the insourcing of certain activities, and the different sales mix.

Purchase of goods materials

Costs for the purchase of goods total 102 thousand euros (119 thousand euros in 2022) and mainly regard the purchase of consumables for the office.

Operating leases

Costs for operating leases come to 35 thousand euros (53 thousand euros in 2022) and relate to costs that, by nature, do not come under the scope of application of IFRS 16.

Other operating costs

Other operating costs come to 56 thousand euros (45 thousand euros in 2022) and mainly regard entertainment costs and, to a lesser extent, fines, stamp duty and tax.

4. Personnel expense

Personnel expense comes to 29,363 thousand euros (26,391 thousand euros in 2022) and consists of the following:

	Figures in thousands of euros	
	2023	**2022**
Wages and salaries	20,478	18,457
Non-recurring personnel expense	924	156
Directors' fees	557	820
Social security expenses	5,757	5,003
Costs for defined benefit plans	1,408	1,416
Cost for share-based payments	218	517
Other personnel expense	21	22
Total personnel expense	**29,363**	**26,391**

This item includes all costs incurred during the year, directly or indirectly relating to employees and directors.

"Non-recurring wages and salaries" includes all costs incurred for redundancy incentives and one-off amounts paid to some employee categories in order to mitigate the current impact of inflation.

The cost of share-based payments includes the cost relative to the new long-term incentive plan for five key managers, as well as the Chairman, Chief Executive Officer and a Director of the Company as described in the Report on Operations to which you are referred for more details.

Directors' fees come to 557 thousand euros and their decrease of 263 thousand euros compared to the previous year is mainly attributable to the termination of the Board of Directors of Nunatac S.r.l., which was merged in 2022.
The Company had 445 employees at 31 December 2023, as compared with 417 in the previous year. The average number of employees during the year was 448 (415 in 2022).

The table below shows the average number of employees in 2023, divided up by category.

	2023	**2022**
Managers	14	13
Middle managers	60	60
Office employees	374	342
Total	**448**	**415**

The 2.9% increase in average wages and salaries per employee, net of directors' fees, costs for share-based payments and non-recurring personnel expense, is mainly due to contract and merit-based raises paid in the course of 2023.

5. Amortisation/depreciation

Amortisation/depreciation comes to 2,752 thousand euros (2,198 thousand euros in 2022) and refers to:

- 1,452 thousand euros (1,150 thousand euros in 2022) for the depreciation of right-of-use assets;
- 785 thousand euros (568 thousand euros in 2022) for the amortisation of intangible assets.
- 515 thousand euros (480 thousand euros in 2022) for the depreciation of property, plant and equipment;

The increase in amortisation/depreciation is due to capital expenditure in the second half of 2022 which continued in 2023

6. Provisions and impairment losses

Provisions come to 205 thousand euros (169 thousand euros in 2022) and refer to the impairment of trade receivables (165 thousand euros) and to the provision for risks and charges (40 thousand euros).

7. Net gains on equity investments

Net gains on equity investments came to 1,691 thousand euros (1,948 thousand euros in 2022) and related to dividends resolved by Alkemy South America S.L. and Alkemy Iberia S.L.U. in the amount of 1,155 thousand euros and 536 thousand euros, respectively.

8. Net gains (losses) on options

"Net gains on options amount to 1,657 thousand euros (net losses of 2,538 thousand euros in 2022) and relate for (i) 1.966 thousand euros to fair value gain on the derivatives consisting of call options on the residual investment in subsidiaries, which have a contractual structure of put and call options between the Company and the non-controlling investors, and for (ii) -309 thousand euros to the fair value loss on hedging transactions entered into in connection with certain financial liabilities outstanding at 31 December 2023.

As is frequently the case in purchases of controlling investments, the contractual arrangements include a put option in favour of the remaining non-controlling investors and a call option in favour of Alkemy. Options are classified according to fair value and relative maturity.

These derivatives total 32 thousand euros (liability of 1,933 thousand euros at 31 December 2022) and are as follows:

- 246 thousand euros for the current option relative to the acquisition of 14% of the capital of the subsidiary XCC S.r.l. (see note 22);
- 204 thousand euros for the non-current option relative to the acquisition of the residual shares in the subsidiary Alkemy Play S.r.l. (see note 18);
- -418 thousand euros for current options relative to the acquisition of the residual shares (35%) in

the subsidiary XCC S.r.l. (see note 37).

9. Other financial income

Other financial income comes to 497 thousand euros (426 thousand euros in 2022) and is detailed below:

	Figures in thousands of euros	
	2023	**2022**
Earn-out gain	127	306
Interest income from subsidiaries	45	20
Exchange gain	10	6
Other financial income	315	94
Total financial income	**497**	**426**

The earn-out gain comes to 127 thousand euros (306 thousand euros in 2022) and refers to the fair value gain on the earn-out liability, to be paid to the former non-controlling investors of Innocv Solutions S.L..

Other financial income comes to 315 thousand euros and mainly relates for 309 thousand euros to premiums collected on the aforementioned transactions to hedge the fluctuation of variable rates of certain medium/long-term bank loans.

10. Other financial expense

Other financial expense comes to 1,777 thousand euros (735 thousand euros in 2022) and is detailed below:

	Figures in thousands of euros	
	2023	**2022**
Interest expense on loans	726	439
Interest on earn-out liabilities	516	114
Interest on leases	125	77
Interest expense on employee benefits (IAS 19)	199	51
Exchange losses	33	16
Interest expense on current accounts	113	13
Other financial expense	65	25
Total other financial expense	**1,777**	**735**

The increase in the item reflects the increase in interest expense on loans, in line with both the increase in loans obtained and the general trend in interest rates and the allocation of interest on the aforementioned earn-out pertaining to the year.

11. Income taxes

Tax has been calculated in compliance with current tax legislation and is detailed below:

	Figures in thousands of euros	
	2023	**2022**
Current income tax	89	(113)
Current IRAP	84	247
Previous years' tax	24	-
Change in deferred tax assets	252	271
Change in deferred tax liabilities	(18)	10
Total taxes	**431**	**415**

Below is a reconciliation of the theoretical and effective tax charge:

	Figures in thousands of euros	
	2023	**2022**
Pre-tax profit	**4,855**	**2,839**
Current tax rate	24%	24%
Theoretical tax charge (income)	**1,165**	**681**
Temporary differences deductible in subsequent years:	129	95
Temporary differences reversed from previous years	(377)	(311)
Permanent differences	(829)	(578)
Income from tax consolidation	**89**	**(113)**
Effective rate on the income statement	2%	(4%)

12. Earnings per share

Basic earnings per share are calculated by dividing the Company's profit (loss) by the weighted average of outstanding shares during the year, thereby excluding treasury shares held in portfolio.
In the calculation of diluted earnings per share, the weighted average of outstanding shares takes into account the conversion of any instruments with a diluting effect (none at 31 December 2023)
The calculation of earnings per share is shown in the table below:

	Figures expressed in units of euros	
	2023	**2022**
Profit		
Profit (loss) for the year	4,424,636	2,423,612
Profit (loss) for the year, attributable to ordinary shares	4,424,636	2,423,612
Number of shares		
Average number of outstanding ordinary shares	5,535,771	5,530,892

Adjusted average number of ordinary shares	5,535,771	5,530,892
Basic earnings per share	0.80	0.44
Diluted earnings per share	0.80	0.44

For further details, please refer to note 26 on equity.

Statement of financial position
Assets

Non-current assets

13. Property, plant and equipment

The item totals 1,393 thousand euros (1,581 thousand euros at 31 December 2022); changes relating to the last two years are shown below:

Figures in thousands of euros

	Lands and buildings	Plant and machinery	Other assets	Total
Balance at 31 Dec. 2021	**69**	**11**	**1,215**	**1,295**
Increase from merger	-	-	144	144
Investments	-	5	617	622
Depreciation	(4)	(2)	(474)	(480)
Balance at 31 Dec. 2022	**65**	**14**	**1,502**	**1,581**
Investments	-	6	345	351
Depreciation	(4)	(3)	(509)	(516)
Other movements	(1)	(1)	(21)	(23)
Balance at 31 Dec. 2023	**60**	**16**	**1,317**	**1,393**

Land and buildings include a property owned in Rende (CS), where an office of the Company is located.
Other assets mainly includes computers and IT equipment purchased for Company employees, as well as furniture and furnishings of the company Milan office and secondary offices.
Increases are mainly due to the purchase of computers and IT equipment.
Accumulated depreciation, coming to 3,194 thousand euros at 31 December 2023 (2,878 thousand euros at 31 December 2022) changed in the course of the year essentially as a result of depreciation for the year.

14. Right-of-use assets

Right-of-use assets come to 4,662 thousand euros (3,760 thousand euros at 31 December 2022), as shown by the following detailed table:

	Buildings	Other assets	Total
			Figures in thousands of euros
Balance at 31 Dec. 2021	**3,659**	**563**	**4,222**
Increase from merger	-	87	87
Investments	204	409	613
Depreciation	(774)	(376)	(1,150)
Other movements	-	(12)	(12)
Balance at 31 Dec. 2022	**3,089**	**671**	**3,760**
Investments	1,704	651	2,355
Depreciation	(1,026)	(426)	(1,452)
Balance at 31 Dec. 2023	**3,767**	**896**	**4,662**

"Buildings" refers to the right-of-use of offices and its increase mainly relates to the signing of a new lease at the office in Milan, to the renewal of some existing contracts and to charge adjustments in accordance with contracts.
"Other assets" include rights-of-use on company cars and increases in the year mainly relate to the signing of new rental contracts, also to replace those that expired during the year.
Accumulated depreciation, coming to 4,563 thousand euros at 31 December 2023 (3,157 thousand euros at 31 December 2022) changed in the course of the year essentially as a result of depreciation for the year.

15. Goodwill

Goodwill comes to 18,103 thousand euros (same amount at 31 December 2022), as detailed hereto:

	31 Dec. 2023	**31 Dec. 2022**
		Figures in thousands of euros
BizUp merger	6883	6883
Nunatac merger	6603	6603
Alkemy Tech merger	2898	2898
Seolab merger	1167	1167
Between merger	552	552
Total goodwill	**18103**	**18103**

As goodwill has an indefinite useful life, it is not amortised but rather tested for impairment once a year, or more frequently if events or changes in circumstances suggest a possible loss.

In order to assess a possible impairment loss, the recoverability of goodwill was checked on an aggregate level, using its value in use, determined by applying the discounted cash flow model. If the recoverable amount exceeds carrying amount of goodwill, no impairment loss is recognised; otherwise, the difference between the carrying amount and the recoverable amount, as resulting from the impairment test, determines the amount of the adjustment to be made.
The main assumptions on which the recoverable amount is calculated regard the discount rate, the use of the latest budgets and medium-term forecasts and the projected growth rate at the end of

the explicit forecasting period, as well as the effects of the new commercial and operating organisation of Alkemy S.p.A. since January 2024.
Discounting regarded expected cash flows as resulting from the 2024-2026 three-year plan approved by the Board of Directors on 23 February 2024 and integrated with the preliminary data at 31 December 2023.
The terminal value was calculated using the "perpetual income" method determined by the normalised cash flow projection relative to the first year after the explicit forecasting period, assuming a growth rate of 1.90% (1.90% in 2022).
In discounting cash flows, the Company adopted a discount rate that expresses the weighted average cost of capital (WACC) comprising a weighted average of the cost of capital and the cost of debt.
More specifically, with reference to the measurement at 31 December 2023, the Company used a discounting rate of 11.51% (11.34% in 2022).
The impairment test results revealed that the recoverable amount of goodwill exceeded their carrying amount, accordingly no impairment losses were recognised.

A sensitivity analysis has also been carried out, hypothesising changes in the WACC discounting rate with an increase/decrease of 1 percentage point, matched with (i) an increase/decrease of 1.0 percentage points of the perpetual g-rate, (ii) a different determination of the gross operating profit terminal value, in respect of changes in results envisaged by the three-year plan (average gross operating profit for 2024-2026, average for 2025-2026 and gross operating profit for 2026).
These analyses did not indicate any impairment losses on goodwill.
These results are summarised below:

2023 PARAMETER	**WACC**	**G-rate**	**Reduction in gross operating profit BP and TV**
basic	11.51%	1.90%	
break-even	13.42%	-0.32%	-9.99%
delta	*1.90%*	*2.22%*	

16. Intangible assets

Intangible assets amount to 1,152 thousand euros (1,018 thousand euros at 31 December 2022). Below are details on changes seen to intangible fixed assets therein:

	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other	Total
				Figures in thousands of euros
Balance at 31 Dec. 2021	**250**	**15**	**221**	**486**
Increase from merger	9	-	41	50
Investments	329	-	720	1,049
Depreciation	(266)	(4)	(298)	(568)
Other movements	-	-	1	1
Balance at 31 Dec. 2022	**322**	**11**	**685**	**1,018**
Investments	228	-	695	923
Depreciation	(248)	(3)	(533)	(784)
Other movements	-	-	(5)	(5)
Balance at 31 Dec. 2023	**302**	**8**	**842**	**1,152**

<u>Industrial patents and intellectual property rights</u>

This item mainly includes the costs incurred for the purchase of company management software, the increase in which is primarily due to the purchase of new software licenses and new firewalls.

<u>Concessions, licences, trademarks and similar rights</u>

This item mainly includes costs incurred to register trademarks.

<u>Other</u>

This item includes deferred costs that, due to their different nature, do not fit under any of the other items of this category. In particular, the item includes the costs relating to the internal implementation of software and platforms relative to the conduct of the Company's commercial business; for information see note 2 of these financial statements where details are given on the period increases.

Accumulated amortisation, which at 31 December 2023 came to a total of 1,738 thousand euros (3,692 thousand euros at 31 December 2022), changed during the year mainly due to the reversal of fully amortised assets in the amount of 2,889 thousand euros and amortisation for the year in the amount of 784 thousand euros.

17. Equity investments

Equity investments amount to 40,420 thousand euros (37,270 thousand euros at 31 December 2022); they are detailed as follows:

		Figures in thousands of euros
	31 Dec. 2023	**31 Dec. 2022**
Investments in subsidiaries	40,415	37,265
Investments in other companies	5	5
Total equity investments	**40,420**	**37,270**

The list of investments in subsidiaries with the indication of the related share/quota capital, equity and percentage of investment is as follows:

					Figures in thousands of euros	
Company name	Registered office	Currency	Capital in euros	'''Equity in euros	Profit (loss) in euros	% held
Alkemy Play S.r.l.	Milan – Via San Gregorio 34	Euro	10	(434)	(207)	75%
Alkemy SEE D.o.o.	Serbia – Belgrade – Sime Igumanova 64	Serbian dinar	413	426	29	70%
Alkemy Iberia S.L.U.	Spain – Madrid – C/ Torregalindo, 1	Euro	6	1492	974	100%
Innocv solutions S.L.	Spain – Madrid – cl Faraday 7	Euro	246	3282	1351	100%
Alkemy South America S.L.	Spain – Madrid – C/ Torregalindo, 1	Euro	89	1497	1169	100%
eXperience Cloud Consulting S.r.l.	Rome – Via del Commercio 36	Euro	10	998	75	51%
Design Group Italia I.D. S.r.l.	Milan – Via A. Aleardi 12/14	Euro	119	1739	(90)	100%

The change and breakdown of the investments in subsidiaries is as follows:

		Figures in thousands of euros	
	31 Dec. 2022	**Increases**	**31 Dec. 2023**
Alkemy South America S.L.	4,218	-	4,218
Alkemy Play S.r.l.	424	270	694
Alkemy SEE D.o.o.	357	-	357
XCC S.r.l.	1,401	-	1,401
DGI S.r.l.	2,372	2,880	5,251
Innocv Solutions S.L.	15,131	-	15,131
Alkemy Iberia S.L.U.	13,363	-	13,363
Total equity investments	**37,265**	**3,150**	**40415**

The increases in the carrying amount of the investments in subsidiaries come to 3,150 thousand euros, as follows:

- 2,880 thousand euros for the purchase of the residual 49% of the subsidiary DGI S.r.l.;
- 270 thousand euros for the forgiveness of part of the trade receivable due to Alkemy Play S.r.l. to cover previous losses accrued by the company;

The carrying amount of the investments has been specifically tested for impairment to verify the potential recovery of such amounts.

The test was carried out comparing the carrying amount of the investment with its value in use, determined by discounting net cash flows from business, less the total net debt of the investees.
The period considered covers the three years 2024 – 2026. The net flows thus determined have been discounted at the weighted average cost of capital (WACC), diversified depending on the company to take into account the various local factors, without prejudice to the general structure of calculation as detailed in Note 15.
More specifically, the discounting rate used was 11.29% for DGI and Alkemy Play, 11.44% for XCC (11.29% for DGI and Alkemy Play, 11.38% for XCC in 2022), 15.79% for Alkemy South America (14.49% in 2022), 16.99% for Alkemy SEE (13.91% in 2022), 11.15% for Alkemy Iberia and INNOCV (11.24% in 2022).
The terminal value was calculated using the "perpetual income" method determined by the normalised cash flow projection relative to the first year after the explicit forecasting period, assuming a growth rate of 1.90% for the companies in Italy (1.90% in 2022), 2% for Spain/Mexico and the Balkans (both 2% in 2022).

A sensitivity analysis has also been carried out, hypothesising changes in the WACC discounting rate with an increase/decrease of 1 percentage point, matched with an increase/decrease of 1 percentage point of the perpetual g-rate.
The sensitivity analysis did not indicate any additional impairment losses on equity investments.
The following table summarises the results:

2023 PARAMETER		WACC	G-rate	Reduction in gross operating profit BP and TV
	basic	15.79%	2.00%	
Alkemy South America S.L.	break-even	40.80%	-43.20%	-55.10%
	delta	*25.01%*	*-45.20%*	
	basic	11.29%	1.90%	
Alkemy Play S.r.l.	break-even	24.08%	-16.32%	-44.91%
	delta	*12.79%*	*-18.22%*	
	basic	16.99%	2.00%	
Alkemy SEE D.o.o.	break-even	37.20%	-32.00%	-50.10%
	delta	*20.21%*	*-34.00%*	
	basic	11.44%	1.90%	
XCC S.r.l.	break-even	16.40%	-4.20%	-21.00%
	delta	*4.96%*	*-6.10%*	
	basic	11.29%	1.90%	
DGI S.r.l.	break-even	18.34%	-7.16%	-30.71%
	delta	*7.05%*	*-9.06%*	
	basic	11.15%	2.00%	
Innocv Solutions S.L.	break-even	13.92%	-1.20%	-19.93%
	delta	2.76%	-3.20%	
	basic	11.15%	2.00%	
Alkemy Iberia S.L.U.	break-even	13.63%	-0.86%	-18.02%
	delta	*2.48%*	*-2.86%*	

18. Other financial assets

Other non-current financial assets come to 1,822 thousand euros (1,623 thousand euros at 31 December 2022) and are detailed below:

Figures in thousands of euros	31 Dec. 2023	31 Dec. 2022
Loans to subsidiaries	1,382	961
Derivatives	440	661
Other financial assets	-	1
Total other financial assets	**1,822**	**1,623**

The non-current derivatives come to 440 thousand euros (661 thousand euros at 31 December 2022) and are as follows:

- 236 thousand euros for the non-current hedges for certain loans in place;
- 204 thousand euros for non-current options relative to the exercise of the option on the subsidiary Alkemy Play S.r.l..

Interest-bearing loans to subsidiaries come to 1,382 thousand euros (961 thousand euros at 31 December 2022) and are detailed as follows:

- 852 thousand euros (631 thousand euros at 31 December 2022) to the subsidiary XCC S.r.l.: the loan disbursed in multiple tranches starting 2021, bears interest at a rate variable of 1.5% + Euribor 12m;
- 330 thousand euros (same amount at 31 December 2022) to the subsidiary Alkemy SEE D.o.o.; the loan disbursed in 2018 and 2021 bears interest at a rate of 1.5%;
- 200 thousand euros to the subsidiary Kreativa D.o.o. paid in December 2023, bearing interest at a rate of 4.5%.

19. Deferred tax assets

Deferred tax assets amount to 546 thousand euros (834 thousand euros at 31 December 2022) Below is a breakdown of deferred tax assets:

Figures in thousands of euros	Temporary differences at 31 December 2023	Tax effect 31 Dec. 2023	Temporary differences at 31 December 2022	Tax effect 31 Dec. 2022
Loss allowance	487	117	1,225	294
Provision for the impairment of special financing grants	497	119	497	119
Directors' fees	738	177	732	171
Post-employment benefits	35	8	73	17

ACE	220	53	366	88
Tax losses that can be carried forward	244	59	592	141
Other assets	52	13	12	3
Total	**2,274**	**546**	**3,497**	**834**

The balance includes deferred tax assets determined on the temporary differences between the carrying amount of the assets and liabilities taken in order to prepare the financial statements and the respective values.

Deferred tax assets are recognised when it is considered, on the basis of forecasts for future results, that they are reasonably certain of being recovered in future years.

20. Other non-current assets

Other non-current assets come to 205 thousand euros (205 thousand euros at 31 December 2022) and relate to guarantee deposits.

Current assets

21. Trade receivables

Trade receivables come to 28,965 thousand euros (27,616 thousand euros at 31 December 2022), as detailed below:

	Figures in thousands of euros	
	31 Dec. 2023	**31 Dec. 2022**
Third parties	27,463	26,119
Related parties	1,502	1,497
Total trade receivables	**28,965**	**27,616**

There are no amounts due after one year.

Below is a breakdown of trade receivables by geographical segment:

	Figures in thousands of euros	
	31 Dec. 2023	**31 Dec. 2022**
Italy	25,489	24,072
EU	320	533
Non-EU	3,156	3,012
Total trade receivables	**28,965**	**27,616**

Trade receivables are stated net of a loss allowance of 635 thousand euros (1,482 thousand euros at 31 December 2022). The loss allowance was calculated on the basis of the lifetime expected credit losses from initial recognition and during subsequent measurements. The estimate is mainly prepared by determining the average expected credit losses, based on historical indicators. For some categories, characterised by specific risk elements, specific valuations are instead made on the individual positions.

Below are year changes to the loss allowance:

	Figures in thousands of euros
Balance at 31 Dec. 2022	**(1,482)**
Accruals	(165)
Uses	1,012
Others	1
Balance at 31 Dec. 2023	**(635)**

Uses for the year refer to receivables that were no longer collectible and for which there was already a loss allowance at the end of the previous year.

22. Other financial assets

Other current financial assets amount to 267 thousand euros (zero at 31 December 2022) and mainly refer to the option right for the first tranche (14%) of the residual shares in the subsidiary XCC S.r.l. yet to be acquired (€246 thousand).

23. Tax assets

Tax assets come to 365 thousand euros (416 thousand at 31 December 2022) and are detailed as follows:

		Figures in thousands of euros
	31 Dec. 2023	**31 Dec. 2022**
Current tax assets	269	-
Tax asset	20	394
Other tax assets	76	22
Total tax assets	**365**	**416**

The decrease in the tax asset is attributable to the offsetting of the same during the year, based on current tax regulations.
The increase in other tax assets is attributable to the payment of advances on current taxes.

It is noted that at the end of this year and the previous year, there are no tax assets due beyond 5 years.

24. Other current assets

Other assets come to 2,178 thousand euros (3,786 thousand euros at 31 December 2022), detailed as follows:

	Figures in thousands of euros	
	31 Dec. 2023	**31 Dec. 2022**
Government grants	1,701	1,674
Impairment of government grants	(497)	(497)
From Subsidiaries	537	2,018
Prepayments	382	464
Other	55	127
Total other current assets	**2,178**	**3,786**

Amounts due from subsidiaries refer to dividends resolved by Alkemy Iberia S.L.U. and not yet collected during the year.

Government grants increase by 27 thousand euros in respect of new entries for 1,404 thousand euros, net of payments received for 1,377 thousand euros.

It is noted that at the end of this year and the previous year, there are no other current assets due beyond 5 years.

There is no accrued income.

Prepayments come to 382 thousand euros (464 thousand euros at 31 December 2022), as summarised below:

	Figures in thousands of euros	
	31 Dec. 2023	**31 Dec. 2022**
Costs for services for customers	213	163
IT costs	77	49
Hire, rental and licence costs	19	181
Insurance	12	3
Stock exchange costs	4	37
Other	57	32
Total prepayments	**382**	**464**

25.Cash and cash equivalents

The balance of 6,076 thousand euros (4,271 thousand euros at 31 December 2022) is detailed below:

	Figures in thousands of euros	
	31 Dec. 2023	**31 Dec. 2022**
Bank deposits	6,076	4,270
Cash on hand	-	1
Total cash and cash equivalents	**6,076**	**4,271**

Generation and use of cash flows for the year are analysed in the statement of cash flows.

Liabilities and equity

Equity

26. Equity

Changes in and a breakdown of equity for 2022 and 2023 are given in the changes to the equity items, to which reference should be made.

Share capital

The Company's share capital comes to 596 thousand euros (no change on 31 December 2022) and is fully paid-up.

Legal reserve

The legal reserve amounts to 202 thousand euros (no change on 31 December 2022).

Treasury shares

The reserve for treasury shares comes to 1,776 thousand euros, for a total of 149,315 treasury shares, accounting for 2.63% of share capital (1,793 thousand euros for a total of 150,864 treasury shares or 2.65% of share capital at 31 December 2022). The change is due (i) to the purchase of treasury shares worth 120 thousand euros, equal to 10,000 treasury shares and (ii) worth 137 thousand euros, equal to 11,549, the assignment of treasury shares to the Chairman, CEO and a Director of the Parent in execution of the Long-Term Incentive Plan, in connection with 50% of the shares accrued by them on the 2022 profit.

Other reserves

Other reserves come to 33,451 thousand euros (33,376 thousand euros at 31 December 2022), as follows:

- Share premium reserve of 27,372 thousand euros (unchanged on 31 December 2022);
- the reserve for tax alignment of goodwill of 4,478 thousand euros (unchanged on 31 December 2022);
- reserve for the Long Term Incentive Plan for 1,166 thousand euros (1,212 thousand euros at 31 December 2022);
- FTA reserve for 301 thousand euros (no change on 31 December 2022);
- reserve for the MyShare programme for 5 thousand euros (zero at 31 December 2022);
- net gains (losses) recognised in equity of 129 thousand euros (net gains of 12 thousand euros at 31 December 2022); the item relates to the discounting of post-employment benefits in accordance with IAS 19.

The change in the reserve for the long-term incentive plan, negative for -46 thousand euros, is due to the combination of (i) the provision of the year for +207 thousand euros and (ii) the reduction in the reserve following the specified assignment of treasury shares, equal to -253 thousand euros, which took place in 2023.

Retained earnings

Retained earnings come to 8,568 thousand euros (6,192 thousand euros at 31 December 2022); the period change is due to:

- +2,424 thousand euros as a result of the allocation of the profit for the previous year, in accordance with the resolution passed by the shareholders' meeting of the Company on 27 April 2023;
- -48 thousand euros due to the reduction deriving from the difference between the carrying value of the aforementioned 11,549 treasury shares assigned in execution of the "Long Term Incentive Plan" and their carrying amount in the Long Term Incentive Plan, determined on the basis of the contractual provisions.

Below is a schedule showing the classification of reserves according to availability:

Figures in thousands of euros

	Amount	Possible use	Available portion	Summary of uses in the last three years: to cover losses	Summary of uses in the last three years: for other reasons
Share capital	596				
Equity-related reserves:					
Reserve for treasury shares	(1,776)	-	-		
Income-related reserves:					
Legal reserve	202	B	202		
Share premium reserve	27372	A, B, C	27372		
Retained earning	8568	A, B, C	8568	(147)	
Other reserves:					
IAS 19 Reserve	129	-	-		
Reserve for the release of goodwill	4478	-	-		
MyShare reserve	5	-	-		
LTI reserve	1166	-	-		
FTA reserve	301	-	-		
Non-distributable portion			6877		
Residual distributable portion			34164		
Profit for the year	4425				
Total	**45466**			**(147)**	**-**

A: capital increase; B: loss coverage; C: shareholder distribution; D: other statutory restrictions

Non-current liabilities

27. Financial liabilities

Current and non-current financial liabilities come to 20,610 thousand euros (20,933 thousand euros at 31 December 2022) and are broken down below by due dates:

- 10,024 thousand euros (11,275 thousand euros at 31 December 2022) refer to non-current financial liabilities;
- 10,585 thousand euros (9,658 thousand euros at 31 December 2022) related to current financial liabilities.

There are financial liabilities due after 5 years, for the amount of 26 thousand euros.
The decrease in financial liabilities (323 thousand euros) is mainly due to:

- repayments made during the year for - 5,512 thousand euros;
- the multi-year bank loans agreed in the year and better described below for +4,656 thousand euros;
- the net effect of invoice discounting during the period and the related repayments, for +475 thousand euros.

Financial liabilities are illustrated below:

Figures in thousands of euros

Bank	**Year of disbursement**	**Original amount**	**Term**	**31 Dec. 2023**	**31 Dec. 2022**
Intesa Sanpaolo	2022	5,000	5 years	4,755	5,010
Unicredit (invoice discounting and factoring)	2023	-	-	3,154	2,436
Banco di Desio e della Brianza	2023	3,000	5 years	3,013	-
Intesa Sanpaolo	2020	3,500	5 years	2,097	3,269
Unicredit	2021	3,500	4 years	2,069	3,249
Credem	2023	1,500	3 years	1,503	-
Infra-group financing (Alkemy South America)	2023	1,250	1 year	1,160	1,150
Mediocredito Italiano	2019	7,000	5 years	883	2,660
Mediocredito Centrale (10 loans)	2019-2023	1,206	Sundry	851	842
Banco BPM	2022	1,000	3 years	649	999
Intesa Sanpaolo	2019	1,000	5 years	269	524
Credem (invoice discounting)	2023	-	-	207	-
Banco BPM	2019	1,000	4 years	-	293
Intesa Sanpaolo (invoice discounting)	2022	-	-	-	450
Credem	2020	500	3 years	-	51
Total financial liabilities				**20,610**	**20,933**

It should be noted that the weighted average rate of current bank loans and borrowings is 5.2% and the average spread of variable-rate loans is 1.7%.
There are caps in place (at fixed rate, already paid), in connection with some medium-term loans agreed from 2019 onwards to hedge the risk of future rises in interest rates, in connection with an equal number of loans that are worth approximately 67% of the bank debt for loans in place at 31

December 2023.

28.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 "Guidelines on disclosure obligations under the Prospectus Regulation" and with CONSOB's "Warning no. 5/21" dated 29 April 2021, below is the Group's net financial debt at 31 December 2023:

			Figures in thousands of euros
		31 Dec. 2023	**31 Dec. 2022**
A	Cash	6,076	4,271
B	Cash equivalents	-	-
C	Other current financial assets	-	-
D	**Cash and cash equivalents (A + B + C)**	**6,076**	**4,271**
E	Current financial liabilities (including debt instruments but excluding the current portion of non-current financial liabilities)	9,456	5,049
F	Current portion of non-current financial liabilities	6,057	5,617
G	**Current financial liabilities (E + F)**	**15,513**	**10,666**
H	**Net current financial liabilities (G - D)**	**9,437**	**6,395**
I	Non-current financial liabilities (excluding the current portion and debt instruments)	20,234	24,080
J	Debt instruments	-	-
K	Trade payables and other non-current liabilities	-	-
L	**Non-current financial liabilities (I + J + K)**	**20,234**	**24,080**
M	**Total financial debt (H + L)**	**29,671**	**30,475**

Current financial liabilities include lease liabilities, the mentioned advances on invoices obtained during the year and the current portion of loans and borrowings from other financial backers.

Non-current financial liabilities include the non-current portion of bank loans and borrowings, lease liabilities and the non-current portion of loans and borrowings from other financial backers.

29. Lease liabilities

Current and non-current lease liabilities total 4,808 thousand euros (3,875 thousand euros at 31 December 2022) and are broken down below according to due dates:

- 3,407 thousand euros (2,867 thousand euros at 31 December 2022) is non-current;
- 1,401 thousand euros (1,008 thousand euros at 31 December 2022) is current.

There are lease liabilities due after 5 years amounting to 14 thousand euros.
The increase on the previous year is mainly attributable to the signing of a new lease agreement for the Milan office, which more than offset the effects of lease payments during the year.

30. Earn-out liabilities

Earn-out liabilities come to 10,328 thousand euros (9,939 thousand euros at 31 December 2022) and relate to the financial liabilities due to the former non-controlling investor of Innocv Solutions S.L. and are classified based on maturity as follows:

- 6,802 thousand euros (9,939 thousand euros at 31 December 2022) is non-current;
- 3,526 thousand euros (zero at 31 December 2022) is current .

These earn-out liabilities have been recorded at fair value on the basis of the formulae and calculation algorithm established by contract and are discounted at the valuation date using a discounting rate that reflects the company's cost of debt, with the help of an independent expert. The contractual agreement envisages four variable price components that generated the financial liability for the earn-out.

The change from the previous year mainly relates to the fair value measurement of earn-out liabilities and the recognition of interest for the year.

31. Employee benefits

Employee benefits come to 5,154 thousand euros (4,508 thousand euros at 31 December 2022) and refer entirely to the post-employment benefits of employees in service.

Changes during the year were as follows:

	Figures in thousands of euros
Balance at 31 Dec. 2021	**2,740**
Increase from merger	2,439
Accruals	1,416
Actuarial (gains)/losses	(403)
Utilisation of the year	(1,684)
Balance at 31 Dec. 2022	**4,508**
Accruals	1,408
Actuarial (gains)/losses	(153)
Utilisation of the year	(609)
Balance at 31 Dec. 2023	**5,154**

In accordance with IAS 19, this provision is recognised as a defined benefit plan and measured using the projected unit credit method, in accordance with the following economic-financial assumptions:

Economic-financial assumptions	**31 Dec. 2023**	**31 Dec. 2022**
Discount rate	3.17%	3.77%
Remuneration increase rate	Inflation + 2%	Inflation + 1%
Increase in the cost of living	5.6% (2023), 2.4% (2024), 2% (2025)	5.9% (2023), 2.33% (2024), 2% (2025)
Annual rate of increase in post-employment benefits	5.6% (2023), 2.4% (2024), 2% (2025)	5.93% (2023), 3.33% (2024), 3% (2025)

The following demographic assumptions have also been made:
- for the probability of death, those determined by the General State Accountancy, broken down by gender;
- for the probability of incapacity, those, broken down by gender, adopted in the INPS model for 2010 projections;
- for retirement age, it was assumed that active employees would stop working as soon as they reach the first pre-requisite for retirement as set forth in the mandatory general insurance scheme;
- for the probability of leaving work for reasons other than death, on the basis of statistics supplied by the Company, 12.5% has been considered;
- for the probability of advances being paid, a year-on-year value has been assumed of 3.00%.

As part of the measurement of post-employment benefits in compliance with IAS 19, in regard to the discount rate, reference was made to the iBoxx Eurozone Corporates AA 10+ index, at the measurement date.
According to that required by the revised version of IAS 19, we have analysed sensitivity to changes in the main actuarial assumptions.
The most significant assumptions were increased and decreased, namely average annual discount rate, average inflation rate and turnover rate respectively by half, a quarter and two percentage points. The results have not shown any significant change.

32. Provisions

Provisions total 40 thousand euros (zero at 31 December 2022) and their increase with respect to the previous year end is due to the accrual for a contingent liability relating to social security contributions.

33. Deferred tax liabilities

Deferred tax liabilities come to 6 thousand euros (24 thousand euros at 31 December 2022) and refer to temporary differences between the carrying amount of assets and liabilities taken for the preparation of the financial statements and the respective tax figures.

34.Other non-current liabilities

Other non-current liabilities come to 418 thousand euros (1,253 thousand euros at 31 December 2022) and relate to derivatives connected with the acquisition of the residual 35% of the subsidiary XCC S.r.l..

A

Current liabilities

35. Trade payables

Trade payables come to 9,732 thousand euros (10,513 thousand euros at 31 December 2022).

Below is a breakdown of trade payables by geographical segment:

	Figures in thousands of euros	
	31 Dec. 2023	**31 Dec. 2022**
Italy	8,177	7,113
EU	1,157	2,497
Non-EU countries	398	903
Total trade payables	**9,732**	**10,513**

The decrease in trade payables is consistent with the reduction in external costs as a result of the internalisation of certain activities and the different sales mix.

36. Tax liabilities

Tax liabilities come to 1,074 thousand euros (682 thousand euros at 31 December 2022).
It includes liabilities for tax that is both certain and quantified, in relation to VAT and liabilities in connection with withholdings applied at source, as tax substitute; the breakdown is as follows:

	Figures in thousands of euros	
	31 Dec. 2023	**31 Dec. 2022**
Current tax liabilities	-	2
Withholdings	677	563
VAT	397	34
Other tax liabilities	-	83
Total tax liabilities	**1,074**	**682**

The increase in tax liabilities is mainly due to the increase in VAT liabilities following higher invoicing in December 2023.
Together with the subsidiaries XCC S.r.l., DGI S.r.l. and Alkemy Play S.r.l., the Company has opted for the national tax consolidation scheme.

37.Other current liabilities

Other current liabilities come to 8,517 thousand euros (7,762 thousand euros at 31 December 2022), detailed as follows:

	Figures in thousands of euros	
	31 Dec. 2023	**31 Dec. 2022**
Social security charges	1,683	1,546
Due to employees	3,633	3,588
Accrued expenses and deferred income	2,585	1,576
Derivatives	-	765
Other liabilities	616	287
Total other liabilities	**8,517**	**7,762**

Due to employees includes the amounts due to employees, directors and collaborators; the item includes salaries for December and accruals for 2023 not yet paid, in relation to bonuses, holidays, paid leave and 14th month salaries.

Other liabilities amount to 616 thousand euros (287 thousand euros at 31 December 2022) and mainly relate for (i) 282 thousand euros to payables to related parties for the tax consolidation scheme and for (ii) 235 thousand euros still due to the former non-controlling investors of DGI S.r.l., based on contractual provisions.

Accrued expenses and deferred income are recognised on an accruals basis. At 31 December 2023, there were no accruals or deferrals with a residual term of more than five years.

Accrued expenses come to 31 thousand euros (29 thousand euros at 31 December 2022).

Deferred income totals 2,554 thousand euros (1,547 thousand euros at 31 December 2022) and essentially relates to revenue from the core business pertaining to 2024 but invoiced in 2023.

38. Guarantees given and other commitments

At 31 December 2023, there are nine insurance sureties for 1,140 thousand euros issued in favour of as many customers, to guarantee the correct fulfilment, by the Company, of its contractual obligations, as well as a bank surety.

At the closing date of these financial statements, there are no commitments in place.

39. Related party transactions

Related party transactions are part of the company's routine business and were settled at arm's length and no atypical or unusual transactions were noted.

The tables below show the commercial and financial transactions carried out in 2023 by and between the Parent and its subsidiaries and other related parties.

Trade transactions between the Parent and the subsidiaries

The Company has carried out the following related party transactions:

				Figures in thousands of euros
Trade transactions	**Assets**	**Liabilities**	**Revenue**	**Costs**
Alkemy play S.r.l.	657	(114)	257	(163)
Alkemy Iberia S.L.U.	-	(13)	-	(40)
Alkemy South America S.L.	-	(8)	-	-
Ontwice Interactive Service de Mexico S.A.	-	-	160	-
Alkemy SEE D.o.o.	243	(105)	-	(77)
Experience Cloud Consulting S.r.l.	453	(22)	107	(113)
Design Group Italia S.r.l.	135	(753)	139	(420)
Innocv Solutions S.L.	1	-	-	-
Total	**1,489**	**(1,015)**	**663**	**(813)**

As permitted by Articles 117 to 128 of the Consolidated Law on Income Tax, the Parent opted for the national tax consolidation scheme with the subsidiaries DGI S.r.l., XCC S.r.l. and Alkemy Play S.r.l.. In this respect, the Parent also has an amount due to subsidiaries for the tax consolidation scheme of 282 thousand euros.

Financial transactions between the Parent and the subsidiaries

Financial transactions with subsidiaries are interest-bearing, carried out at arm's length and regulated by written agreements signed by the parties. The table below shows the financial transactions carried out between the Company and its subsidiaries in 2023, indicating interest accrued (income):

				Figures in thousands of euros
Financial transactions	**Assets**	**Liabilities**	**Revenue**	**Costs**
Alkemy South America S.L.	-	(1,160)	-	(17)
Alkemy SEE D.o.o.	330	-	5	-
Kreativa D.o.o.	200	-	-	-
Experience Cloud Consulting S.r.l.	852	-	39	-
Total	**1,382**	**(1,160)**	**44**	**(17)**

Note that dividends due to the Parent at 31 December 2023 total 537 thousand euros and relate entirely to the subsidiary Alkemy Iberia S.L.U..

Fees paid to directors, statutory auditors and key management personnel

The fees paid in 2023 to the Parent's Board of Directors totalled 872 thousand euros (1,059 thousand euros in 2022), whilst those due to the Board of Statutory Auditors came to 60 thousand euros (same amount in 2022). The fees due to the Board of Directors also include the remuneration of the Chief Executive Officer for the role of key management personnel.

The fees due to the other five key managers in force at 31 December 2023 came to 770 thousand euros (company cost of 1,078 thousand euros) compared with 998 thousand euros in 2022 (company cost of 1,280 thousand euros).

40. Contingent liabilities and main disputes

The Company does not have any significant liabilities for which information has not been disclosed in this report and which are not covered by suitable provisions.

41. Events after the reporting date

As previously mentioned, in January 2024 Alkemy S.p.A. set up a new commercial organisation structured by Industry, which should significantly change the way business is managed and developed, consolidate customer relations and have positive impacts on margins from the second half of 2024 for all Italian companies.

To support and complement this significant organisational change, on 1 March 2024 Paolo Cederle, a top manager with recognised and wide-ranging experience, who has held various senior roles in large national and international groups, joined the Alkemy team as general manager. His contribution will certainly be decisive for the Group's success.

In January 2024, the company agreed to an option to hedge the risk of interest rate changes related to the 3,000 thousand euro loan granted by Banco Desio in July 2023. This collar option, valid from 10 February 2024 to 10 August 2024, with a 3.75% cap rate and a 2.20% floor rate, computed in line with the principal resulting from the loan amortisation plan, did not entail any costs for the company.

42. Allocation of profit for the year

We believe we have thus duly informed you on the Company's performance and propose you resolve to carry forward the profit for 2023 of Alkemy S.p.A. of 4,424,636 euros.

Milan, 28 March 2024

On behalf of the Board of Directors
the Chief Executive Officer
Duccio Vitali

Alkemy S.p.A.

Information in accordance with Art. 149-duodecies of the CONSOB Issuers' Regulation

The table below, prepared in accordance with Art. 149-*duodecies* of the CONSOB Issuers' Regulation, shows the fees for 2023 for audit and non-audit services provided by the independent auditors appointed or by entities belonging and not belonging to its network.

Figures in thousands of euros

Service provider	Notes	Fees for 2023
Audit and attestation services		
KPMG S.p.A.		122
Deloitte & Touche S.p.A.	[1]	16
Other services		
KPMG S.p.A.	[2]	2
Deloitte & Touche S.p.A.	[3]	20
Total		**160**

[1] Refers to the non-financial statement prepared in accordance with Italian Legislative Decree no. 254/16

[2] Includes the preparation of the Income tax, IRAP and 770 forms

[3] Includes methodological support in connection with impairment testing and fair value measurement of derivatives relative to option contracts on residual portions of equity investments.

A

Annex 1

INCOME STATEMENT PREPARED IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

In compliance with the provisions pursuant to Consob resolution no. 15519 of 27 July 2006 and Consob communication no. DEM/6064293 of 28 July 2006, below is the Consolidated Income Statement with separate indication of related party transactions.

Figures expressed in euros

	2023	related parties	2022	related parties
Revenue	58,112,202	663,000	58,622,634	756,516
Other income	2,378,508		894,090	
Total operating revenue and other income	**60,490,710**	**663,000**	**59,516,724**	**756,516**
Services, goods and other operating costs	(25,383,817)	(813,000)	(27,021,757)	(858,828)
- of which non-recurring	(28,669)	-	(242,264)	-
Personnel expense	(29,362,563)	(1,950,000)	(26,390,525)	(2,339,000)
- of which non-recurring	(924,081)	-	(156,269)	-
Total costs and other operating costs	**(54,746,380)**	**(2,763,000)**	**(53,412,282)**	**(3,197,828)**
Gross operating profit	**5,744,330**	**(2,100,000)**	**6,104,442**	**(2,441,312)**
Amortisation/depreciation	(2,752,589)		(2,198,356)	
Provisions and impairment losses	(205,098)		(169,000)	
Operating profit	**2,786,643**	**(2,100,000)**	**3,737,086**	**(2,441,312)**
Net gains (losses) on equity investments	1,691,259	1,691,259	1,948,302	2,018,302
Net gains (losses) on options	1,657,040		(2,537,774)	
Other financial income	497,477	44,147	426,042	20,407
Other financial expense	(1,777,127)	(17,276)	(734,985)	(3,273)
Pre-tax profit (loss)	**4,855,292**	**(381,870)**	**2,838,671**	**(405,876)**
Income taxes	(430,656)		(415,059)	
Profit (loss) for the year	**4,424,636**	**(381,870)**	**2,423,612**	**(405,876)**

STATEMENT OF FINANCIAL POSITION PREPARED IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

In compliance with the provisions pursuant to Consob resolution 15519 of 27 July 2006 and Consob communication no. DEM/6064293 of 28 July 2006, below is the Statement of Financial Position with separate indication of related party transactions.

Figures expressed in euros

Assets	**31 Dec. 2023**	**related parties**	**31 Dec. 2022**	**related parties**
Property, plant and equipment	1,392,674		1,581,161	
Right-of-use assets	4,661,544		3,759,671	
Goodwill	18,102,969		18,102,969	
Intangible assets	1,150,694		1,017,701	
Equity investments	40,420,167		37,270,281	
Other financial assets	1,821,901	1,382,000	1,623,442	961,481
Deferred tax assets	546,132		834,474	
Other assets	205,303		205,443	
Non-current assets	**68,301,384**	**1,382,000**	**64,395,142**	**961,481**
Trade receivables	28,965,237	1,489,000	27,615,917	1,487,346
Other financial assets	267,102		-	
Tax assets	364,589		416,331	
Other assets	2,178,187	536,605	3,785,671	2,018,302
Cash and cash equivalents	6,075,698		4,271,457	
Current assets	**37,850,813**	**2,025,605**	**36,089,376**	**3,505,648**
Total assets	**106,152,197**	**3,407,605**	**100,484,518**	**4,467,129**

				Figures expressed in euros
Liabilities and Equity	**31 Dec. 2023**	**related parties**	**31 Dec. 2022**	**related parties**
Equity				
Share capital	595,534		595,534	
Reserves	40,445,563		37,977,388	
Profit/(loss) for the year	4,424,636	(381,870)	2,423,612	(405,876)
Total equity	**45,465,733**	**(381,870)**	**40,996,534**	**(405,876)**
Financial liabilities	10,024,345	-	11,274,532	-
Lease liabilities	3,407,191		2,866,958	
Earn-out liabilities	6,802,177		9,938,633	
Employee benefits	5,153,562		4,507,976	
Provisions	40,000		-	
Deferred tax liabilities	6,440		24,220	
Other liabilities	417,653		1,252,767	
Non-current liabilities	**25,851,368**	**-**	**29,865,086**	**-**
Financial liabilities	10,585,409	1,160,000	9,658,455	1,150,000
Lease liabilities	1,401,442		1,007,650	
Earn-out liabilities	3,525,711		-	
Trade payables	9,731,844	1,015,000	10,513,035	1,064,830
Tax liabilities	1,073,787		682,052	
Other liabilities	8,516,903	90,440	7,761,706	96,156
Current liabilities	**34,835,096**	**2,265,440**	**29,622,898**	**2,310,986**
Total liabilities	**60,686,464**	**2,265,440**	**59,487,984**	**2,310,986**
Total liabilities and equity	**106,152,197**	**1,883,570**	**100,484,518**	**1,905,110**

ATTESTATION OF THE FINANCIAL STATEMENTS IN ACCORDANCE WITH ART. 81-*TER* OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND INTEGRATED

1. We the undersigned, Duccio Vitali, Chief Executive Officer and Claudio Benasso, the manager in charge of financial reporting of Alkemy S.p.A., having also taken into account the provisions of Art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 dated 24 February 1998, hereby certify:

- the adequacy, considering the company's characteristics, and
- the effective application

of the administrative and accounting procedures for the preparation of the financial statements during 2023.

2. It is further certified that the financial statements:

- are consistent with the underlying books and accounting records;
- have been prepared in accordance with the International Financial Reporting Standards endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and the Council of 19 July 2002;
  are able to give a true and fair view of the financial position, financial performance and cash flows of the issuer

4. Finally, it is certified that the Report on Operations contains a reliable analysis of the business outlook and results of operations, the financial position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Milan, 28 March 2024

Chief Executive Officer — Manager in charge of financial reporting

(signed on the Italian original version)

KPMG S.p.A.
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(The accompanying translated separate financial statements of Alkemy S.p.A. constitute a non-official version which is not compliant with the provisions of Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Alkemy S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Alkemy S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2023, the income statement and the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include material information on the accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Alkemy S.p.A. as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of the carrying amount of goodwill

Notes to the separate financial statements: note "Measurement criteria - Intangible assets - Goodwill", "Measurement criteria - Intangible assets - Impairment" and note 15 "Goodwill"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2023 include goodwill of €18,103 thousand. The directors tested the reporting-date carrying amount for impairment by comparing it to its recoverable amount. They estimated the recoverable amount based on value in use, calculated using the discounted cash flow model. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective about: • the expected cash flows, calculated by taking into account the general economic performance and that of the company's sector, the actual cash flows for recent years and the projected growth rates; • the financial parameters used to calculate the discount rate. For the above reasons, we believe that the recoverability of goodwill is a key audit matter.	Our audit procedures included: • updating our understanding of the process adopted to prepare the impairment test approved by the company's board of directors; • understanding the process adopted to prepare the company's 2024-2026 business plan approved by its board of directors and supplemented with the 2023 provisional figures, from which the expected cash flows used for impairment testing have been derived; • analysing the reasonableness of the main assumptions used by the company's directors to prepare the forecasts; • checking any discrepancies between the previous year business plans' forecast and actual figures, in order to check the accuracy of the estimation process adopted; • analysing the accuracy of the expected cash flows underlying the impairment test and the main assumptions used; • involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing and related assumptions, including by means of a comparison with external data and information; • checking the sensitivity analysis presented in the notes in relation to the main assumptions used for impairment testing; • assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.

Recoverability of equity investments

Notes to the separate financial statements: note "Measurement criteria - Intangible assets - Equity investments", "Measurement criteria - Intangible assets - Impairment" and note 17 "Equity investments"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2023 include equity investments of €40,420 thousand, mainly related to the investments in the subsidiaries Innocv Solutions S.L. (€15,131 thousand), Alkemy Iberia S.L.U. (€13,363 thousand), Design Group Italia S.r.l. (€5,251 thousand), Alkemy South America S.L. (€4,218 thousand) and eXperience Cloud Consulting S.r.l. (€1,401 thousand). The directors checked the recoverability of these equity investments, by comparing their carrying amounts with their value in use calculated using the discounted cash flow model. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective about: • the expected cash flows, calculated by taking into account the general economic performance and that of the company's sector, the actual cash flows for past years and the projected growth rates; • the financial parameters used to calculate the discount rate. For the above reasons, we believe that the recoverability of the carrying amount of equity investments is a key audit matter.	Our audit procedures included: • updating our understanding of the process adopted to prepare the impairment test approved by the company's board of directors; • understanding the process adopted to prepare the company's and its subsidiaries' 2024-2026 business plan for impairment testing purposes, approved by the company's board of directors and supplemented with the 2023 provisional figures, from which the expected cash flows used for impairment testing have been derived; • analysing the reasonableness of the main assumptions used by the company's directors to prepare the forecasts; • checking any discrepancies between the previous year business plans' forecast and actual figures, in order to check the accuracy of the estimation process adopted; • analysing the accuracy of the expected cash flows underlying the impairment test and the main assumptions used; • involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing and related assumptions, including by means of a comparison with external data and information; • checking the sensitivity analysis presented in the notes in relation to the main assumptions used for impairment testing; • assessing the appropriateness of the disclosures provided in the notes about the recoverability of the carrying amount of equity investments and the related impairment test.

Measurement of earn-out liabilities

Notes to the separate financial statements: note "Measurement criteria - Earn-out liabilities" and note 30 "Earn-out liabilities"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2023 include earn-out liabilities of €10,328 thousand, which represent the financial liability for the contingent consideration that the company will have to pay to the sellers for its investment in Innocv Solutions S.L.. These liabilities are measured on the basis of the formulae and algorithms contractually provided for and discounted at the company's borrowing rate at the measurement date. The contractual arrangement includes four price variables that have generated the earn-out liabilities. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective about: • the acquired businesses' expected cash flows; • the financial parameters used to calculate the discount rate. • other variables governed by the purchase agreement. For the above reasons, we believe that the measurement of earn-out liabilities is a key audit matter.	Our audit procedures included: • updating our understanding of the process adopted by the company to measure the earn-out liabilities; • analysing the purchase agreement stipulating the earn-out's calculation and settlement methods and how the liabilities' fair value is to be checked; • assessing the main assumptions used to determine the fair value by analysing the acquired business' expected cash flows; • involving experts of the KPMG network in the assessment of the reasonableness of the valuation methods and related assumptions; • assessing the appropriateness of the disclosures provided in the notes.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in this report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 25 June 2019, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2019 to 31 December 2027.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The company's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the separate financial statements at 31 December 2023 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the separate financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the separate financial statements at 31 December 2023 have been prepared in XHTML format in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of a report on operations and a report on corporate governance and ownership structure at 31 December 2023 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the report on operations and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2023 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the report on operations and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2023 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 29 March 2024

KPMG S.p.A.

(signed on the original)

Alain Rigamonti
Director of Audit

ALKEMY S.p.a.
MINUTES OF THE MEETING
OF THE BOARD OF AUDITORS HELD ON 29 MARCH 2024

Today, on 29 March 2024, at 18.30, the Board of Auditors of Alkemy S.p.A. met to draft the following envisaged Report by the Board of Auditors to the Financial Statements at 31 December 2023.
On the invitation of the Chairman, Claudio Benasso, company CFO, attended and participated in the meeting.
The Board acknowledged that with its resolution passed on 28-03-2024, the company's Board of Directors had, *inter alia*, approved:

(i) the draft separate financial statements at 31 December 2023 and related documents forming an integral part thereof (the "**2023 Separate Financial Statements**");
(ii) the consolidated financial statements at 31 December 2023 and the Directors' Report on Operations (the "**2023 Consolidated Financial Statements**");
(iii) the non-financial statement for FY 2023 prepared pursuant to Legislative Decree no. 254/2016 (the "**2023 NFS**")

Thus said, the Board acknowledged such documents and began their analysis and investigation, with the collaboration and additional information supplied by Mr Benasso, as useful and necessary to draft the envisaged Report by the Board of Auditors on the Financial Statements at 31 December 2023.
The work continued by focusing on the various items of the Financial Statements, paying particular attention to receivables and payables, as well as the financial situation.
After having recalled the meeting held on 25-03-2024 with KPMG S.p.A., the company appointed to audit the Company's accounts (the "**Independent Auditing Firm**"), in order to complete the analysis and comparison of notes on the financial statements data, the Chairman informed the Board that it had today received the Report to the Financial statements at 31-12-2023, drafted by the Independent Auditing Firm and signed by the partner Mr Alain Rigamonti; he then read it out.
Having acknowledged the Auditor's "clean" opinion, after an in-depth discussion, the Board drafted the following:

Report by the Board of Auditors to the Shareholders' Meeting pursuant to Article 153 of the Consolidated Law on Finance and Art. 2429, paragraph 2, of the Italian Civil Code

"To the Shareholders' Meeting of Alkemy S.p.A.,

1. *Introduction*

*During the year ended at 31 December 2023, the Board of Auditors of Alkemy S.p.a. (hereinafter also referred to as the "**Company**" or "**Alkemy**") went about its supervisory duties in compliance with the law, observing the standards of conduct of the Board of Auditors as recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (Italian National Board of Registered and Expert Accountants) and the communications given by Consob in relation to corporate control and the work of the Board of Auditors, as well as with the indications given in the Code of Corporate Governance.*
The supervisory duties of the Board of Auditors are regulated by Art. 2403 of the Italian Civil Code, by Italian Legislative Decree no. 58/1998 and by Italian Legislative Decree no. 39/2010. The Board has examined the changes made to Italian Legislative Decree no. 39/2010 with Italian Legislative Decree no. 135/2016, in implementation of Directive 2014/56/EU, which amends Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts and European Regulation 537/2014.
As regards financial information, the Board of Auditors has ascertained that the financial statements have been prepared in accordance with the provisions of Art. 4, paragraph 1 of Italian Legislative Decree no. 38 of 28/02/2005, according to the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Commission.
The Board of Auditors has also verified compliance with the provisions of Italian Legislative Decree no. 254/2016 on the non-financial statement, monitoring the adequacy of the production, reporting and measurement processes and the representation of results and information.
This Report provides an account of the supervisory activities carried out in 2023 to date, as required by Consob Communication no. DEM/1025564 of 06 April 2001, as subsequently amended and supplemented.

The Board of Auditors in office was appointed by the Shareholders' Meeting on 26 April 2022, in compliance with current provisions of the law and regulations and the Articles of Association; its term ends with the Shareholders' Meeting convened to approve the financial statements at 31 December 2024.
In 2023, the Board of Auditors, in its role as Internal Control and Accounts Auditing Committee, in accordance with Art. 19, 1st paragraph of Italian Legislative Decree no. 39/2010, as amended by Italian Legislative Decree no. 135/2016, performed the specific duties of information, monitoring, control and audits envisaged therein, fulfilling all duties and tasks indicated by said legislation.
The Board of Auditors offered an opinion each time it was asked to do so by the Board of Directors, also in compliance with provisions that, for some decisions, require the prior consultation of the Board of Auditors.
The Board of Auditors reserves the right to send Consob, by the deadline envisaged - as per Consob Communication no. DEM/1025564 of 6.4.2001 - the "Summary sheet of controls carried out by the board of auditors" in 2023.
*The appointment to perform the statutory audit in accordance with Italian Legislative Decree no. 58/1998 and Italian Legislative Decree no. 39/2010 is carried out by KPMG S.p.A. (hereinafter also the "**Independent Auditing Firm**"), as resolved by the Shareholders' Meeting held on 17 December 2019 for the term of nine years (2019-2027).*

2. *Monitoring of observance of the law and the articles of association*

Article 153 of Italian Legislative Decree no. 58 of 24 February 1998 envisages the obligation for the Board of Auditors to report to the Shareholders' Meeting convened to approve the financial statements, on the supervisory activities carried out and on any omissions or reprehensible events noted; it also has the faculty to make proposals on the financial statements, their approval and the matters coming under its purview.
In compliance, therefore, with the provisions of law and regulations and the recommendations envisaged and in accordance with the provisions of Art. 2429, paragraph 2 of the Italian Civil Code, we would hereby report to you as follows on the work carried out and the conclusions we have drawn.
We have monitored compliance with the law, the Articles of Association and the provisions of Consob, in particular through the information collected from our attendance of the meetings of the Board of Directors and the Committees. Insofar as we are aware, the Company would appear to have operated in compliance with said rules and would appear to have respected the information obligations.
The Board of Auditors has ascertained the conformity with the law, the Articles of Association and standards of correct administration in the transactions implemented by the company, making sure that they were not clearly imprudent or risky, or indeed in conflict with the resolutions passed by the Shareholders' Meeting, or such as to risk the integrity of the corporate assets; transactions in which Directors have an interest or with other related parties were subjected to the transparency procedures envisaged by applicable provisions.
The Board of Auditors has acquired the information instrumental to going about the supervisory tasks attributed it, by means of: attending meetings of the Board of Directors and the Board Committees, meeting with the Company's management team, meeting with the independent auditor, analysing information flows acquired from the competent corporate structures and additional control activities.
The Board has gone about its supervisory duties, as described below, meeting from time to time also in order to meet with the Independent Auditing Firm and the various corporate departments of Alkemy S.p.A., and attending meetings of the Board of Directors and Committees.
In 2023, the Board of Auditors met 6 times and attended 12
meetings of the Board of Directors and 1 of the Shareholders' Meeting.
In addition, in 2023, the Board of Auditors also attended:

(i) *3 meetings of the "Remuneration Committee";*
(ii) *4 meetings of the Control, Risks and Sustainability Committee, which in Alkemy also acts as "Related Party Transactions Committee".*

3. *Supervision of standards of correct administration and transactions of greatest economic relevance*

We have monitored compliance with standards of correct administration and have no particular comments to make in this regard.
We have attended the meetings of the Board of Directors, during which Directors were periodically informed by the Chief Executive Officer on the performance of Alkemy's corporate operations and those of its investees

and subsidiaries, also in comparison with the budget economic data, and have received prompt, timely information, including about decisions to be made, with reference to the most significant transactions implemented by the Company and its Subsidiaries.
The Board of Auditors has acknowledged the Alkemy Group's three-year plan for 2022-2023-2024, approved by the Board of Auditors on 21 January 2022,, its annual budget, the draft separate financial statements and the consolidated financial statements, noting no atypical or unusual transactions implemented with third parties or related parties, including Group companies.
We believe that the flow of information directed towards the Board has allowed it to properly assess the Company's operating performance and the risks and opportunities of the resolutions resolved.
According to the information made available to us, we can reasonably consider that these transactions are compliant with the law and the Articles of Association, not evidently imprudent or risky or in conflict of interests nor indeed such as to risk the corporate assets.
Information is given on the main intra-group and related party transactions implemented in 2023, together with a description of their characteristics and the related economic effects, in the notes commenting on the separate financial statements of Alkemy S.p.a. and the Group's consolidated financial statements.
The Board of Auditors has monitored compliance with the Shareholders' Meeting resolution on the purchase of treasury shares, pointing out that in order to execute the purchase plan, during 2023, Alkemy purchased 10,000 treasury shares for an equivalent value of 120 thousand euros; the number of treasury shares held at 31-12-2023 totals 149,315, for an equivalent value of 1,776 thousand euros, booked as an item of shareholders' equity.
In this regard, and insofar as coming under its purview, the Board of Auditors has performed specific analyses aimed at examining the main significant events indicated by the Company in its Report on Operations relative to 2023, without noting any critical issues worthy of bringing to the attention of the Shareholders' Meeting.
In addition, in compliance with the CONSOB reminder of 18 March 2022, which refers to the Public Statement published by ESMA on 14 March 2022 on the impacts of the Russian-Ukrainian crisis on the financial markets of the EU, during approval of the financial markets at 31 December 2023, the Board of Directors clarified that at 25 March 2024, no particularly significant effects could be foreseen (current and foreseeable, direct and indirect) for the Alkemy Group, of the Russia-Ukraine and Middle Eastern crisis.

4. *Supervision of the adequacy of the organisational structure*

Including through information collected by the company's senior management and meetings with the representatives of the Independent Auditing Firm, during which no critical issues arose, the Board of Auditors monitored the adequacy of the Company's organisational structure for the aspects coming under its purview.
The meeting of the CRSC Committee of 25-03-2024 had the following agenda: meeting with the independent auditing firm KPMG for the assessment of the adequacy and homogeneity of the accounting standards used to prepare the financial statements at 31-12-2023; report by the independent auditing firm on any critical issues found pro tempore in the analysis of the group companies; investigation of the impairment testing procedures and methods for the drafting of the consolidated financial statements at 31 December 2023; assessment of the correct use of the standards adopted to prepare the non-financial statement drafted in accordance with Italian Legislative Decree no. 254/2016 and the completeness and reliability of the statement; examination of the activities carried out in the last quarter by the independent auditing firm; verification, in accordance with Art. 2.6.2, paragraph 7 of the regulation of the markets organised by Borsa Italiana; verification of the method of concrete implementation of the rules of corporate governance envisaged by the Code of Corporate Governance with which the company declares it complies, verification of the provisions given by the company to the subsidiaries in accordance with Art. 114, paragraph 2 of the Consolidated Law on Finance.
On this occasion, the Board explained and assessed:
(i) *the main elements of the management control system adopted by the Company;*
(ii) *the organisational structure assigned to the Finance and Control Administration Department, currently in place in Alkemy and in the group companies, highlighting the accounting systems used.*
Particularly as regards the strategic subsidiaries based outside the EU, we note that:

(i) *during the meeting held on 25-03-2024, KPMG confirmed that Alkemy S.p.A.'s subsidiaries, regulated by laws of non-European Union Member States, and which are considered to be of significant relevance in accordance with the provisions of Art. 15, paragraph 2 of the Market Regulation, and notably: (i) Ontwice Interactive Services de Mexico S.A.; and (ii) O1S Marketing Digital S.A. supply (through KPMG Mexico, auditor of said companies), have supplied all the information necessary to audit the annual and interim financial statements at 30 June, in order to consolidate them into the consolidated financial statements of the Alkemy Group. KPMG Mexico provides KPMG S.p.A., the main auditor of Alkemy S.p.A., with all the information and data required in accordance with Auditing Standard ISA 600, on the basis of specific auditing instructions. These instructions establish that the main auditor shall be sent a report comprising an interoffice report and a highlights completion memorandum, summarising the auditing procedures implemented and the conclusions drawn, with reference to all significant risks identified. The work of KPMG S.p.A. also entails continuous exchanges of information with the secondary auditor, through periodic conference calls and the sending of any supporting documentation. KPMG confirms that to date there has been a regular flow of information from the non-EU subsidiaries.*

(ii) *the board of auditors certifies, in accordance with section IA.1.1, Article 1.05 of the Stock Market Regulation Instructions, that the companies established and regulated by the laws of non European Union Member States, controlled by the Issuer (and which are classed as significant in accordance with the provisions of Article 15, paragraph 2 of the Market Regulation) provide the Issuer's auditor with the information necessary to audit the Issuer's annual and interim accounts and also have an administrative-accounting system that is able to ensure that the Issuer's management and auditor regularly receive the economic, equity and financial data necessary to prepare the consolidated financial statements.*

(iii) *during the meetings with the Board of Auditors, the independent auditing firm confirmed that it had received no reports of critical issues in regard to the organisational, administrative and accounting structure and the information flows from the non-EU subsidiaries.*

5. *Supervision of the adequacy of the internal control system*

The Board of Directors is responsible for the internal control (and compliance) system and, with the support of the CRSC, it therefore establishes the rules and periodically checks the adequacy and effective function of the system. The Director responsible for the internal control and risk management system is required to design and manage the system.

*It is recalled that, on the proposal of the Chief Executive Officer Duccio Vitali, the Director responsible for the internal control and risk management system, and upon obtaining the favourable opinion of the CRSC and the board of auditors, the Company appointed an independent third party consultant as the Company's Internal Audit Department Manager (the "**Head of Internal Audit**"), still in office, with the following tasks: (a) verifying that the Internal Control and Risk Management System is functional and adequate; (b) verifying, both continuously and in connection with specific needs and in respect of best practices, the operation and suitability of the Internal Control and Risk Management System through an audit plan, approved by the Board of Directors and based on a structured process of analysis and priority of the main risks; (c) preparing the periodic reports containing suitable information about his work, the manner in which risk management is carried out and compliance with the plans defined to limit risks and assess the suitability of the Internal Control and Risk Management System; (d) promptly preparing reports on particularly important events; € transmitting the reports pursuant to the previous points to the Chairmen of the Board of Auditors, the Control, Risks and Sustainability Committee and the Board of Directors as well as the Director in charge of the Internal Control and Risk Management System; (f) verifying, under the scope of the audit plan, the reliability of the information systems, including the accounting records systems.*

In order to have prompt information available on the Internal Control and Risk Management System, reference is made to the 2023 Report on Corporate Governance and Ownership Structures.

The Board has then organised autonomous meetings with the Head of Internal Audit and with the Supervisory Body and has monitored the effective and timely exchange of information between the various corporate bodies and committees.

With reference to the control system that oversees the correctness and completeness of the financial disclosure, during the periodic audit of the Board of Auditors, the Chief Financial Officer has explained the *design of the controls of relevant processes and their function. As regards to the individual subsidiaries, the auditor KPMG has confirmed the effectiveness of these controls in 2023, performed by local auditors belonging to the KPMG network, liaising closely.*

It is recalled that on 10-07-2019, the Board of Directors approved the procedure, which is still applied, for the management, processing and communication of relevant and inside information of Alkemy S.p.A., prepared following the provisions of Regulation (EU) no. 596/2014 ("MAR"), aimed at establishing a common regulatory framework on the abuse of inside information, the unlawful disclosure of inside information and market manipulation, as well as measures to prevent market abuse.

The company has adopted the "Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001" and the "Code of Ethics and Conduct", over time making the necessary updates in relation to the progressive extension of the scope of application of Italian Legislative Decree no. 231/2001.

*As an integral part of this control system, the Supervisory Body oversees the pursuit of the administrative processes necessary to monitor the predicate offences pursuant to Italian Legislative Decree no. 231/2001, aimed at preventing the possibility of relevant crimes being committed in accordance with the decree and, consequently, the Issuer's administrative liability (the "**Model 231**"). The latest update of the Alkemy Model and the Code of Ethics was approved by the Board of Directors on 13-09-2023 in order to incorporate the latest evolutions of the reference legislation.*

The Board of Auditors entertains continuous relations with the Supervisory Body, also thanks to the presence of a Board member in the Body, and has received the Report on the Supervisory Body's work, which reveals no particular findings.

According to the periodic reports provided by the board committees, the Supervisory Body and the corporate departments, as the Board of Auditors has noted no critical issues, it believes that the internal control system is adequately monitored and the corporate departments respond promptly to the corrective action identified.

6. *Supervision of the adequacy of the administrative-accounting system and the statutory audit of accounts*

The Board of Auditors has monitored compliance with standards of correct administration by attending the meetings of the Board of Directors and the board committees, as well as meeting with the Chief Financial Officer.

We have assessed and monitored the adequacy of the administrative-accounting system and its reliability in terms of providing a correct representation of management events, through obtaining information from the Manager appointed to prepare the company's accounting documents and the Independent Auditing Firm and by examining the corporate documents.

During the meeting held on 25 March 2024, the Independent Auditing Firm confirmed that it had no reports or observations to make in respect of the Company's administrative-accounting system.

The Board of Auditors has monitored the financial disclosure process, making sure that the Board of Directors has approved the draft 2023 financial statements, the proposed allocation of the 2023 result and the related press releases, publishing them in accordance with the terms and conditions laid down by current legislation.

During the year, the Company maintained its system of accounting standards and procedures and shared it with its subsidiaries; the accounting standards the Company has declared it uses in preparing the separate and consolidated financial statements appear to be consistent with the rules governing the preparation of such documents.

The Chief Financial Officer organised the issue on 29 March 2024 of the certifications required by Art. 154-bis, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24.2.1998, relative to the adequacy - in relation to the business characteristics - and the effective application of the administrative-accounting procedures for preparing the separate and consolidated financial statements in 2023.

As prescribed by Italian Law no. 262 of 28.12.2005, the Chief Financial Officer has prepared this opinion on the basis of the activities carried out in support of these certificates, issued at the foot of the financial statements and presented during the CRSC meeting held on 25 March 2024.

The Board of Auditors has analysed the methodological structure adopted by the Independent Auditing Firm and acquired the necessary information during the course of works, interacting constantly with it in respect of the approach taken to the audit of the various significant areas of the financial statements, receiving

updates on the progress made on the auditing appointment and the main aspects drawn to the attention of the Independent Auditing Firm.
To this end, the Board of Auditors has met and exchanged information with the representatives of the Independent Auditing Firm, so as to gain information useful to its supervision of the reliability and adequacy of the administrative-accounting system, the quarterly accounting audit processes and the organisation of the separate and consolidated financial statements auditing process, as well as the relevant results.
The meetings held did not reveal any significant events and/or circumstances worthy of note.
The Board of Auditors has examined the following reports prepared by the independent auditing firm, whose activities form the overall framework of the control duties introduced by the rules in relation to the financial reporting process:

- *the audit reports, issued on 29 March 2024 pursuant to Art. 14 of Italian Legislative Decree no. 39/2010 and Art. 10 of Regulation (EU) no. 537/2014;*
- *the additional report, issued on 29 March 2024, in accordance with Art. 11 of said Regulation to the Board of Auditors, as the internal control and audit committee;*
- *the annual confirmation of independence, given on 29 March 2024, in accordance with Art. 6, paragraph 2), letter a) of the Regulation and in accordance with paragraph 17 of ISA Italia 260.*

Said audit reports on the separate and consolidated financial statements show that the annual and consolidated financial statements offer a truthful, correct representation of Alkemy spa and the Group's equity and financial position at 31 December 2023 and of the economic result and cash flows for the year ended at that date, in compliance with the International Financial Reporting Standards adopted by the European Union and with the provisions issued in implementation of Art. 9 of Italian Legislative Decree no. 38/05.
The audit reports on the separate and consolidated financial statements show the key aspects of the audit, which, according to the professional opinion of the Independent Auditing Firm, were most significant in the audit for the year under review.
More specifically:

- *as regards the separate financial statements, the assessment of the recoverability of goodwill and the value of equity investments held in subsidiaries;*
- *as regards the consolidated financial statements, the assessment of the recoverability of goodwill and the assessment of the liabilities deriving from put options.*

The Independent Auditing Firm does not give a separate opinion on said key aspects, for which the reports explain the related audit procedures implemented, as they were covered by the audit of the accounts and the preparation of the opinion overall. The above key aspects were subject to detailed analysis and update during the periodic meetings held by the Board of Auditors with the Independent Auditing Firm.
The Board of Auditors will inform the Company's administrative body on the results of the statutory audit, to this end sending the additional report pursuant to Art. 11 of European Regulation 537/2014, complete with any observations, in accordance with Art. 19 of Italian Legislative Decree no. 39/2010, as updated by Italian Legislative Decree no. 135/2016, in implementation of Directive 2014/56/EU, which amends Directive 2006/43/EC and European Regulation 537/2014.
The Independent Auditing Firm also believes that the Report on Operations and the information on the Report on Corporate Governance and Ownership Structures, indicated in Art. 123-bis, paragraph 4 of the Consolidated Law on Finance are consistent with the financial statements of Alkemy S.p.a. and the consolidated financial statements of the Alkemy S.p.a. Group at 31 December 2023.
Finally, in compliance with that recommended by the joint document of the Bank of Italy-Consob-ISVAP no. 4 of 03 March 2010, the impairment test procedure, regulated by IAS 36,
*the Board acknowledges that the Company appointed Deloitte & Touche S.p.A., leading independent consultancy company in Italy, to assist its management team to perform analyses aimed at verifying the recoverability of goodwill and the measurement of payables arising from put&call options, with the preparation of the related summary report (the "**IT Report**").*
*As regards impairment testing in particular, an assessment was performed of the three cash generating units (or "**CGUs**") of the Group, representing the segments in which the company operates, in order to verify the sustainability of the goodwill values entered on the Consolidated Financial Statements for 2023 and aimed at providing Alkemy's Board of Directors with indications as part of the impairment testing to be carried out in accordance with the provisions of said International Accounting Standard IAS no. 36.*

The CGUs of Alkemy identified by the management are as follows:
Mr. Benasso goes on to explain the 4 CGUs of Alkemy identified by the management:

1. *Italy CGU: comprising the companies: i) Design Group Italia S.r.l. ii) Alkemy Play S.r.l., iii) XCC S.r.l. and iv) the parent company Alkemy S.p.A.*
2. *Spain CGU: made up of InnoCV and Alkemy Iberia;*
3. *CGU Mexico: in turn comprising OIS Digital S.L. and OIS Service S.L. (the Spanish holding company Alkemy South America is not included, as it is irrelevant);*
4. *CGU Serbia: comprising i) Kreativa D.o.o and ii) Alkemy SEE D,o.o. and iii) Alkemy Zagreb, the acquisition of which is currently being finalised.*

The IT Report, after having indicated the methodological criteria adopted and the analyses performed for each CGU, concludes by stating that, as of 31 December 2023, no evidence of impairment was found in the impairment tests and sensitivity tests, as of 31 December 2023, with respect to either the goodwill relevant to the consolidated financial statements or the value at which the investments held by Alkemy S.p.A. are recognised.

He also points to a methodological change adopted starting from the assessments made for 2023, in order to find a more adequate representation of the Alkemy Group as a consequence of both the implementation of the 2024-2027 strategic plan prepared with the support of BCG during the previous year and the implementation of the new commercial and operating organisation in Alkemy spa, with an impact on the entire domestic market. On the basis of these significant changes since 2024, the Group's expectations of growth, development and consolidation are extremely positive and therefore it was deemed more appropriate, in relation to a "growth group" such as Alkemy, to calculate the CGU's terminal value using the results of the last year of the plan (rather than the average of the last 2, as done in past years). It should be noted, however, that even using the previous method, the impairment test performed for 2023 would not have shown any impairment losses for any of the CGUs and equity investments.

In valuing the impairment test, the methodological criteria adopted is specifically indicated, along with any difficulties in valuation encountered, the results obtained and their analysis and the information considered sufficient to allow Alkemy's Board of Directors to formulate its resolutions on the value of the Alkemy CGUs.
Turning therefore to the valuation of Put Options, it is reported first of all that, in drafting the financial statements according to IFRS standards, the Alkemy Group is required to value the put & call options relative to the acquisition of the minorities in the investee companies, in accordance with the provisions of the accounting standards IAS 32 and IFRS 9 (financial instruments).
At 31 December 2023, in line with best practices, the fair value of the financial instruments was thus determined, connected with the purchase of the minorities in the companies in which an investment was already held. The fair value of the financial assets or liabilities deriving from the Put & Call Option contracts has been estimated with reference to the 2023 Separate Financial Statements, considering the instruments as synthetic forwards given the symmetry of conditions of the Put & Call Options.
On the basis of the analyses conducted by Deloitte as at 31 December 2023 summarised in the document "Alkemy Put valuation at 31.12.2023" kept by the Board of Auditors, the following items are pointed out:

- *(i) in the separate financial statements of Alkemy S.p.A., a financial asset related to the value of the Put&Call options, amounting to 1,966 thousand euros;*
- *(ii) in the Alkemy Group's consolidated financial statements, a financial liability arising from the potential exercise of the Put&Call options to be paid to minority shareholders in the total amount of 3,427 thousand euros;*
- *(iii) a financial liability related to the Earn-Out to be paid to the former shareholders (sellers) of INNOCV Solutions S.L., amounting to 10,328 thousand euros;*

It is noted that these items, and the corresponding amounts, have been allocated to the Separate Financial Statements 2023 and the Consolidated Financial Statements 2023, respectively.
With regard to the Impairment Test and the valuation of the Put&Call options, both KPMG and the CRSC confirmed that they had no comments on the methodology adopted and the valuations contained in the aforementioned reports.
In light of the foregoing, it is considered that the methodology used for impairment testing and the measurement of the put & call options, was appropriate to providing the Alkemy Board of Directors with the necessary indications under the scope of impairment testing and measuring the payables for the Put & Call Options in order to prepare the financial statements at 31.12.2023.

During the year, the Board of Auditors met with the managers of the independent auditing firm, in accordance with Art. 150, paragraph 3 of Italian Legislative Decree no. 58/1998, during which appropriate exchanges of information took place and no other facts or situations emerged, worthy of note. The Board of Auditors: (i) has analysed the work carried out by the independent auditing firm and, in particular, the methodological structure, the approach taken to auditing the various significant areas of the financial statements and the planning of the audit itself; and (ii) has shared information with the independent auditing firm on the problems relating to business risks, thereby successfully noting the adequacy of the response planned by the auditor with the structural and risk profiles of the Company and Group.
In accordance with Art. 19 of Italian Legislative Decree no. 39/2010, the Board of Auditors verified and monitored the independence of the independent auditing firm, in accordance with Articles 10, 10-bis, 10-ter, 10-quater and 17 of said Decree and with Art. 6 of Regulation (EU) 537/2014 of 16 April 2014. This particularly applies in respect of the adequacy of the provision of services other than audit services, to the audited entity.
As it has itself declared, the independent auditing firm has received, together with the companies belonging to its network, appointments from Alkemy S.p.A. and its subsidiaries, as detailed in the summary given in the Additional Report issued by KPMG.
Taking into account:

a) *the declaration on independence pursuant to Art. 6, paragraph 2, letter a) of Regulation (EU) no. 537 of 16 April 2014, issued by KPMG spa and the report on transparency it has produced in accordance with Art. 18, paragraph 1 of Italian Legislative Decree no. 39/2010;*
b) *the appointments conferred upon it and on the companies belonging to its network by Alkemy S.p.a. and the Group companies;*

the Board of Auditors believes that conditions are met to attest to the independence of the independent auditing firm KPMG spa.
The Board of Auditors, in going about its duties as "Internal Control and Accounts Auditing Committee", as assumed under Art. 19 of Italian Legislative Decree no. 39/2010, in turn as amended by Italian Legislative Decree no. 135/2016, has monitored:

a) *the process relating to financial and non-financial information;*
b) *the effectiveness of internal control, internal audit and risk management systems;*
c) *the statutory audit of the annual and consolidated accounts;*
d) *the transparency report and additional report prepared by the independent auditing firm in compliance with the criteria pursuant to Reg. 537/2014, noting that the information acquired does not suggest any critical aspects in connection with the independence of the independent auditing firm;*
e) *the aspects relating to the independence of the independent auditing firm, with particular reference to the services provided by the latter to the audited entity, other than the auditing of the accounts;*
f) *the correct application of the provisions of Regulation EU 537/2014 in connection with the provision by the auditor of non-audit services.*

It is also acknowledged that the Company has prepared the consolidated non-financial statement, in compliance with the provisions of Articles 3 and 4 of the same Decree and that the Company has availed itself of the exoneration from the obligation to draft an individual non-financial statement, as envisaged by Art. 6, paragraph 1 of Italian Legislative Decree no. 254/2016, having prepared the consolidated statement pursuant to Art. 4 of the same Decree, approved by the Board of Directors on 22 March 2022.
The Board has also acknowledged the report issued by KPMG on 29 March 2024, issuing:

a) *the report by the designated Auditor on the conformity of the information supplied with the provisions of said Italian Legislative Decree;*
b) *the indication by the Auditor appointed to perform the statutory audit of the financial statements, in a specific section of the audit report, of the approval by the administrative body.*

On the basis of the information acquired, the Board of Auditors certifies that, during its examination of the Non-Financial Statement, no elements of non-conformities and/or breach of the related regulatory provisions, were drawn to its attention.
During the supervisory activities carried out by the Board of Auditors in the above-described manner, on the basis of the information and data acquired, no events emerged such as to suggest failure to comply with the law and deed of incorporation or to justify any report to the Supervisory Authorities or mention in this Report.

7. *Supervision of the individual or consolidated non-financial statement and information on diversity*

The Board of Auditors acknowledges the adequacy of the procedures, processes and structures governing the production, reporting, measurement and representation of non-financial results and information.
The Board of Auditors also reports on the performance of preliminary activities to the preparation of the non-financial statement, as well as on compliance with the provisions laid down in Legislative Decree 254/2016, within the scope of the functions attributed to it by law

8. *Supervision of the concrete implementation of the rules of corporate governance*

We have monitored the implementation and adjustment to comply with the codes of conduct - the Code of Corporate Governance and the Code of Ethics - to which the Company has declared it adheres.
The Company adheres to the Code of Corporate Governance, incorporating the document prepared by the Corporate Governance Committee of Listed Companies almost entirely. In this context, the Board of Directors has appointed the Remuneration Committee and the Control, Risks and Sustainability Committee, which performs the duties assigned them. The CRSC is also assigned the duties of Related Party Transactions Committee.
The Company has begun making adjustments with a view to incorporating, including through the suggestions made by the Corporate Governance Committee for Listed Companies, the indications concerning the recognition of a variable component of the comprehensive remuneration of the Company's directors and key management personnel.
*In compliance with the instructions given by Borsa Italiana, the Board of Directors has prepared and approved (on 28 March 2024) the "***Report on Corporate Governance and Ownership Structures***" (the "CG Report") and the "Remuneration Report", respectively in accordance with Articles 123*-bis and 123-ter *of the Consolidated Law on Finance (together the "***Reports***"), respectively approved by the CRSC and the Remuneration Committee. The Board has verified that these Reports were prepared in compliance with reference standards and that the "Report on Corporate Governance and Ownership Structures" indicates the aspects of the Code of Corporate Governance - as specified above - which have not been implemented in the Company's Governance System.*
Reference is made to the CG Report for information on the members and duties of the board committees as well as on the Company's corporate governance, with respect to which the Board of Auditors expresses a positive opinion.
Indeed, we acknowledge that, in taking into account the declarations made by the parties concerned and the information available, the Board of Directors verified the substantive requirement of independence envisaged by application criterion 3.C.1 of the Code of Corporate Governance and by Article 148, paragraph 3 of Italian Legislative Decree no. 58 of 24.02.1998 in respect of the Directors.
The Board of Directors has passed the resolutions on the matters of competence, as prescribed by the Articles of Association and some internal procedures.

9. *Supervision of transactions with subsidiaries and parent companies*

Below is a list of the main equity and economic balances of the commercial and financial transactions with associates conducted by the Parent Alkemy spa:

Figures in thousands of euros

Commercial transactions	Receivables	Liabilities	Revenue	Costs
Alkemy play S.r.l.	657	(114)	257	(163)
Alkemy Iberia S.L.U.	-	(13)	-	(40)
Alkemy South America S.L.	-	(8)	-	-
Ontwice Interactive Service de Mexico S.A.	-	-	160	-
Alkemy SEE D.o.o.	243	(105)	-	(77)
Experience Cloud Consulting S.r.l.	453	(22)	107	(113)
Design Group Italia S.r.l.	135	(753)	139	(420)
Innocv Solutions S.L.	1	-	-	-
Total	**1,489**	**(1,015)**	**663**	**(813)**

Figures in thousands of euros

Financial transactions	Receivables	Liabilities	Revenue	Costs
Alkemy South America S.L.	-	(1,160)	-	(17)
Alkemy SEE D.o.o.	330	-	5	-
Kreativa D.o.o.	200	-	-	-
Experience Cloud Consulting S.r.l.	852	-	39	-
Total	**1,382**	**(1,160)**	**44**	**(17)**

The Board of Auditors can declare that, on the basis of the information received, the controls performed and the instructions given by the Company to the subsidiaries in accordance with Art. 114, paragraph 2 of said Italian Legislative Decree no. 58/1998 in relation to financial disclosure obligations and other operating areas, are adequate.

10. *Supervision of related party transactions*

The Board of Auditors has monitored the compliance with provisions of law and regulations of the Related Party Transactions Procedure, its effective implementation and concrete operation.
In accordance with Art. 2391-bis of the Italian Civil Code, insofar as the Board of Auditors has been able to verify, the related party transactions examined were all implemented on the basis of rules assuring transparency and compliance with the general principles set out by Consob and rules of corporate governance.
The information supplied by the Board of Directors, also with specific reference to intra-group transactions and transactions with other related parties, is considered adequate in respect of reference legislation. More specifically, said transactions are considered relevant to the pursuit of the company object, of a fair amount and in line with the company's interests.

In the specific paragraph at the end of the Notes to the financial statements, the Board of Directors provided full information on transactions implemented with Group companies and related parties, explaining the relevant economic and financial effects, albeit using a different format to that given in CONSOB communication no. DEM/6064293 of 28 July 2006.

11. *Omissions and reprehensible events noted. Initiatives taken*

To date, the Board of Auditors has not received any reports pursuant to Art. 2408 of the Italian Civil Code nor any complaints by shareholders or third parties.
During its supervision, the Board of Auditors noted no omissions, reprehensible events or irregularities.
The Alkemy S.p.a. Supervisory Body did not describe any reports made, even in anonymous form.
During the course of our supervision, no omissions, reprehensible events or irregularities were noted.

12. *Opinions given*

The Board of Auditors has offered an opinion each time it was asked to do so by the Board of Directors, also in compliance with provisions that, for some decisions, require it to be consulted in advance. More specifically, the Board of Auditors gave a positive opinion on the guidelines to the Remuneration Policy.

13. *Self-assessment*

The Board of Auditors reports that the self-assessment process carried out on the basis of the declarations provided by the individual members of the Board of Auditors confirms the existence, and formal and substantial fulfilment o, the independence requirements set forth in Art. 148 of the Consolidated Law on Finance, and in the CG Code, as also attested in the Board of Auditors' minutes of 8 February 2024.
The Board also acknowledges the due operation and size of the board of directors and committees, with particular regard to the requirements for independent directors, as well as the processes for determining remuneration, and the completeness, competencies and responsibilities associated with each corporate function.

14. *Proposals on the year's financial statements and their approval and on the matters under the purview of the Board of Auditors*

On 13 September 2023, the Board of Directors prepared the report relative to the first half of 2023, publishing it in accordance with the terms and conditions laid down by current legislation.
On 28-03-2024, the Alkemy S.p.a. Board of Directors approved, inter alia:

1. *annual report of the Internal Audit function for the year 2023, the audit plan for 2024 and the related budget;*
2. *guidelines of the Risk Management and Internal Control System (the "RMICS") in line with the company's strategies and annual assessment of its adequacy with respect to the characteristics of the company and its risk profile. Assessment as to the appropriateness of adopting measures to ensure the effectiveness and unbiased judgement of other corporate functions and verification of the adequacy of the professional figures and resources assigned to those functions (Art. 6, paragraph 33 (d) CGC);*
3. *assessment of the adequacy of the organisational, administrative and accounting structure of the company and its strategically important subsidiaries, with particular regard to the RMICS, in consultation with the CRSC and taking note of the risk mapping of the company and its strategic subsidiaries (Art. 1, recc. 1 (d) CGC);*
4. *verification of compliance with administrative and accounting procedures by the corresponding manager and verification of the adequacy of his means and powers (Art. 154-bis, paragraph 4, of the Consolidated Law on Finance);*
5. *acknowledgement of the Board of Auditors' self-assessment;*
6. *assessment pursuant to CGC recommendation 33 (e);*
7. *Impairment testing of the value of goodwill and valuation of the put/call options;*
8. *draft separate financial statements at 31 December 2023, consolidated financial statements at 31 December 2023 (prepared in accordance with the Delegated Regulation of the European Commission no. 2019/815 as subsequently amended) and Directors' Report on Operations;*

9. *non-financial statement prepared pursuant to Legislative Decree no. 254/2016;*
10. *report on Corporate Governance and Ownership Structure pursuant to art. 123-bis of the Consolidated Law on Finance;*
11. *MBO/LTIP results for the financial year 2023; related and consequent resolutions.*
12. *Report on the remuneration policy and fees paid in accordance with Art. 123-ter of the Consolidated Law on Finance, prepared as per the layout pursuant to Annex 3A, Scheme 7-bis and 7-ter of the Issuers' Regulation;*
13. *Proposed purchase and disposal of treasury shares in accordance with Articles 2357 et seq. of the Italian Civil Code;*
14. *Calling of the shareholders' meeting;*
15. *Explanatory reports on the items on the agenda of the Ordinary Shareholders' Meeting;*
16. *press release.*

The financial statements at 31.12.2023 show a period gain of 4,424,636 euros and equity of 45,465,733 euros. The consolidated financial statements at 31.12.2023 show a Group period profit of 3,436 thousand euros and Group shareholders' equity of 47,243 thousand euros.
Information on the economic operating performance is given in said Company's financial statements.
The Board of Auditors stresses that it received the Reports to the separate and consolidated financial statements of Alkemy S.p.a. prepared by the independent auditing firm by the legal deadline and the related Certifications by the Chief Financial Officer and Chief Executive Officer dated 28 March 2024.
In addition, the independent auditing firm has expressed a positive opinion on the conformity of the financial statements with the provisions of the Delegated Regulation (EU) 2019/815 on the single electronic reporting format (ESEF).
The Board acknowledges that the Company has prepared the Non-Financial Statement in implementation of Italian Legislative Decree no. 254/2016 and Consob Regulation of 18 January 2018, which will be deposited at the registered office together with all the other documents specified above, so as to be made available to Shareholders.
Having acknowledged the positive opinion given in the independent auditors' report by KPMG S.p.A., the Board believes that the financial statements of Alkemy S.p.A. at 31 December 2023 can be approved by yourselves, together with the proposal outlined by the Board of Directors for the allocation of the 2023 result.
The consolidated financial statements includes not only the financial statements of Alkemy S.p.a. but also those of the Companies it controls, duly rectified and restated to make them homogeneous with the standards adopted by the Parent in preparing the financial statements and compliant with the IFRS. The control of the Board of Auditors did not cover these financial statements. Insofar as may be relevant, the determination of the consolidation area, the choice of consolidation standards applied to the equity investments and the procedures adopted, all reflect the provisions of the law. The Report on Operations provides an adequate presentation of the group's economic, equity and financial position as well as its operating performance in 2023 and contains a suitable disclosure on transactions implemented between group companies and on significant events that occurred after the end of the year.
In light of the foregoing, the information supplied by the independent auditing firm and the opinion without findings it has issued in accordance with the law, the Board of Auditors has nothing particular to report in regard to the Consolidated Financial Statements of Alkemy S.p.A. at 31 December 2023.

* * *

This report has been approved unanimously by the Board of Auditors.
Milan, 29 March 2024

The Board of Auditors (signed on the original Italian version)

Atty. Gabriele Gualeni (Chairman)   Mauro Bontempelli   Daniela Elvira Bruno