



# **Alkemy S.p.A.**

Interim Report on Operations  
at 30 September 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



## Contents

<b>Corporate bodies of Alkemey S.p.A.</b> .....	3
<b>Highlights</b> .....	4
<b>The Group and its business</b> .....	5
<b>Group structure</b> .....	6
<b>Business areas</b> .....	6
<b>Alkemey Lab (R&amp;D)</b> .....	7
<b>Operating performance during the first nine months of 2020</b> .....	8
<b>Significant subsequent events</b> .....	14
<b>Outlook</b> .....	14
<b>Consolidated financial statements at 30 September 2020 and notes</b> .....	16
Consolidated income statement.....	17
Consolidated statement of comprehensive income.....	18
Consolidated statement of financial position.....	19
Consolidated statement of cash flows.....	21
Statement of changes in equity.....	22
Notes to the consolidated financial statements.....	23
<b>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</b> .....	30



## **Corporate bodies of Alkemy S.p.A.**

### **Board of Directors**

Alessandro Mattiacci	Chairman
Vittorio Massone	Deputy Chairman
Duccio Vitali	Chief Executive Officer
Massimo Canturi Riccardo Lorenzini	Director and General Manager 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
Maria Luisa Sartori	Alternate Auditor

### **Independent Auditors**

KPMG S.p.A.



## Highlights

Below is the key data on operations of the Alkemy Group in the first nine months of 2020:

	Figures in thousands of euros	
	<b>30 Sep. 2020</b>	<b>30 Sep. 2019</b>
Net revenue	52,653	60,433
Gross operating profit (loss) (Adjusted EBITDA)	3,881	2,191
Operating profit	2,204	595
Period profit	813	(770)
Average number of employees	524	521

	Figures in thousands of euros	
	<b>30 Sep. 2020</b>	<b>30 Sep. 2019</b>
Italy revenues	38,537	40,565
Export revenues	14,116	19,868
Net revenue	52,653	60,433

	Figures in thousands of euros	
	<b>30 Sep. 2020</b>	<b>31 Dec. 2019</b>
Net invested capital	45,026	51,106
Net financial position	(10,953)	(19,209)
Equity	34,073	31,897



## **The Group and its business**

Alkemy S.p.A. (hereinafter also “Alkemy” or the “Company”) is a leading company in the digital transformation segment in Italy, listed on the STAR segment of the Borsa Italiana 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 more than 500 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.

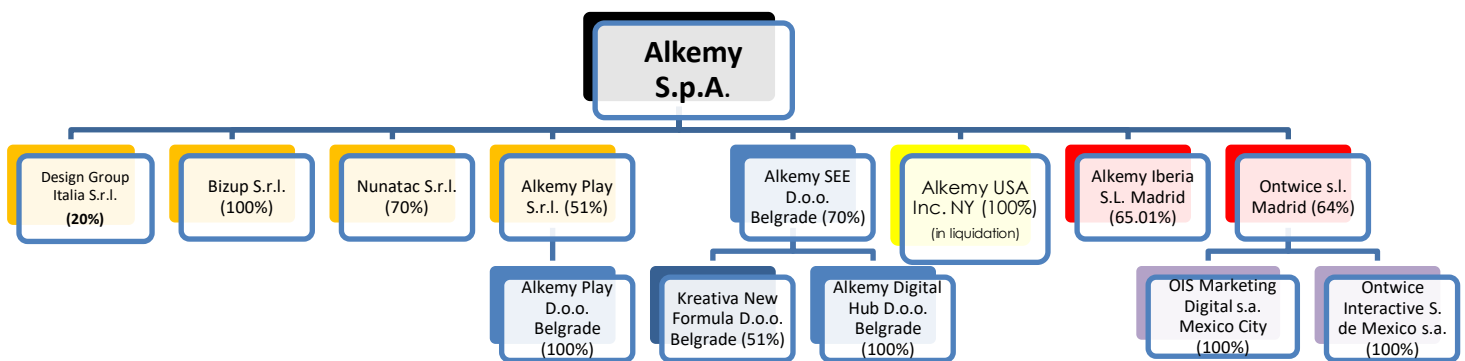
From when it was listed, in just two years, Alkemy has doubled up its turnover and in December 2019, it finalised the switch to Borsa Italiana’s main market, in the STAR segment dedicated to medium enterprises that undertake to meet standards of excellence in terms of transparency, corporate governance 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 30 September 2020.



## Business areas

In February 2020, in response to the continuous evolutions of the market on which the Company operates and to anticipate the needs of its customers, having laid the basis, in 2019, Alkemy modified its mission from “digital enabling” to “enabling evolution”. In other words, the Company is now focussed in enabling the evolution of its customers’ business, with a new offer for a post-digital scenario, designed to stimulate the relevant progress and update. This different positioning entailed, on an organisational level, a different breakdown of operating activities with the identification of five business units, as compared with the 6 previously identified, which are matched with an equal number of Strategic Business Units, in some cases corresponding to the relative companies:

- > **Consulting and performance marketing:** The business unit comprises professionals with solid experience in strategic consultancy and performance marketing. 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 offering 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 BU 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 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 tool, 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. Moreover, the constant contact with start-ups, businesses, universities, co-working, innovative hubs and agencies, allows the company to 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.

### **Operating performance during the first nine months of 2020**

Faced with the COVID-19 emergency, Alkemy's immediate priority was to protect the health of its stakeholders and workers; in actual fact, all employees in Italy began operating in smart working back in February, whilst in Spain, Mexico and Serbia, the change applied starting mid-March. This has been made possible because Alkemy has provided all its workers with the necessary technological equipment and systems able to guarantee the maintenance of full operations in all departments and complete corporate productivity.

This organisational change, in line 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, still at the date of approval of this interim report on operations, for the normal pursuit of Group business. It is also specified that following the capacity to adjust of the Group's operating structure and the resilience and consistency of the business contracted and carried out, during the period, no use was made of temporary lay-off funds or other instruments to support workers, making full use of the available workforce.

In this complex, uncertain context, as better detailed below, the general performance of business was positive; indeed, albeit with consolidated revenues down 12.9% on the first nine months of 2019, following a significant decline on the export markets (-29.0%) and a limited reduction in Italy (-5.0%), there was a significant increase in margins, with the achievement of consolidated adjusted period EBITDA of 3,881 thousand euros, up +77.1% on the previous period and important operative cash generation of approximately +7.5 million euros (0 million euros in the comparison period).





## **Significant events during the period**

Last 8 January, the Company's Board of Directors, having acknowledged the successful completion of the listing process of Alkemy S.p.A. shares on the STAR segment of the telematic stock market (MTA) resolved to execute the plan for the free assignment of ordinary shares in Alkemy S.p.A. (the "2020-2023 Long-Term Incentive Plan", hereinafter the "Plan"), in the favour of the 3 strategic managers and the Company's chairman and chief executive officer.

In February, in response to the continuous evolutions of the market on which the Company operates and to anticipate the needs of its customers, having laid the basis, in 2019, Alkemy extended its mission from "digital enabling" to "enabling evolution". In other words, the Company is now focussed in enabling the evolution of its customers' business, with a new offer for a post-digital scenario, designed to stimulate the relevant progress and update, innovation, growth and profitability. This different positioning entailed, on an organisational level, on the one hand, a different breakdown of the Group's operating activities with the identification of five business units, respectively termed "consulting & performance", "brand experience", "tech", "data & analytics" and "product & space design"; on the other, four new departments have been defined: "M&A, IR & corporate development", "corporate communication", "people & culture" and "marketing & sales operations". This latter department, in particular, is dedicated to both the continuous update of the commercial range offered and the coordination of the business on top clients, on which the Group has decided to focus its activities.

As a consequence of the foregoing, in regard to the e-commerce area, the decision has been made to concentrate the commercial offer on consultancy, services and operative support, which offer higher added value, instead progressively abandoning the management of on-line shops on behalf of customers and the related physical management of products; this was definitively closed during the first half of this year. Following the foregoing, liquidation began in January 2020 of Alkemy USA Inc., an inactive company with no employees, which had offered its support to the e-commerce business overseas only starting from the last four months of 2019; the process is expected to conclude by the end of the year.

Last 24 March, the Company's Board of Directors approved the financial statements as at 31 December 2019 of Alkemy S.p.A., which were then submitted to the approval of the shareholders' meeting on 24 April 2020, which resolved in its favour, carrying the period profits forward. The same shareholders' meeting also confirmed the appointment of Vittorio Massone as director, who had been co-opted last 13 February from the administrative body of Alkemy S.p.A. to replace the director resigning, Matteo De Brabant, 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 on two loans falling due at the end of the first 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 prudently 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.

On 17 July 2020, the Company obtained a loan from Intesa San Paolo S.p.A. for 3,500 thousand euros with a term of 60 months and first quarterly instalment of principal due after 27 months, with a guarantee for 3,000 thousand euros by Mediocredito Centrale S.p.A. by means of the Guarantee Fund for Small and Medium Enterprises (in accordance with Italian Decree Law no. 23/2020, Art.13, paragraph 1). This loan, backed by government benefits and issued at very favourable conditions, was requested by the Company prudently, in a bid to strengthen its total liquidity in the face of possible financial tension and contingent delays that may occur in the current economic context, characterised by extreme uncertainty.

On 23 July 2020, following the resignation of the director (without delegations) Francesco Beraldi, who had collaborated with the Group since January 2015, the Company's Board of Directors co-opted Massimo Canturi, a manager with massive experience in the telecommunications, ICT and services sector. On 11 September 2020, the Company's Board of Directors not only approved the interim financial report at 30 June 2020 but also appointed him General Manager, tasking him with supporting Alkemy as it headed towards the new phase of industrial integration of the various components of the offer and their consequent development. On this same date, the Company's administrative body also approved the draft deed for the merger by acquisition of the company Bizup Srl of Rome, of which Alkemy spa is the sole shareholder, with the aim of increasing the Group's operative structure efficiency and benefiting from commercial and business synergies: it is expected that the operation will be completed by 30 December this year.

On 16 September 2020, the Company obtained an additional loan of 2,000 thousand euros from Banco BPM, with a term of 24 months and first quarterly instalment after 6 months, with government backing for 1,800 thousand euros, just like the last loan from Intesa San Paolo S.p.A., and with underlying purely prudent reasons aimed at further increasing its liquid funds.

## Key financial figures

The Group's reclassified income statement for the first nine months of 2020, compared with the figures booked at 30 September 2019, is as follows:

	Figures in thousands of euros	
	30 Sep. 2020	30 Sep. 2019
<b>Net revenue</b>	<b>52,653</b>	<b>60,433</b>
Costs for services, goods and other operating costs	27,837	36,717
Personnel expense	20,935	21,525
<b>Gross operating profit (loss) (Adjusted EBITDA) (*)<sup>1</sup></b>	<b>3,881</b>	<b>2,191</b>
Amortisation, depreciation and impairment	1,677	1,596
<b>Operating profit</b>	<b>2,204</b>	<b>595</b>
Expense on (income from) equity investments	(55)	80
Financial income (expense)	809	821
Non-recurring expense (income)	46	203
<b>Pre-tax profit</b>	<b>1,404</b>	<b>(509)</b>
Income taxes	591	261
<b>Period profit</b>	<b>813</b>	<b>(770)</b>

<sup>1</sup> (\*) Adjusted EBITDA: net revenues less operating costs, excluding non-recurring income and expense



Other items recognised in equity	(118)	21
<b>Comprehensive period result</b>	<b>695</b>	<b>(749)</b>
Equity attributable to non-controlling interests	(2)	(106)
Profit (loss) attributable to the owners of the parent	697	(643)

The Group's consolidated economic position for the first nine months of 2020 shows total net revenues of 52,653 thousand euros, as compared with 60,433 thousand euros during the previous period, down 7,780 thousand euros (-12.9%), mainly due to foreign companies, which suffered the effects of the pandemic more severely. Instead, revenues realised in Italy, which account for 73.2% of consolidated revenues (67.1% in the same period of 2019), came to 38,537 thousand euros (40,565 thousand euros in the comparison period), down by just 5.0% or -2,027 thousand euros, of which -1,727 thousand euros relates to "Other revenue and income", mainly the lesser public contributions and tax credit relative to research and development carried out during the reference period. The national companies' result is mainly due to both the good performance of the third quarter and the general holding fast of the key Italian accounts and related active contracts, which only partly suffered the local lock-down. Abroad, revenues come to 14,116 thousand euros, down 5,752 thousand euros on the 19,868 thousand euros booked for the same period of 2019 (-29.0%). This reduction is mainly due to the Mexican subsidiary (-5,074 thousand euros on the same period of 2019 or -47.0%), which, following the COVID-19, significantly suffered the slow-down to the tourism-hotel industry in which its key account operates.

Operating costs went from 58,242 thousand euros during the first nine months of 2019 to 48,772 thousand euros during the first nine months of 2020, with a reduction of 9,470 thousand euros on the previous period (-16.3%); the incidence of operating costs on revenues therefore reduced by 3.8%.

Costs for services, of 27,837 thousand euros in 2020 (36,717 thousand euros at 30 September 2019) dropped by 24.2% on the same period of last year. This result is due by way of priority to the multiple efficiency-enhancing actions taken that have led to the insourcing of certain activities previously outsourced, above all in the technology area. Costs have been saved following the spread of work from a remote position, but in any case for fairly limited amounts.

Despite the fact that the average workforce went from 521 employees during the first nine months of 2019 to 524 during the first nine months of 2020, the cost of labour is 20,935 thousand euros in the first nine months of 2020 as compared with 21,525 thousand euros during the first nine months of 2019 (-2.7%). This reduction is due to the rationalisation of personnel expenses of the Italian companies, despite not having used social shock absorbers and/or other benefits available insofar as unnecessary in view of the full use of the workforce. This reduction in personnel expense of the Italian companies 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.

Faced with the reduction in revenues, careful management of ordinary operating costs has led to a



better gross operating profit (loss) (Adjusted EBITDA), which came to 3,881 thousand euros, up 77.1% on the 2,191 thousand euros of the first nine months of 2019. The adjusted EBITDA margin for the first nine months of 2020 is 7.4%, more than double the 3.6% booked in the comparison period.

Operating profit, gross of non-recurring financial income and expense, is 2,204 thousand euros, up on the 595 thousand euros booked at 30 September 2019, improving by 1,609 thousand euros, mainly due to the companies operating on the domestic market.

Period financial income and expense comes to 809 thousand euros as compared with 821 thousand euros for the comparison period.

The period pre-tax profit comes to 1,404 thousand euros, up 1,913 thousand euros on the loss of -509 thousand euros booked during the previous period.

The period profit is 813 thousand euros, as compared with a loss of -770 thousand euros for the previous comparison period.

### Reclassified statement of financial position

Below is the Group's reclassified statement of financial position as at 30 September 2020, compared with that at 31 December 2019:

	Figures in thousands of euros	
	30 Sep. 2020	31 Dec. 2019
<b>Non-current assets</b>	<b>40,688</b>	<b>41,611</b>
Short-term period assets	27,905	40,783
Short-term period liabilities	(18,803)	(26,871)
<b>Net working capital</b>	<b>9,102</b>	<b>13,912</b>
Post-employment benefits	(4,665)	(4,356)
Provision for risks, charges and deferred tax	(99)	(61)
<b>Net invested capital</b>	<b>45,026</b>	<b>51,106</b>
<b>Equity</b>	<b>34,073</b>	<b>31,897</b>
Non-current financial liabilities	17,384	23,044
Current own funds	(6,431)	(3,835)
<b>Net financial position</b>	<b>10,953</b>	<b>19,209</b>
<b>Total sources of finance</b>	<b>45,026</b>	<b>51,106</b>

As concerns equity and financial data, at 30 September 2020, net invested capital came to 45,026 thousand euros, vs 51,106 thousand euros at 31 December 2019; it basically comprised:

- 40,688 thousand euros, fixed assets (41,611 thousand euros at 31 December 2019) of which 31,755 thousand euros for goodwill and 3,301 thousand euros for rights of use, consequent to the application of IFRS 16 (leasing);
- 9,102 thousand euros, net working capital (13,912 thousand euros at 31 December 2019);
- 4,665 thousand euros, severance indemnity (4,356 thousand euros at 31 December 2019).

Shareholders' equity, of 34,073 thousand euros, records a rise during the first nine months of 2020 of



2,176 thousand euros on 31 December 2019 (+6.8%), mainly due to the reduction in option payables (2,262 thousand euros), dividends resolved in the favour of minority shareholders (-951 thousand euros), the positive comprehensive net period result (695 thousand euros) and the increase in the stock option reserve relative to the cost of the plans of competence of the period (157 thousand euros).

The net financial position (negative) is 10,953 thousand euros (negative for 19,209 thousand euros at 31 December 2019) and the main change relates to the increase in period liquid funds and the reduction in value of the payables from put options, which more than offset the increased seen in financial payables contracted, as described in greater details over the next paragraph.

### Main financial figures

The table below details the net financial position as at 30 September 2020 compared with that at 31 December 2019:

	Figures in thousands of euros	
	30 Sep. 2020	31 Dec. 2019
Bank deposits	20,974	9,572
Cash on hand	9	9
<b>Cash and cash equivalents</b>	<b>20,983</b>	<b>9,581</b>
Bank loans and borrowings	(12,653)	(8,866)
Put option liabilities	(2,087)	(10,973)
Loans and borrowings from other financial backers	(85)	(102)
Lease liabilities from application of IFRS 16	(2,559)	(3,103)
<b>Non current financial liabilities</b>	<b>(17,384)</b>	<b>(23,044)</b>
Bank loans and borrowings	(4,410)	(2,497)
Put option liabilities	(9,305)	(2,369)
Loans and borrowings from other financial backers	(30)	(36)
Lease liabilities from application of IFRS 16	(807)	(844)
<b>Current financial liabilities</b>	<b>(14,552)</b>	<b>(5,746)</b>
<b>Net financial position</b>	<b>(10,953)</b>	<b>(19,209)</b>

The Group's net financial position as at 30 September 2020 is negative for 10,953 thousand euros (negative for 19,209 thousand euros at 31 December 2019), with a period improvement of 8,256 thousand euros. This change, detailed and explained in the Statement of Cash Flows given over the next few pages, is mainly due to:

- 11,402 thousand euros for the increase in liquid funds;
- 1,950 thousand euros mainly relative to the redetermination of the value of the put options as a consequence of the update of the three-year plan reviewed by the BoD in July 2020, the effects of which had already been reflected in the Interim Financial Report;
- 3,787 thousand euros relative to the increase in medium-term bank loans stipulated the period. In order to facilitate the Group's financial management, Alkemy S.p.A. has stipulated (i) in February 2020, a medium-term loan with CREDEM for 500 thousand euros with a term of 36 months, with repayment in quarterly instalments through to February 2023; (ii) in July, a loan with Intesa San Paolo S.p.A. for 3,500 thousand euros with a term of 60 months, with



repayment in quarterly instalments ending July 2025; (iii) in September, a loan with Banco BPM for 2,000 thousand euros with Banco BPM, as detailed below.

- 1,913 thousand euros for the increase in the short-term portions of bank loans, mainly referring to the new loans described above and to the end of the pre-amortisation periods of certain loans stipulated in 2019.

On 16 September 2020, the Company obtained a new loan from Banco BPM for 2,000 thousand euros with a term of 24 months and first quarterly instalment after 6 months, with the last instalment in September 2022, backed by a guarantee given for 1,800 thousand euros by Mediocredito Centrale S.p.A. by means of the Guarantee Fund for Small and Medium Enterprises (in accordance with Italian Decree Law no. 23/2020, Art.13, paragraph 1).

The increase in short-term debt is mainly linked to the approach of the date of exercise of the put options on the shares held by the minority shareholders, which for the two companies Nunatac and Ontwice Spain is contractually envisaged in the next 12 months, as well as for that described above in the increased short-term portion of bank debt.

## **Significant subsequent events**

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

Last 8 October, as envisaged by contract, the Company exercised its call option over 16% of the share capital of Ontwice S.l. (Madrid), in exchange for payment of 2,561 thousand euros, entirely paid for cash as at the date of purchase - with consequent increase in the equity investment of Alkemy, from 64% to 80%.

Last 9 October, due to the shareholders' meeting resolution passed on 07 May 2019, the Chief Executive Officer appointed the intermediary, Intermonte Sim S.p.A., to proceed, starting last 12 October and until this coming 16 November, with the purchase on the market of Company shares at a unit price of up to Euro 7, for up to a maximum of 30,000 units and a total equivalent value of no more than Euro 200,000. These purchases will be made in compliance with current legislation, in particular with the provisions of Art. 132 of Italian 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.

## **Outlook**

As at the date on which this Interim Report on Operations, all Italian and foreign companies of the Group continue their work almost entirely from a remote position, also in line with the instructions given by the various local governments on the prevention of the spread of the pandemic, which differ in the various countries and regions in which the Group has its offices and businesses. The Group's management continues to constantly monitor the developments of the pandemic events, in order to be able to react promptly, taking all action necessary to limit any possible further impact on worker health and safety and business.



The evolution of operations over the last few months of 2020 will mainly depend on exogenous factors principally correlated with the pandemic, the consequent changes in the related reference markets, the resilience of customer businesses, government intervention in support of the economy in general and investments in digitising companies.

Taking into account the results achieved in the first three quarters of 2020 and the current progress made on business, save for any further downturns to events that cannot currently be predicted (i.e. further continuation or worsening or extension of lock-downs), it is confirmed that the Group expects to close this year with EBITDA that exceeds that of 2019, despite the reduction in revenues already forecast for the last quarter of the year, on both domestic and export markets, as a consequence of the adoption of the current contagion containment measures.



# **Alkemy S.p.A.**

Consolidated financial statements  
at 30 September 2020 and notes





## Financial statements

### Consolidated income statement

		Figures in thousands of euros	
	Note	30 Sep. 2020	30 Sep. 2019
Revenue from sales and services	1	51,994	58,059
Other revenue and income	2	659	2,374
<b>Total operating revenue and income</b>		<b>52,653</b>	<b>60,433</b>
Costs for services, goods and other operating costs	3	(27,837)	(36,845)
- of which non-recurring		0	(128)
Personnel expense	4	(20,981)	(21,600)
- of which non-recurring		(46)	(75)
<b>Total costs and other operating costs</b>		<b>(48,818)</b>	<b>(58,445)</b>
<b>Gross operating profit</b>		<b>3,835</b>	<b>1,988</b>
Depreciation	5	(1,292)	(1,320)
Provisions and impairment	6	(385)	(276)
<b>Operating profit</b>		<b>2,158</b>	<b>392</b>
Net gains (losses on) equity investments	7	55	(80)
Financial income	8	453	264
Financial expense	9	(1,262)	(1,085)
<b>Pre-tax profit (loss)</b>		<b>1,404</b>	<b>(509)</b>
Income taxes	10	(591)	(261)
<b>Profit/(loss) for the period</b>		<b>813</b>	<b>(770)</b>
<b>Attributable to:</b>			
- Owners of the parent		815	(664)
- Non-controlling interests		(2)	(106)



## Consolidated statement of comprehensive income

	Figures in thousands of euros	
	30 Sep. 2020	30 Sep. 2019
<b>Profit/(loss) for the period</b>	<b>813</b>	<b>(770)</b>
<b>Items that are or may be reclassified subsequently to profit or loss:</b>		
Foreign operations - foreign currency translation differences	(118)	21
<b>Total items that are or may be reclassified subsequently to profit or loss</b>	<b>(118)</b>	<b>21</b>
<b>Total other profit/(loss) net of the tax effect</b>	<b>(118)</b>	<b>21</b>
<b>Total comprehensive income/(expense)</b>	<b>695</b>	<b>(749)</b>
<b>Attributable to:</b>		
- Owners of the parent	697	(643)
- Non-controlling interests	(2)	(106)



## Consolidated statement of financial position

	Figures in thousands of euros	
<b>Assets</b>	<b>30 Sep. 2020</b>	<b>31 Dec. 2019</b>
<b>Non-current assets</b>		
Property, plant and equipment	850	980
Right-of-use assets	3,301	3,907
Goodwill	31,755	31,752
Intangible assets with a finite useful life	701	971
Equity investments	1,133	1,078
Non-current financial assets	1,668	1,555
Deferred tax assets	1,105	1,203
Other non-current receivables and assets	175	165
<b>Total non-current assets</b>	<b>40,688</b>	<b>41,611</b>
<b>Current assets</b>		
Inventories	31	61
Trade receivables	22,818	31,791
Current financial assets	82	115
Tax assets	1,438	3,663
Other current assets	3,536	5,153
Cash and cash equivalents	20,983	9,581
<b>Total current assets</b>	<b>48,888</b>	<b>50,364</b>
<b>Total assets</b>	<b>89,576</b>	<b>91,975</b>



## Consolidated statement of financial position

	Figures in thousands of euros	
<b>Liabilities and Shareholders' Equity</b>	<b>30 Sep. 2020</b>	<b>31 Dec. 2019</b>
<b>Equity</b>		
Share capital	588	588
Reserves	32,338	31,274
Profit/(loss) for the period	815	(139)
<b>Equity attributable to owners of the parent</b>	<b>33,741</b>	<b>31,723</b>
<b>Equity attributable to non-controlling interests</b>	<b>332</b>	<b>174</b>
<b>Total net equity</b>	<b>34,073</b>	<b>31,897</b>
<b>Non-current liabilities</b>		
Financial liabilities	12,738	8,968
Lease liabilities from right of use	2,559	3,103
Put option liabilities	2,087	10,973
Employee benefits	4,665	4,356
Provisions for risks and charges	72	44
Deferred tax liabilities	27	17
<b>Total non-current liabilities</b>	<b>22,148</b>	<b>27,461</b>
<b>Current liabilities</b>		
Financial liabilities	4,440	2,533
Lease liabilities from right of use	807	844
Put option liabilities	9,305	2,369
Trade payables	11,440	17,142
Tax liabilities	1,458	1,617
Other liabilities	5,905	8,112
<b>Total current liabilities</b>	<b>33,355</b>	<b>32,617</b>
<b>Total liabilities</b>	<b>55,503</b>	<b>60,078</b>
<b>Total liabilities and equity</b>	<b>89,576</b>	<b>91,975</b>



## Consolidated statement of cash flows

	Figures in thousands of euros	
	30 Sep. 2020	30 Sep. 2019
<b>Cash flow from operating activities</b>		
Profit/(loss) for the period	813	(770)
Financial income	(453)	(264)
Expense on (income from) equity investments	(55)	80
Financial expense	1,262	1,085
Income taxes	591	261
Depreciation	1,292	1,320
Provisions and impairment	385	276
Cost for share-based payments	525	336
Decrease (increase) in inventories	30	72
Decrease (increase) in trade receivables	8,616	4,558
Increase (decrease) in trade payables	(5,702)	(3,901)
Decrease (increase) in other assets	3,726	(552)
Increase (decrease) in other liabilities	(3,163)	(2,011)
Financial expenses paid	(195)	(146)
Income tax paid	(158)	(367)
<b>Net cash from (used in) operating activities</b>	<b>7,514</b>	<b>(23)</b>
<b>Investments</b>		
(Investments) divestments of tangible and intangible assets	(152)	(489)
Decrease (increase) in financial assets	(113)	(210)
Acquisition of equity investments	0	(1,036)
Acquisition (disposal) of equity investments, net of liquid funds acquired	0	(63)
<b>Net cash used in investing activities</b>	<b>(265)</b>	<b>(1,798)</b>
<b>Cash flows from financing activities</b>		
Increase (decrease) in financial liabilities	5,625	8,153
Change in financial liabilities pursuant to IFRS 16	(715)	(751)
Change in treasury shares	0	(438)
Dividends paid to non-controlling interests	(667)	(662)
Other changes in equity	0	1,033
Share capital increases	0	14
Payment of put option liabilities	(90)	(5,585)
<b>Net cash flow used in financing activities</b>	<b>4,153</b>	<b>1,764</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>11,402</b>	<b>(57)</b>
<b>Opening net liquid funds</b>	<b>9,581</b>	<b>10,098</b>
<b>Closing net liquid funds</b>	<b>20,983</b>	<b>10,041</b>

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
<b>Balance at 31 December 2018</b>	<b>574</b>	<b>(331)</b>	<b>104</b>	<b>28,714</b>	<b>2,325</b>	<b>3,247</b>	<b>34,633</b>	<b>274</b>	<b>34,907</b>
Allocation of the profit for the year	-	-	99	-	3,148	(3,247)	-	-	-
Purchase of treasury shares	-	(438)	-	-	-	-	(438)	-	(438)
Stock options	-	-	-	336	-	-	336	-	336
Stock options - exercise	14	-	-	955	-	-	969	-	969
Change in put option liabilities	-	-	-	-	(171)	-	(171)	-	(171)
Dividends to non-controlling interests	-	-	-	-	(1,018)	-	(1,018)	-	(1,018)
Other movements	-	-	-	-	79	-	79	-	79
Other comprehensive profit (loss)	-	-	-	21	-	-	21	-	21
Profit for the period	-	-	-	-	-	(664)	(664)	(106)	(770)
<b>Balance at 30 September 2019</b>	<b>588</b>	<b>(769)</b>	<b>203</b>	<b>30,026</b>	<b>4,363</b>	<b>(664)</b>	<b>33,747</b>	<b>168</b>	<b>33,915</b>

	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
<b>Balance at 31 December 2019</b>	<b>588</b>	<b>(912)</b>	<b>203</b>	<b>29,926</b>	<b>2,057</b>	<b>(139)</b>	<b>31,723</b>	<b>174</b>	<b>31,897</b>
Allocation of the profit for the year	-	-	-	-	(139)	139	-	-	-
Stock options	-	-	-	157	-	-	157	-	157
Change in put option liabilities	-	-	-	-	2,151	-	2,151	111	2,262
Dividends to non-controlling interests	-	-	-	-	(951)	-	(951)	-	(951)
Other movements	-	-	-	-	(36)	-	(36)	49	13
Other comprehensive profit (loss)	-	-	-	(118)	-	-	(118)	-	(118)
Profit for the period	-	-	-	-	-	815	815	(2)	813
<b>Balance at 30 September 2020</b>	<b>588</b>	<b>(912)</b>	<b>203</b>	<b>29,965</b>	<b>3,082</b>	<b>815</b>	<b>33,741</b>	<b>332</b>	<b>34,073</b>



## **Notes to the consolidated financial statements**

### **Basis of presentation and consolidation standards**

The Alkemy Group Interim Report on Operations as at 30 September 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 period.

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 13 November 2020 and on that same date, the same body authorises its publication.



## Consolidated income statement

### 1. Revenue from sales and services

Revenue from sales and services comes to 51,994 thousand euros (58,059 thousand euros as at 30 September 2019) and can be broken down as follows:

	Figures in thousands of euros	
	30 Sep. 2020	30 Sep. 2019
Sales of services	51,992	57,887
Sales of products	2	172
<b>Total revenue from sales and services</b>	<b>51,994</b>	<b>58,059</b>

Turnover realised during the first nine months of 2020 is down 6,065 thousand euros on the same period of the previous year and is mainly due to the foreign companies, which were the worst struck by the effects of the COVID-19 pandemic.

Please note that product sales have now been completed following the repositioning of e-commerce assets, now focussed on strategic and operative consultancy.

### 2. Other revenue and income

Other revenue and income totals 659 thousand euros (2,374 thousand euros at 30 September 2019), as follows:

	Figures in thousands of euros	
	30 Sep. 2020	30 Sep. 2019
Government grants	360	1,223
Tax asset pursuant to Decree Law no. 145/2013	173	1,048
Other revenue	126	103
<b>Total other revenue and income</b>	<b>659</b>	<b>2,374</b>

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 1,223 thousand euros during the previous period, to 360 thousand euros following the reduction of these activities. Consequently, a reduction is recorded in the tax credit accrued on investments in research and development pursuant to Decree Law no. 145/2013, which goes from 1,048 thousand euros in the first nine months of 2019 to 173 thousand euros during this period.

### 3. Costs for services, goods and other operating costs

Services, goods and other operating costs comes to 27,837 thousand euros (36,845 thousand euros at 30 September 2019), as detailed hereto:





	Figures in thousands of euros	
	30 Sep. 2020	30 Sep. 2019
Services	27,427	36,179
Purchase of raw materials	190	285
Change in inventories	28	38
Lease costs	48	85
Other operating costs	144	258
<b>Total</b>	<b>27,837</b>	<b>36,845</b>

### Services

Costs for services come to 27,427 thousand euros (36,179 thousand euros as at 30 September 2019) and are detailed below:

	Figures in thousands of euros	
	30 Sep. 2020	30 Sep. 2019
Services for customers	25,140	32,753
Consultancy and legal expenses	394	441
Maintenance services	198	263
Other consultancy	189	275
Administrative services	187	163
Travel and transfer expenses	172	499
Restaurant vouchers	158	292
Insurance	153	131
Audit fees	121	87
Postal, telephone and data transmission services	118	105
Payslip processing	104	99
Marketing services	71	116
Collaborators' fees	67	60
Logistics services	64	327
Condominium and supervisory expenses	62	65
Cleaning expenses	58	69
Board Statutory Auditors' fees	52	39
Banking services	42	76
Utilities	32	58
Commercial services	15	113
Non-recurring translisting costs	0	128
Other services	30	20
<b>Total services</b>	<b>27,427</b>	<b>36,179</b>

"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 144 thousand euros (258 thousand euros as at 30 September 2019) and mainly regard costs from previous years, as well as, to a lesser extent, sanctions, stamp duty and membership rates and fees.

### **4. Personnel expense**

Personnel expense comes to 20,981 thousand euros (21,600 thousand euros at 30 September 2019) and consist of the following:

	Figures in thousands of euros	
	<b>30 Sep. 2020</b>	<b>30 Sep. 2019</b>
Wages and salaries	14,536	14,945
Directors' fees	1,051	1,223
Social security expenses	4,058	4,158
Costs for defined benefit plans	784	897
Cost for share-based payments	525	336
Other personnel expense	27	41
<b>Total personnel expense</b>	<b>20,981</b>	<b>21,600</b>

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 on 17 December 2019).

The average number of employees during the first nine months of 2020 was 524 (521 in the same period of 2019).

the cost of labour was 20,981 thousand euros in the first nine months of 2020 vs 21,600 thousand euros in the first nine months of 2019 (-2.9%). This reduction is due to the rationalisation of personnel expenses of the Italian companies.

### **5. Depreciation**

Amortisation/depreciation comes to 1,292 thousand euros (1,320 thousand euros at 30 September 2019) and consists of:

- 739 thousand euros (699 thousand euros at 30 September 2019) relate to the application of standard IFRS 16;
- 316 thousand euros (375 thousand euros at 30 September 2019) for the amortisation of intangible fixed assets.
- 237 thousand euros (246 thousand euros at 30 September 2019) for the depreciation of property, plant and equipment.



## 6. Provisions and impairment

Provisions come to 385 thousand euros (276 thousand euros at 30 September 2019) and are detailed as follows:

- 216 thousand euros (266 thousand euros in the first nine months of 2019) refers to the impairment of trade receivables;
- 139 thousand euros (zero in the first nine months of 2019) refer to the impairment of a receivable relative to a subsidised finance project;
- 30 thousand euros (10 thousand euros in the first nine months of 2019) refer to the provision for risks.

## 7. Net gains (losses on) equity investments

Net gains (losses) on equity investments amount to 55 thousand euros (a negative 80 thousand euros at 30 September 2019) and refer to the equity-accounted associate Design Group Italia.

## 8. Financial income

Financial income comes to 453 thousand euros (264 thousand euros at 30 September 2019) and refers to exchange gains, for the most part relative to the subsidiary Ontwice Interactive Services S.A. Mexico City, which also give rise to most of the exchange losses for 594 thousand euros, included in financial expense and as detailed below. 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 2020 saw the USD/MXN exchange rate rise by more than 20%.

## 9. Financial expense

Financial expense comes to 1,262 thousand euros (1,085 thousand euros at 30 September 2019) and is detailed below:

	Figures in thousands of euros	
	30 Sep. 2020	30 Sep. 2019
Exchange losses	594	271
Interest from put option liabilities	399	540
Interest expense on loans	140	49
Interest on leases	87	81
Interest expense on current accounts	2	1
Loss on the sale of equity investments	0	127
Other financial expense	40	16
<b>Total financial expense - third parties</b>	<b>1,262</b>	<b>1,085</b>

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 591 thousand euros (261 thousand euros as at 30 September 2019) and is detailed as follows:

	Figures in thousands of euros	
	30 Sep. 2020	30 Sep. 2019
Current income tax	397	456
Current IRAP tax	146	137
Change in deferred tax assets	61	(347)
Change in deferred tax liabilities	10	15
Previous years' tax	(23)	0
<b>Total taxes</b>	<b>591</b>	<b>261</b>



## 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 30 September 2020 vs 31 December 2019:

	Figures in thousands of euros	
	30 Sep. 2020	31 Dec. 2019
A Cash	9	9
B Other cash and cash equivalents	20,974	9,572
C Securities held for trading	-	-
<b>D Cash and cash equivalents (A+B+C)</b>	<b>20,983</b>	<b>9,581</b>
E Current loans	82	82
F Current bank loans and borrowings	-	41
G Current portion of non-current debt	4,410	2,458
H Other current financial liabilities	10,142	3,248
<b>I Current financial debt (F+G+H)</b>	<b>14,552</b>	<b>5,747</b>
<b>J Net current financial debt (I-E-D)</b>	<b>(6,513)</b>	<b>(3,916)</b>
K Non-current bank loans and borrowings	12,653	8,864
L Bonds issued	-	-
M Other non-current financial liabilities	4,731	14,179
<b>N Non-current financial debt (K+L+M)</b>	<b>17,384</b>	<b>23,043</b>
<b>O Net Financial Debt (J+N)</b>	<b>10,871</b>	<b>19,127</b>

Milan, 13 November 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 30 September 2020, coincides with the documentary evidence, ledgers and accounting records.

Milan, 13 November 2020

signed Claudio Benasso

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