



Alkemy S.p.A.

Interim Report on Operations
at 31 March 2020

Alkemy Group

Parent: Alkemy S.p.A.

Registered office in Milan, at Via San Gregorio 34

Share Capital Euro 587,589

VAT no.: 05619950966

Milan Company Registration no. 1835268



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



Corporate bodies of Alkemy S.p.A.

Board of Directors

Alessandro Mattiacci	Chairman
Vittorio Massone	Deputy Chairman
Duccio Vitali	Chief Executive Officer
Francesco Beraldo	Director
Riccardo Lorenzini	Director
Giorgia Abeltino	Independent Director
Giulia Bianchi Frangipane	Independent Director
Andrea di Camillo	Independent Director
Serenella Sala	Independent Director

Board of Auditors

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

Independent Auditors

KPMG S.p.A.



Highlights

Below is the key data on operations of the Alkemy Group in Q1 2020:

	Figures in thousands of euros	
	Mar. 2020	Mar. 2019
Net revenue	19326	18387
Gross operating profit (EBITDA)	313	(810)
Operating profit	(103)	(1,243)
Period profit	(588)	(1,299)
Average number of employees	536	512

	Mar. 2020	Mar. 2019
Italy revenues	13468	12011
Export revenues	5858	6376
Net revenue	19326	18387

	Figures in thousands of euros	
	Mar. 2020	Dec. 2019
Net invested capital	51412	51106
Net financial position	(20,145)	(19,209)
Equity	31267	31897



The Group and its business

Alkemy S.p.A. is a leading company in the digital transformation segment in Italy, listed on the STAR segment of the Borsa Italiana MTA market. Alkemy enables the evolution of enterprises' business defining the relevant strategy through the use of technology, data and creativity. The aim is to improve the operations and services supplied by large and medium enterprises, stimulating the evolution of their business model hand-in-hand with technological innovation and consumer conduct. Alkemy develops innovative projects throughout the chains of the various segments, such as, for example, telecommunications, media, consumer services, financial services and utilities, combining advanced technologies with innovative design, big data and creative communication. The company's competitive advantage is its capacity to integrate different competences, intervening as a single player in the Customer's processes and operations, supplying multiple services that can impact the whole of the value chain. Indeed, Alkemy manages extensive projects aimed at transforming and evolving its customers' business, assisting them from the definition of the strategy to be pursued through to the relevant implementation and subsequent management.

Alkemy has now entered its eighth year, boasting an ever more extensive alchemy of integrated competences in the areas of Strategy, Communication, Performance, Technology, Design and Data & Analytics, which form a professional community numbering almost 700 people offering different experiences and abilities but who are very much united in their values and business culture.

Alkemy is today an international business operating in Italy, Spain, Mexico and the Balkans, established on the basis of a partnership model with customers to enable innovation and growth through digital leverage. Alkemy's aim is, in fact, to construct a long-term relationship with customers, acting not as simple suppliers of services, but rather as an integrated partner to be engaged continuously, in support of programmes of change, transformation and acceleration.

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

Alkemy currently numbers 8 offices: in addition to the Milan headquarters, it also operates out of Turin, Rome, Cagliari and Cosenza (with the Research & Development laboratory), Madrid, Belgrade and Mexico City.

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

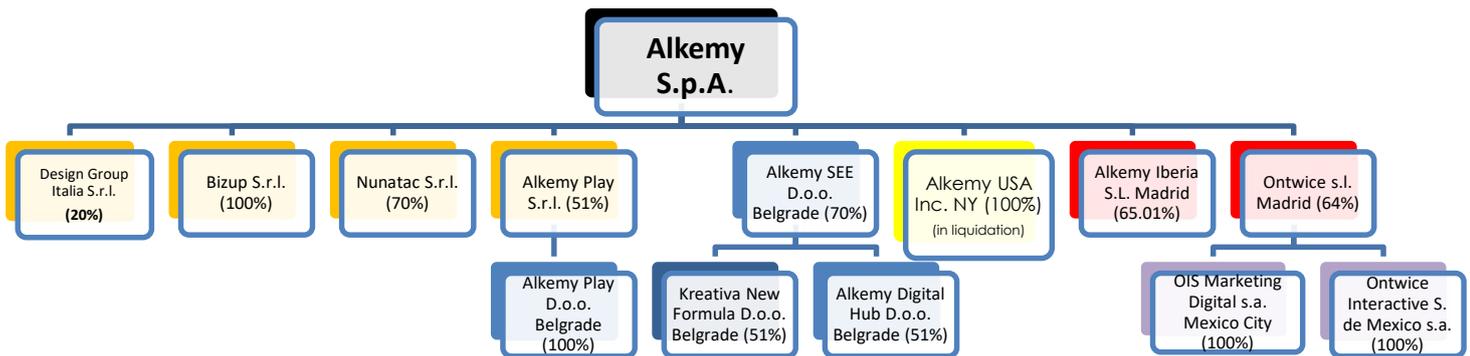
From when it was listed, in just two years, Alkemy has doubled up its turnover and in **December 2019**, it finalised the switch to Borsa Italiana's main market, in the **STAR segment** dedicated to medium enterprises that undertake to meet standards of excellence in terms of transparency, corporate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



Group structure

In just a few years, Alkemy has successfully gained standing as leaders on the digital transformation market, growing both organically and through external lines with acquisitions.

Below is the Alkemy Group structure as at 31 March 2020.



Business areas

Alkemy's business is divided up into five main areas, each of which has its own strategic business unit, in some cases with their own dedicated legal entities:

- > **Consulting and performance marketing:** The business unit comprises professionals with solid experience in strategic consultancy. It analyses, designs and quantitatively assesses (business case and business plan) innovative solutions aiming to transfer 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 by which to achieve significant results in the long-term. With the aim of speeding up on-line performance, the business unit also offers Alkemy customers the know-how and most innovative tools to promote its brands and products on-line. 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:** The business unit is focussed on processing a 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:** This business unit 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 our customer 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. The unit 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 & Space Design:** This is Alkemy's design business unit based on Design Thinking, focussed on the creation of value through experiential innovation. The unit designs and develops physical and digital products that impact everyday life but also destinations and spaces in which people and brands can interact and share significant experiences in an omnichannel logic. Analysing our customers' businesses, including their processes, culture and resources, we help them release commercial opportunities and innovate the end customer experience.

The various business areas are involved in different ways according to the various projects and specific customer needs.

Alkemy Lab (R&D)

In the Group ecosystem, Research and Development is a very important element in the company's value and structure.

In dealing with technology, business model transformation and digital innovation, the Alkemy production factors include the Alkemy Lab, a continuous, self-regenerating research and development stream that stays one step ahead of tomorrow's innovation. More specifically, the company uses the Alkemy Lab as a vehicle by which to promote the innovation on a Group level.



The Alkemy Lab, by way of a research and innovation stream, is focussed on the development of R&D projects and the creation of services, products and models that explore new horizons in terms of cutting-edge technologies. Also thanks to the network of contacts with start-ups, businesses, universities, co-working, innovative hubs and agencies, Alkemy Lab can enrich and renew the Alkemy Lab product range. The methodological and technological paradigms of the tools used by the Lab are those of Open Innovation, Open Source and Open API and Open Data.

Research, hard and soft skills and design strategy are the ingredients used by the Lab to set itself up as a driver of innovation on topics such as Digital Transformation and Open Source in the following domains: Big Data, Smart Object & Internet of Things, Blockchain, Artificial Intelligence, Mobile & Wearable, Conversational AI, Computer Vision, AR/VR Interaction, Research, cutting-edge technologies and technical and strategic competences are all the ingredients used by the Lab to act as an innovation driver.

Research and development is a transversal topic with various aspects. The main ones include:

Environmental aspects

Alkemy has built and monitors software engines and innovative instruments for smart cities and smart metering topics. The company develops machine learning algorithms applied to Ambient Intelligence: vertical structuring of the data analysis for the recording of public opinion based on social conversations on the topic of the environment. Research ranges from climate change to domestic comfort, pollution in cities, the function of mobility services and energy savings.

Social and cultural aspects

The Research and Development Lab builds qualified, continuous relations with universities and research centres, with the innovative fabric made up of incubators, start-ups and the R&D sectors of large companies. These relations include: University of Cagliari, University of Calabria, Milan Polytechnic University, University of Trento, IMT Lucca, Talent Garden, Open Campus and CRS4. The creation and development of new competences and professionalism is particularly important, on emerging technologies such as AI, AR/VR, Blockchain, IOT and Voice.

Internal effects of network aspects

The innovation circuit in Alkemy is configured to all intents and purposes as an important network effect phenomenon, because it contributes towards the growth and expansion of value of the various areas of the company, ranging from data driven strategy to service design and brand experience.



Performance Q1 2020

Faced with the COVID-19 emergency, Alkemy's priority was to protect the health of its stakeholders and workers. Starting late February, all Italian office employees were assigned to smart working and as from mid-March, the same was applied to employees of the offices in Spain, Mexico and Serbia. Alkemy has provided all its employees with the necessary technological equipment, guaranteeing the maintenance of full operations in all departments and complete corporate productivity.

This organisational change, which complied with government and regional provisions, did not have any significant impact on the Group's operations, both in terms of the services provided to customers and their monitoring, thereby allowing for the normal pursuit of Group business.

Key financial figures

The Group's reclassified income statement for Q1 2020, compared with the figures booked at 31 March 2019, is as follows:

	Figures in thousands of euros	
	Mar. 2020	Mar. 2019
Net revenue	19326	18387
Services, goods and other operating costs	11885	12016
Personnel expense	7128	7181
Gross operating profit (loss)	313	(810)
Amortisation, depreciation and impairment	416	433
Operating profit	(103)	(1,243)
Net gain on equity investments	10	0
Financial income (expense)	413	244
Pre-tax profit	(526)	(1,487)
Income taxes	62	(188)
Period profit	(588)	(1,299)
Other items recognised in equity	(100)	27
Comprehensive period result	(688)	(1,272)
Equity attributable to non-controlling interests	(14)	(22)
Profit (loss) attributable to the owners of the parent	(674)	(1,250)

In this extremely difficult general context, the Alkemy Group closed the first quarter of the year with results that showed growth on 31 March 2019.

The Group's consolidated economic position for Q1 2020 shows total net revenues of 19,326 thousand euros, up 939 thousand euros (+5.1%) on the previous period. It should be noted that this change is primarily due to the Italian companies, whose greater revenues offset the decline seen in sales relative to foreign subsidiaries.

Revenues realised in Italy came to 13,468 thousand euros, accounting for 69.7% of the total (12,011 euros in the comparative period, equal to 65.3%), while that recorded abroad came to 5,858 thousand euros, or 30.3% (6,376 thousand euros in the comparative period, or 34.7%).

The reduction in foreign revenues is mainly due to the decline in revenues booked by the Mexican subsidiary, which, following the COVID-19 outbreak, immediately suffered the slowing of the hotel



industry to which its key customer belongs.

Operating costs went from 19,197 thousand euros during the first quarter of 2019 to 19,013 thousand euros during the first quarter of 2020, with a reduction of 184 thousand euros on the previous period (-1.0%); the incidence of operating costs on revenues therefore reduced by 6.0%.

Costs for services (11,986 thousand euros in 2020 vs 12,016 thousand euros at 31 March 2019) dropped by 1.1% on the same quarter of the previous year; in particular, the item "services for customers" reduced, albeit in direct correlation with the revenues, which instead grew over the period. This enhanced efficiency is due to the action taken, which led to the insourcing of certain activities, above all in the technological area, which were previously outsourced to external suppliers.

Despite the fact that the average workforce has gone from 512 employees during the first quarter of 2019 to 536 during the first quarter of 2020. The cost of labour is 7,128 thousand euros in the first quarter of 2020 as compared with 7,181 thousand euros during the first quarter of 2019 (-0.7%). This reduction is due to the rationalisation of staff costs of the Italian companies, which more than offset the rise in the costs of labour consequent to the increased workforce of foreign subsidiaries, which was, however, characterised by a lesser unit cost.

Gross operating profit (EBITDA) came to 313 thousand euros, compared with a loss of 810 thousand euros for the first quarter of 2019.

The Q1 2020 EBITDA Margin came to 1.6%, up 6 percentage points on the comparative period (-4.4%).

Operating profit, gross of financial income and expense, is negative for 103 thousand euros, compared with a loss of 1,243 thousand euros at 31 March 2019, improving by 1,140 thousand euros on the previous period, mainly due to the companies operating on the domestic market.

Period financial income and expense came to 413 thousand euros as compared with 244 thousand euros for the comparative period; their increase is mainly due to exchange losses arising from sales and purchases made in USD by the Mexican subsidiary Ontwice Interactive Services S.A. in Mexico City, following the loss of value of the Mexican peso against the dollar, which in March saw an increase in the USD/MXN exchange rate of more than 20%.

The period pre-tax loss comes to 526 thousand euros, down 65% on the loss of 1,487 thousand euros booked during the previous period.

The period loss totals 588 thousand euros as compared with the loss of 1,299 thousand euros in the previous period, amongst other aspects, due to the different tax charge applied.

Reclassified statement of financial position

Below is the Group's reclassified statement of financial position as at 31 March 2020, compared with that at 31 December 2019:

	Figures in thousands of euros	
	Mar. 2020	Dec. 2019
Non-current assets	41,480	41,611
Short-term period assets	38,792	40,783
Short-term period liabilities	(24,358)	(26,871)
Net working capital	14,434	13,912



Post-employment benefits	(4,442)	(4,356)
Provision for risks, charges and deferred tax	(60)	(61)
Net invested capital	51,412	51,106
<hr/>		
Equity	31,267	31,897
Non-current financial liabilities	23,501	23,044
Current own funds	(3,356)	(3,835)
Net financial position	20,145	19,209
Total sources of finance	51,412	51,106
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As concerns equity and financial data, at 31 March 2020, net invested capital came to 51,412 thousand euros, vs 51,106 thousand euros at 31 December 2019; it basically comprised:

- 14,434 thousand euros, net working capital (13,912 thousand euros at 31 December 2019);
- 41,480 thousand euros, fixed assets (41,611 thousand euros at 31 December 2019) of which 31,759 thousand euros for goodwill and 3,855 thousand euros for rights of use, consequent to the application of IFRS 16 (leasing);
- 4,442 thousand euros, severance indemnity (4,356 thousand euros at 31 December 2019).

Equity (31,267 thousand euros) declined during Q1 2020 by 630 thousand euros on 31 December 2019 (-2%), mainly due to the period comprehensive net loss (-688 thousand euros), partly offset by the increase in the stock option reserve relative to the cost of stock option plans for Q1 2020.

The net financial position (negative) has gone from 19,209 thousand euros at 31 December 2019 to 20,145 thousand euros at 31 March 2020, with the changes mainly due to new loans obtained during the period, as detailed in the next paragraph.



Main financial figures

The table below details the net financial position as at 31 March 2020 compared with that at 31 December 2019:

	Figures in thousands of euros	
	Mar. 2020	Dec. 2019
Bank deposits	11,019	9,572
Cash on hand	10	9
Cash and cash equivalents	11,029	9,581
Bank loans and borrowings	(9,304)	(8,866)
Put option liabilities	(11,088)	(10,973)
Loans and borrowings from other financial backers	(85)	(102)
Lease liabilities from application of IFRS 16	(3,024)	(3,103)
Non current financial liabilities	(23,501)	(23,044)
Bank loans and borrowings	(2,862)	(2,497)
Put option liabilities	(2,301)	(2,369)
Loans and borrowings from other financial backers	(1,634)	(36)
Lease liabilities from application of IFRS 16	(876)	(844)
Current financial liabilities	(7,673)	(5,746)
Net financial debt	(20,145)	(19,209)

The Group's net financial position as at 31 March 2020 is negative for 20,145 thousand euros (negative for 19,209 thousand euros at 31 December 2019), with a period reduction of 936 thousand euros. This negative change, detailed and explained in the Statement of Cash Flows given over the next few pages, is mainly due to:

- 1,598 thousand euros for the increase in loans and borrowings from other financial backers due in the short-term, for the most part relative to receivables transferred "with recourse" to the factoring company CreVal Factor, in connection with a specific position with a telecommunications customer;
- 438 thousand euros for the increase in medium-term bank loans stipulated during the period; in February 2020, with a view to facilitating the Group's financial operations, Alkemy spa stipulated a medium-term loan with CREDEM for 500 thousand euros, to be repaid in 36 months in quarterly instalments with the last one falling due in February 2023;
- 365 thousand euros for the increase in short-term bank loans, mainly referring to deposits on invoices;
- 1,448 thousand euros for the greater liquid funds in bank deposits.

Significant subsequent events

We believe it useful to provide information on the following significant events that took place after period end.

The Alkemy S.p.A. financial statements as at 31.12.2019, which were approved by the company's Board of Directors last 24 March, were submitted to the shareholders' meeting on 24 April 2020; they resolved in their favour, ruling that the profit should be carried forward. The same shareholders'



meeting also confirmed the appointment of Vittorio Massone as director (he had been co-opted last 13 February from the administrative body of Alkemy spa), also assigning him the position of Deputy Chairman and commercial and business development proxies.

In April, the Parent Company obtained a moratorium for some MLT loans held both with Intesa San Paolo (only in regard to the instalments falling due at the end of the quarter, which were deferred to the next deadline) and with Credem (in regard to 2 loans stipulated, obtaining a 12-month deferral of all instalments due in 2020). These moratoriums had been requested during the second half of March, in view of the COVID-19 emergency. The application was made preventively with no effective need for cash, given that, at that point, as indeed now, the group's financial position appeared to be in line with expectations.

Considering the general uncertainty surrounding the domestic and international markets on which the Group operates, with the possibility, amongst others, to benefit from the special measures implemented by the current government to help with the emergency, the Company currently has additional loan applications awaiting decisions, which, as a precautionary measure, should assure sufficient additional liquidity, even if the lock-down period should be prolonged further.

Outlook

As at the date on which this interim report is approved, all Group companies continue to apply smart working solutions, despite the fact that a return to offices is now permitted, in different ways and with different procedures depending on location. More generally, considering the effective organisational and logistical difficulties connected with the emergency, for now, internal regulations are being prepared to allow for the safe return to business, the sanitisation of the premises and the preparation of the necessary measures to allow for their use. It is expected that this return will take place in stages, starting no earlier than June.

Alkemy will continue to pursue its strategy of focussing on key accounts, leveraging the new operative organisation starting mid-February 2020, in support of the Group structure in industrialising the business model and which has contributed towards the positive results achieved during the first quarter of 2020, both in terms of organic growth of revenues (+5.1% on the previous period) and of margins (positive EBITDA, up 6% on 2019).

Alkemy will continue to ensure the evolution of its offer, integrating the new competences acquired with the 2018 entrance into the Group of Nunatac (data and analytics) and the 2019 joining of Design Group Italia (design of products and spaces). The services offered by Alkemy in regard to the digital transformation and innovation of the business models of medium and large enterprises, will be structurally necessary for our current and future customers, both when leaving the emergency behind us and to ensure they are competitive and a winning option on the new recovery scenario.

The COVID-19 emergency and lock-down measures adopted in all the main geographic areas in which the Company operates, have led to a slow-down of part of the business, in particular in Spain



and Mexico, in connection with certain customers expecting greater visibility over the year, which may impact the Group's short-term results. The business pipeline, in particular in Italy, in any case remains very promising indeed. The management continues to monitor the evolution of the entrepreneurial and economic context very closely, keeping a constant eye on the positions with its customers and network and will take all steps necessary to limit costs.

At present, due to the continuous evolution of the scenario in connection with the COVID-19 emergency, the management is unable to properly review the Group's medium/long-term business plans. Consequently, as at the date of this report, impairment test procedures have not been started to assess the potential recovery of goodwill and intangible fixed assets.

As a leader in the transformation of the business models on the reference markets, Alkemy has the positioning able to capture development and acceleration of growth on the digital transformation market that the COVID-19 emergency will bring about in the medium-term. The crisis has made corporate investments in digitising internal processes and businesses absolutely essential, particularly in Italy, Spain and Mexico, where digital penetration still lags behind the northern European countries and the United States of America, thus speeding up growth in the segment, consistently with the health emergency and the related containment measures.



Alkemy S.p.A.

Consolidated financial statements
as at 31 March 2020 and comments



Financial statements

Consolidated income statement

		Figures in thousands of euros	
	Note	Mar. 2020	Mar. 2019
Revenue from sales and services	1	19,116	17,991
Other revenue and income	2	210	396
Total operating revenue and income		19,326	18,387
Services, goods and other operating costs	3	(11,885)	(12,016)
Personnel expense	4	(7,128)	(7,181)
Total costs and other operating costs		(19,013)	(19,197)
Gross operating profit		313	(810)
Depreciation	5	(413)	(409)
Provisions and impairment	6	(3)	(24)
Operating profit		(103)	(1,243)
Net gains (losses on) equity investments	7	(10)	0
Financial income	8	417	72
Financial expense	9	(830)	(316)
Pre-tax profit (loss)		(526)	(1,487)
Income taxes	10	(62)	188
Profit/(loss) for the period		(588)	(1,299)
Attributable to:			
- Owners of the parent		(574)	(1,277)
- Non-controlling interests		(14)	(22)



Consolidated statement of comprehensive income

	Figures in thousands of euros	
	Mar. 2020	Mar. 2019
Profit/(loss) for the period	(588)	(1,299)
Items that are or may be reclassified subsequently to profit or loss:		
Foreign operations - foreign currency translation differences	(100)	27
Total items that are or may be reclassified subsequently to profit or loss	(100)	27
Total other profit/(loss) net of the tax effect	(100)	27
Total comprehensive income/(expense)	(688)	(1,272)
Attributable to:		
- Owners of the parent	(674)	(1,250)
- Non-controlling interests	(14)	(22)



Statement of financial position

	Figures in thousands of euros	
Assets	Mar. 2020	Dec. 2019
Non-current assets		
Property, plant and equipment	964	980
Right-of-use assets	3,855	3,907
Goodwill	31,759	31,752
Intangible assets with a finite useful life	901	971
Equity investments	1,079	1,078
Non-current financial assets	1,518	1,555
Deferred tax assets	1,241	1,203
Other non-current receivables and assets	163	165
Total non-current assets	41,480	41,611
Current assets		
Inventories	30	61
Trade receivables	30,061	31,791
Current financial assets	82	115
Tax assets	3,464	3,663
Other current assets	5,155	5,153
Cash and cash equivalents	11,029	9,581
Total current assets	49,821	50,364
Total assets	91,301	91,975



Statement of financial position

	Figures in thousands of euros	
Liabilities and Shareholders' Equity	Mar. 2020	Dec. 2019
Equity		
Share capital	588	588
Reserves	31,093	31,274
Profit/(loss) for the period	(574)	(139)
Equity attributable to owners of the parent	31,107	31,723
Equity attributable to non-controlling interests	160	174
Total net equity	31,267	31,897
Non-current liabilities		
Financial liabilities	9,389	8,968
Lease liabilities from right of use	3,024	3,103
Put option liabilities	11,088	10,973
Employee benefits	4,442	4,356
Provisions for risks and charges	44	44
Deferred tax liabilities	16	17
Total non-current liabilities	28,003	27,461
Current liabilities		
Financial liabilities	4,496	2,533
Lease liabilities from right of use	876	844
Put option liabilities	2,301	2,369
Trade payables	16,419	17,142
Tax liabilities	1,485	1,617
Other liabilities	6,454	8,112
Total current liabilities	32,031	32,617
Total liabilities	60,034	60,078
Total liabilities and equity	91,301	91,975



Consolidated statement of cash flows

	Figures in thousands of euros	
	Mar. 2020	Mar. 2019
Cash flow from operating activities		
Profit/(loss) for the period	(588)	(1,299)
Financial income	(417)	(71)
Expense on (income from) equity investments	10	0
Financial expense	830	315
Income taxes	62	(188)
Depreciation	413	409
Provisions and impairment	3	24
Cost for share-based payments	178	130
Decrease (increase) in inventories	31	49
Decrease (increase) in trade receivables	1,951	7,317
Increase (decrease) in trade payables	(1,127)	(3,188)
Decrease (increase) in other assets	263	(1,154)
Increase (decrease) in other liabilities	(1,903)	(1,053)
Financial expenses paid	(96)	(44)
Net cash from (used in) operating activities	(390)	1247
Investments		
(Investments) divestments of tangible and intangible assets	(103)	(112)
Decrease (increase) in financial assets	37	(56)
Net cash used in investing activities	(66)	(168)
Cash flows from financing activities		
Change in financial liabilities	2,386	35
Change in financial liabilities pursuant to IFRS 16	(230)	(221)
Change in treasury shares	0	(228)
Dividends paid to non-controlling interests	(162)	0
Payment of put option liabilities	(90)	0
Net cash flow used in financing activities	1,904	(414)
Net increase/(decrease) in cash and cash equivalents	1,448	665
Opening net liquid funds	9,581	10,098
Closing net liquid funds	11,029	10,763

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



Statement of changes in equity

	Figures in thousands of euros								
	Share capital	Treasury shares	Legal reserve	Other reserves	Retained earnings	Profit/(loss) for the year	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total net equity
Balance at 31 December 2018	574	(331)	104	28714	2325	3247	34633	274	34907
Allocation of the profit for the year	-	-	-	-	3247	(3,247)	-	-	-
Purchase of treasury shares	-	(228)	-	-	-	-	(228)	-	(228)
Stock options	-	-	-	130	-	-	130	-	130
Other comprehensive profit (loss)	-	-	-	27	-	-	27	-	27
Profit/(loss) for the period	-	-	-	-	-	(1,277)	(1,277)	(22)	(1,299)
Balance at 31 March 2019	574	(559)	104	28,871	5,572	(1,277)	33,285	252	33,536

	Figures in thousands of euros								
	Share capital	Treasury shares	Legal reserve	Other reserves	Retained earnings	Profit/(loss) for the year	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total net equity
Balance at 31 December 2019	588	(912)	203	29,926	2057	(139)	31,723	174	31,897
Allocation of the profit for the year	-	-	-	-	(139)	139	-	-	-
Stock options	-	-	-	57	-	-	57	-	57
Other movements	-	-	-	1	-	-	1	-	1
Other comprehensive profit (loss)	-	-	-	(100)	-	-	(100)	-	(100)
Profit/(loss) for the period	-	-	-	-	-	(574)	(574)	(14)	(588)
Balance at 31 March 2020	588	(912)	203	29,884	1,918	(574)	31,107	160	31,267



Notes to the consolidated financial statements

Basis of presentation and consolidation standards

The Alkemy Group Interim Report on Operations as at 31 March 2020 has been prepared as STAR issuer, in accordance with the provisions of Borsa Italiana Notice no. 7587 of 21 April 2016 "STAR Issuers: information on interim management statements"; the related contents are consistent with that established by Art. 154-ter, paragraph 5 of Italian Legislative Decree no. 58, dated 24 February 1998.

The interim report on operations is prepared on the basis of the booking and measurement criteria envisaged by the International Financial Reporting Standards (IFRSs) adopted by the European Union. The accounting standards adopted for the preparation of this Interim Report on Operations are the same as adopted for the preparation of the Group's annual Consolidated financial statements for the year ended at 31 December 2019, apart from the new standards in force from 1 January 2020, which had no significant impact on the quarter.

This Interim Report on Operations has not been audited by the Independent Auditing Firm.

The Interim Report on Operations is approved by Alkemy's Board of Directors on 14 May 2020 and on that same date, the same body authorises its publication.

Please note that during the first quarter of 2020, no changes were made to the scope of consolidation in respect of 31 December 2019.



Consolidated income statement

1. Revenue from sales and services

Revenue from sales and services comes to 19,116 thousand euros (17,991 thousand euros as at 31 March 2019) and can be broken down as follows:

	Figures in thousands of euros	
	Mar. 2020	Mar. 2019
Sales of services	19,111	17,894
Sales of products	5	97
Total revenue from sales and services	19,116	17,991

Turnover for A1 2020 is up 1,125 thousand euros on the previous period.

This increase in revenues is primarily due to the Italian companies, whose greater revenues offset the decline seen in sales relative to foreign subsidiaries. Please note that product sales have now been completed following the repositioning of e-commerce assets, now focussed on strategic and operative consultancy, whilst during the quarter, the final deliveries were made for contracts closed or being transferred.

2. Other revenue and income

Other revenue and income totals 210 thousand euros (396 thousand euros at 31 March 2019), as follows:

	Figures in thousands of euros	
	Mar. 2020	Mar. 2019
Government grants	174	369
Other revenue	36	27
Total other revenue and income	210	396

The reduction in the item is due to the lesser government grants relative to the research and development carried out by the Parent Company, which went from 369 thousand during the previous period, to 174 thousand euros following the reduction of these activities.

3. Costs for services, goods and other operating costs

Services, goods and other operating costs comes to 11,885 thousand euros (12,016 thousand euros at 31 March 2019), as detailed hereto:



	Figures in thousands of euros	
	Mar. 2020	Mar. 2019
Services	11,673	11,775
Purchase of raw materials	81	87
Lease costs	49	25
Change in inventories	28	42
Other operating costs	54	87
Total	11,885	12,016

Services

Costs for services come to 11,673 thousand euros (11,775 thousand euros as at 31 March 2019) and are detailed below:

	Figures in thousands of euros	
	Mar. 2020	Mar. 2019
Services for customers	10,680	10,728
Travel and transfer expenses	139	150
Consultancy and legal expenses	116	75
Restaurant vouchers	93	96
Other consultancy	83	78
Administrative services	75	120
Maintenance services	72	54
Audit fees	59	71
Logistics services	56	69
Insurance	51	45
Collaborators' fees	44	17
Payslip processing	36	33
Postal, telephone and data transmission services	33	34
Marketing services	29	42
Cleaning expenses	22	20
Condominium and supervisory expenses	22	24
Board Statutory Auditors' fees	16	11
Commercial services	15	57
Banking services	15	29
Utilities	13	14
Other services	4	8
Total services	11,673	11,775

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

Other operating costs

Other operating costs come to 54 thousand euros (87 thousand euros as at 31 March 2019) and



mainly regard costs from previous years, as well as, to a lesser extent, entertainment costs, sanctions, stamp duty and membership rates and fees.

4. Personnel expense

Personnel expense comes to 7,128 thousand euros (7,181 thousand euros at 31 March 2019) and consist of the following:

	Figures in thousands of euros	
	Mar. 2020	Mar. 2019
Wages and salaries	4,934	5,018
Directors' fees	347	388
Social security expenses	1,403	1,363
Costs for defined benefit plans	262	276
Cost for share-based payments	178	130
Other personnel expense	4	6
Total personnel expense	7,128	7,181

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

More specifically, please note that the accrued cost is also included relative to a long-term incentive plan for 3 strategic managers, as well as the Chairman and CEO of the parent company; the relevant terms and conditions are detailed in the admission document for the listing of the Company's shares on the Star segment of the MTA (this took place last 17 December).

The average number of employees during Q1 2020 was 536 (512 in the same period of 2019).

the cost of labour was 7,128 thousand euros in Q1 2020 vs 7,181 thousand euros in Q1 2019 (-0.7%). This reduction is due to the rationalisation of staff costs of the Italian companies, which more than offset the rise in the costs of labour consequent to the increased workforce of foreign subsidiaries, which was, however, characterised by a lesser unit cost.

5. Depreciation

Amortisation/depreciation comes to 413 thousand euros (409 thousand euros at 31 March 2019) and consists of:

- 232 thousand euros (225 thousand euros at 31 March 2019) relate to the application of standard IFRS 16;
- 101 thousand euros (107 thousand euros at 31 March 2019) for the amortisation of intangible fixed assets.
- 80 thousand euros (77 thousand euros at 31 March 2019) for the depreciation of property, plant and equipment.



6. Provisions and impairment

Provisions recorded come to 3 thousand euros (24 thousand euros at 31 March 2019) and refer to the impairment of trade receivables.

7. Net gains (losses on) equity investments

Net losses on equity investments amount to -10 thousand euros (zero at 31 March 2019) and refer to the equity-accounted associate Design Group Italia. This company was acquired by the Parent Company in July 2019.

8. Financial income

Financial income comes to 417 thousand euros (72 thousand euros at 31 March 2019) and refers to exchange gains, for the most part relative to the subsidiary Ontwice Interactive Services S.A. Mexico City, which, as detailed in the item below, also give rise to exchange losses for 598 thousand euros. The increase in exchange gains and losses relates to the sales and purchases made in USD by the Mexican subsidiary and reflects the devaluation of the Mexican currency against the dollar, which in March saw the USD/MXN exchange rate rise by more than 20%.

9. Financial expense

Financial expense comes to 830 thousand euros (316 thousand euros at 31 March 2019) and is detailed below:

	Figures in thousands of euros	
	Mar. 2020	Mar. 2019
Exchange losses	598	83
Interest from put option liabilities	132	201
Interest expense on loans	45	3
Other financial expense	30	2
Interest on leases	23	27
Interest expense on current accounts	2	0
Total financial expense - third parties	830	316

The increase in financial expense is mainly due to the increase in exchange losses, which, as described in the previous note, is a consequence of the performance of the US dollar (USD)/Mexican peso (MXN) exchange rate.

10. Income taxes

Tax comes to 62 thousand euros (188 thousand as at 31 March 2019) and is detailed as follows:



	Figures in thousands of euros	
	Mar. 2020	Mar. 2019
Current income tax	93	57
Current IRAP tax	45	32
Change in deferred tax assets	(75)	(277)
Change in deferred tax liabilities	(1)	-
Total taxes	62	(188)

Net financial position

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 consistent implementation of Commission Regulation implementing the Prospectus Directive, below is the Group's Net financial position as at 31 March 2020 vs 31 December 2019:

	Figures in thousands of euros	
	March 2020	December 2019
A Cash	10	9
B Other cash and cash equivalents	11,019	9,572
C Securities held for trading	-	-
D Cash and cash equivalents (A+B+C)	11,029	9,581
E Current loans	82	82
F Current bank loans and borrowings	455	41
G Current portion of non-current debt	2,407	2,458
H Other current financial liabilities	4,811	3,248
I Current financial debt (F+G+H)	7,673	5,747
J Net current financial debt (I-E-D)	(3,438)	(3,916)
K Non-current bank loans and borrowings	9,304	8,864
L Bonds issued	-	-
M Other non-current financial liabilities	14,197	14,179
N Non-current financial debt (K+L+M)	23,501	23,043
O Net Financial Debt (J+N)	20,063	19,127

Milan, 14 May 2020

for the Board of Directors
the Chief Executive Officer
Duccio Vitali



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

The Manager appointed to prepare the company's accounting documents, Claudio Benasso, declares, in accordance with paragraph two, Article 154-bis of the Consolidated Law on Finance (TUF), that the accounting information contained in this Alkemy Group interim report as at 31 March 2020, coincides with the documentary evidence, ledgers and accounting records.

Milan, 14 May 2020

signed Claudio Benasso

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