Alkemy S.p.A.

Annual Financial Report
at 31 December 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

Corporate bodies of Alkemy S.p.A.

Board of Directors

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

Independent Auditors

KPMG S.p.A.

Letter from the Chief Executive Officer

Shareholders,

After 8 years of strong growth focussed mainly on developing the business and top line, with the close of 2020, Alkemy has begun to record the first positive effects of the industrialisation process launched in 2019 with the aim of achieving structurally higher margins.

2020 confirmed the resilience of our services, in particularly in Italy, and showed strong growth in margins. Faced with declining revenues, mainly abroad (from € 84.5 M in 2019 to € 74.9 M), outlooks with respect to the COVID-19 emergency to which the customers of the Mexican subsidiary were mainly exposed, Alkemy saw Group EBITDA grow by more than 23%, from € 5.0 M in 2019 to € 6.2 M, laying the foundations for further margin growth starting 2021.

The year that has just ended, as we all known from direct experience, was a particularly intense one, with continuous, unforeseeable changes in the social, economic and health scenarios. And it is precisely amidst this great global uncertainty that instead the two essential pillars have been confirmed, on which Alkemy, since it was first established back in May 2012, has hinged its very *raison d'être*: the strategic, essential nature of the services offered to our customers and the importance of our people.

2020 has taught us that the digital transition is no longer merely necessary but is actually in progress, inevitable and sometimes dramatically urgent. Throughout the year, on the strength of our new operative model, we have stood alongside our customers, adapting our offer to fit with the difficulties of the moment. Our customers have acknowledged the essential nature of our services and strengthened their collaboration with us. During the year, in fact, the average turnover of our top 50 customers grew by approximately 10%.

All this has been made possible only thanks to our people, who are our most important asset of all. And this is precisely why we have chosen not to apply for any form of temporary lay-off fund, because here in Alkemy, we recognise the value of our people and have chosen to leave no one behind, continuing to invest in everyone. The response has been exceptional. Despite the young average age, everyone responded enthusiastically to the challenges that this year has brought with it, working even harder and with even greater devotion and relying on the concept of freedom and responsibility, which is one of our cornerstones.

The new model with which Alkemy is making the important switch from "boutique" to "industry", sees the evolution away from an organisation for competences and towards one for functions, in 2021. Thus we have introduced a go-to-market structure that is entirely dedicated to our customers, with organic growth and development objectives, flanked by a delivery structure, which instead aims to create synergies between the various competence centres, innovating the offer continuously and using resources more efficiently.

Strengthened by a new, more solid organisational structure, as independent company leading the digital transformation and hinged on a market that in Italy alone is worth more than 6 billion, Alkemy is now in the best position possible to make full use of the opportunities offered up for future growth by the digital transition.

Duccio Vitali,

Chief Executive Officer of Alkemy S.p.A.

Highlights

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

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Net revenue	74,932	84,520
Gross operating profit (loss) (Adjusted EBITDA) [1]	6,195	5,030
Operating profit	3,369	2,956
Profit (loss) for the year	1,822	(240)
Average number of employees	531	512

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Italy revenues	53,257	57,112
Export revenues	21,675	27,408
Net revenue	74,932	84,520

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Net invested capital	43,856	51,106
Net financial position	(12,460)	(19,209)
Equity	31,396	31,897

[1] Adjusted EBITDA is the value determined by deducting the Costs for services, goods and other operating costs and Personnel expense, with the exclusion of non-recurring costs, from the revenues.

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 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.

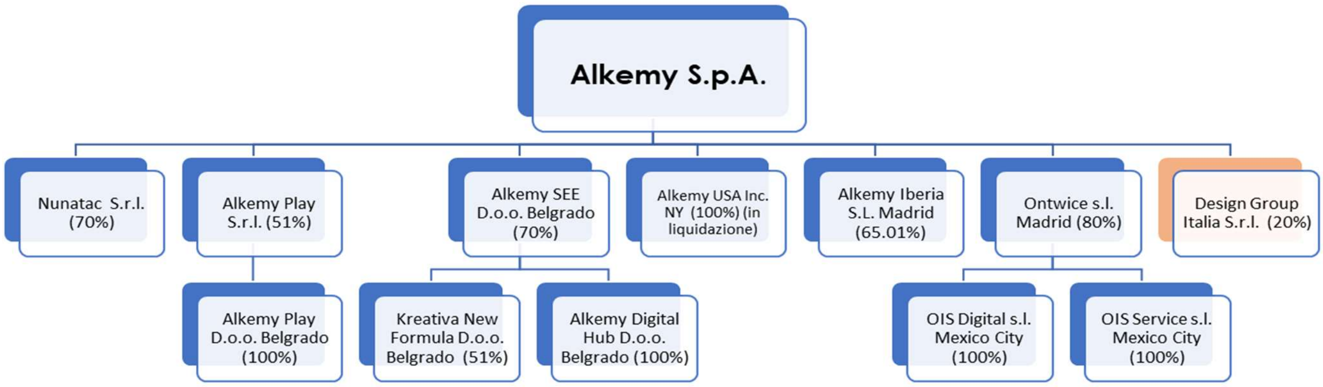
Alkemy currently numbers 8 offices: in addition to the Milan headquarters, it also operates out of Turin, Rome, Cagliari and Rende (Cosenza), with a Research & Development laboratory, Madrid, Belgrade and Mexico City.

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.
As at 31 December 2020, the Alkemy Group structure is as follows:



Nunatac S.r.l.: company acquired during H1 2018, held 70% (30% by two of the founding members), specialised in data analysis for businesses, big data and predictive modelling.

Alkemy Play S.r.l.: company established in 2017, operating in digital communication services for SMEs.

Alkemy Play D.o.o.: company based in Belgrade, established in 2017, operating in the development of IT and technological services.

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

Alkemy Digital Hub D.o.o.: company based in Belgrade, established in H1 2018, whose share capital is held 100% by Alkemy SEE D.o.o. This year, 49% was acquired by the Nelt Group (leaders in the Balkans in distribution, logistics and marketing). During the last quarter of 2019, Alkemy Digital Hub D.o.o sold the whole capital of Tako Lako D.o.o.

Alkemy USA Inc. in liquidation: company based in New York, acquired in 2013, not operative.

Alkemy Iberia S.L.: company based in Madrid, established in 2017 with capital held 24.9% by the Chief Executive Officer and 10% by local entrepreneurs; it operates in strategic consultancy and digital advisory services.

Ontwice Interactive Service S.l.: company based in Madrid, acquired in July 2018, of which Alkemy S.p.A. holds 80% of the capital (with completion of the remaining 20% of the share capital through put&call options to be exercised in September 2021); it is one of the leading digital agencies in Spain and wholly owns the two Mexican companies based in Mexico City, **Ontwice Interactive Services de Mexico s.a**. and **Ois Marketing Digital s.a.**, both operating on local markets in digital services, communication and media.

Design Group Italia S.r.l.: company operating in "innovation & design", described below, in which we hold 20% of the capital. The put&call options envisaged by contract, will allow the Parent Company to acquire the majority of the capital in 2021 and the whole of the capital in 2023.

Business areas

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

Report on Operations

FY 2020 performance

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 2020, whilst in Spain, Mexico and Serbia, the change applied starting the following 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 annual financial report, for the normal pursuit of Group business, with the vast majority of staff still working from home. 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 FY 2020 and to date, 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 11.3% on FY 2019, following a significant decline on the export markets (-20.9%) and a limited reduction in Italy (-6.7%), there was a significant increase in margins: consolidated adjusted EBITDA came to 6,195 thousand euros, up +23.2% on the previous year and important operative cash generation of approximately +9.6 million euros, as compared with the approximately +1.7 million euros last year.

Main economic figures

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

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Net revenue	**74,932**	**84,520**
Costs for services, goods and other operating costs	40,100	50,212
Personnel expense	28,637	29,278
Gross operating profit (loss) (Adjusted EBITDA)	**6,195**	**5,030**
Amortisation, depreciation and impairment	2,826	2,074
Operating profit	**3,369**	**2,956**
Expense on (income from) equity investments	(96)	(33)
Financial income (expense)	697	1,194
Non-recurring expense (income)	224	1,549
Pre-tax profit	**2,544**	**246**
Income taxes	722	486
Profit (loss) for the year	**1,822**	**(240)**
Other items recognised in equity	(309)	(124)
Comprehensive income (expense) for the year	**1,513**	**(364)**
Equity attributable to non-controlling interests	30	(101)
Profit (loss) attributable to the owners of the parent	1,483	(263)

The Group's consolidated economic position for 2020 shows total net revenues of 74,932 thousand euros, as compared with 84,520 thousand euros during the previous year, down 9,588 thousand euros (-11.3%), mainly due to foreign companies, which suffered the effects of the pandemic more severely. In actual fact, domestic revenues now account for 71.1% of the consolidated total, as compared with 67.6% in 2019.

2020 revenues realised in Italy limit their downturn to 6.7% as compared with the previous year and total 53,257 thousand euros, as compared with 57,112 thousand euros in 2019, thereby declining by -3,855 thousand euros; of the latter, 2,249 thousand euros relates to "Other revenues and income", mainly comprising lesser public contributions and lesser tax credit relating to research and development carried out in FY 2020. The national companies' result is mainly due to both the good performance of the second half and the general holding fast of the key Italian accounts and related active contracts, which only partly suffered the local lock-down effects. Abroad, revenues come to 21,675 thousand euros, down -5,733 thousand euros on the 27,408 thousand euros booked for 2019 (-20.9%). This reduction is mainly due to the Mexican subsidiary (-5,991 thousand euros on 2019 or -41%), which, following the COVID-19, significantly suffered the slow-down to the tourism-hotel industry in which its key account operates. Vice versa, on the Spanish market, H2 2020 saw a significant recovery of turnover, which exceeded the volume of last year.

Operating costs (net of non-recurring components) went from 79,490 thousand euros in 2019 to 68,737 thousand euros in 2020, down 10,753 thousand euros on the previous year (-13.5%); the incidence of operating costs on revenues therefore dropped by 2.3%.

Costs for services, of 40,100 thousand euros in 2020 (50,212 thousand euros in 2019) dropped by 20.1% on last year. This result is due by way of priority to the multiple efficiency-enhancing actions taken during the year that have led, in particular for the Parent Company, 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, in connection with meal vouchers and travel costs.

Despite the fact that the average workforce has gone from 512 employees in 2019 to 531 in 2020. The cost of labour is 28,637 thousand euros in 2020 as compared with 29,278 thousand euros in 2019 (-2.2%). 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 national 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 6,195 thousand euros, up 23.2% on the 5,030 thousand euros of 2019. The 2020 adjusted EBITDA margin[2] thus came to 8.3%, as compared with 6.0% during the comparative year, up 2.3%.

Operating profit, gross of non-recurring income and expense, is 3,369 thousand euros, up on the 2,956 thousand euros booked at 31 December 2019, improving by 413 thousand euros (+14% on 2019), mainly due to the companies operating on the domestic market.

Period financial income and expense came to 697 thousand euros as compared with the 1,194 thousand euros in the comparison year, down 497 thousand euros, mainly due to lesser interest on payables for put options (254 thousand euros vs 766 thousand euros in 2019).

Non-recurring income and expense, which can be attributed entirely to the Parent Company, came to 224 thousand euros and refer to non-ordinary personnel costs. Last year, this item, for 1,549 thousand euros, included both costs incurred for listing the Company's shares on the STAR segment of the telematic stock exchange (1,192 thousand euros) and extraordinary staff costs (357 thousand euros).

The period pre-tax profit comes to 2,544 thousand euros, up 2,298 thousand euros on the profit of 246 thousand euros booked during the previous year.

The period net result is positive for 1,822 thousand euros as compared with the loss of -240 thousand euros last year.

[2] The adjusted EBITDA Margin is calculated by comparing the adjusted EBITDA to total revenues and income.

Main balance sheet figures

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

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Non-current assets	**40,877**	**41,611**
Short-term period assets	35,333	40,783
Short-term period liabilities	(26,961)	(26,871)
Net working capital	**8,372**	**13,912**
Post-employment benefits	(5,087)	(4,356)
Provision for risks, charges and deferred tax	(306)	(61)
Net invested capital	**43,856**	**51,106**
Equity	**31,396**	**31,897**
Non-current financial liabilities	16,969	23,044
Current own funds	(4,509)	(3,835)
Net financial position	**12,460**	**19,209**
Total sources of finance	**43,856**	**51,106**

As concerns equity and financial data, at 31 December 2020, net invested capital came to 43,856 thousand euros, vs 51,106 thousand euros at 31 December 2019; it basically comprised:

- 40,877 thousand euros, fixed assets (41,611 thousand euros at 31 December 2019) of which 31,755 thousand euros for goodwill and 3,122 thousand euros for rights of use, consequent to the application of IFRS 16 (leasing);
- 8,372 thousand euros, net working capital (13,912 thousand euros at 31 December 2019);
- 5,087 thousand euros, severance indemnity (4,356 thousand euros at 31 December 2019).

In 2020, shareholders' equity, of 31,396 thousand euros, records a decline of 501 thousand euros on 31 December 2019 (-1.6%), mainly due to the reduction in option payables (-1,092 thousand euros), dividends resolved in the favour of Spanish minority shareholders ((-952 thousand euros), purchases of treasury shares (-181 thousand euros), offset to a large extent by the increase in the positive comprehensive net period result (1,513 thousand euros) and the increase in the stock option reserve relative to the cost of the plans of competence of the period (211 thousand euros).

The net financial position (negative) is 12,460 thousand euros (negative for 19,209 thousand euros at 31 December 2019) and its change with respect to last year is detailed in the next paragraph.

Main financial figures

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

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Bank deposits	18,835	9,572
Cash on hand	5	9
Cash and cash equivalents	**18,840**	**9,581**
Bank loans and borrowings	(11,353)	(8,866)
Put option liabilities	(3,115)	(10,973)
Loans and borrowings from other financial backers	(86)	(102)
Lease liabilities from application of IFRS 16	(2,415)	(3,103)
Non current financial liabilities	**(16,969)**	**(23,044)**
Bank loans and borrowings	(4,616)	(2,497)
Put option liabilities	(8,923)	(2,369)
Loans and borrowings from other financial backers	(16)	(36)
Lease liabilities from application of IFRS 16	(776)	(844)
Current financial liabilities	**(14,331)**	**(5,746)**
Net financial position	**(12,460)**	**(19,209)**

The Group's net financial position as at 31 December 2020 is negative for 12,460 thousand euros (negative for 19,209 thousand euros at 31 December 2019), with a period improvement of 6,749 thousand euros. This change, detailed and explained in the Statement of Cash Flows given over the next few pages, is mainly due to:

- +9,259 thousand euros for the increase in liquid funds;
- +1,304 thousand euros for lesser put option payables, which, on the one hand, reduced during the year due to the exercise of those accrued, with the payment of 2,650 thousand euros, and on the other, increased due to the updated valuations of the options maturing in future years (1,346 thousand euros);
- +756 thousand euros for the decrease in short and medium-term financial lease payables;
- -2,487 thousand euros relative to the increase in medium-term bank loans stipulated during the year. 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 Sanpaolo 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;
- -2,119 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.

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 Ontwice Spain and for a first portion of Kreativa New Formula, is contractually envisaged in the next 12 months, as well as for that described above in the increased short-term portion of bank debt.

For three of the loans in place, equal to 7,782 thousand euro as at 31 December 2020, respect for financial covenants is envisaged, as detailed in note 28 to the consolidated financial statements and separate financial statements of FY 2020, to which we would refer you.

Significant events during the year

On 08 January 2020, 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 the 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 2021.

On 24 March 2020, 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 Sanpaolo (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 Sanpaolo 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 3,150 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 Massimo Canturi as General Manager, conferring upon him the necessary delegations and 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 S.r.l. of Rome, of which Alkemy S.p.A. was the sole shareholder, with the aim of increasing the Group's operative structure efficiency and benefiting from commercial and business synergies. This merger comes as part of the most extensive Group corporate reorganisation process, aimed at simplifying the structure and further optimising the current commercial, operative and equity synergies.

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 Sanpaolo S.p.A., and with underlying purely prudent reasons aimed at further increasing its liquid funds.

On 08 October 2020, 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%.

On 22 December 2020, the Board of Directors of Alkemy S.p.A. resolved, by notary deed, the merger by acquisition of the full subsidiary BizUp S.r.l. On that same date, the transaction was also approved by the Shareholders' Meeting of the acquired company. The transaction was completed on 28 December 2020 with effect from 31 December 2020 and with accounting and tax effect backdated to 01 January 2020.

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

In Italy, where most of the Group's operations take place, the digital market is less mature than the rest of the continent and, in particular, as compared with France, the Anglo-Saxon countries and Northern Europe.

However, every single business, citizen, institution, public administration and therefore the whole country, precisely during the first quarter of 2020, had to react to what was happening following the sudden pandemic, finding a ready solution to some of the problems that had arisen in the digital tools. This emergency significantly boosted the behavioural change of all Italians who, with no particular distinction drawn between different ages, income, social classes and geographic areas, rapidly adapted to the new contexts and different working (and other) scenarios as they arose, adopting digital tools with a now irreversible trend. Clear evidence is provided, for example, with: the massive use of the internet, now 84% of the population (it had been 70% in 2019), the increase in e-commerce (+6.3% in value on 2019, despite the 8.9% reduction in the GDP), the extensive adoption of working from home (for at least 15% of workers), the common use of communication platforms, both at work and in teaching, the increased use of home banking and the further spread of social networks (+58%).

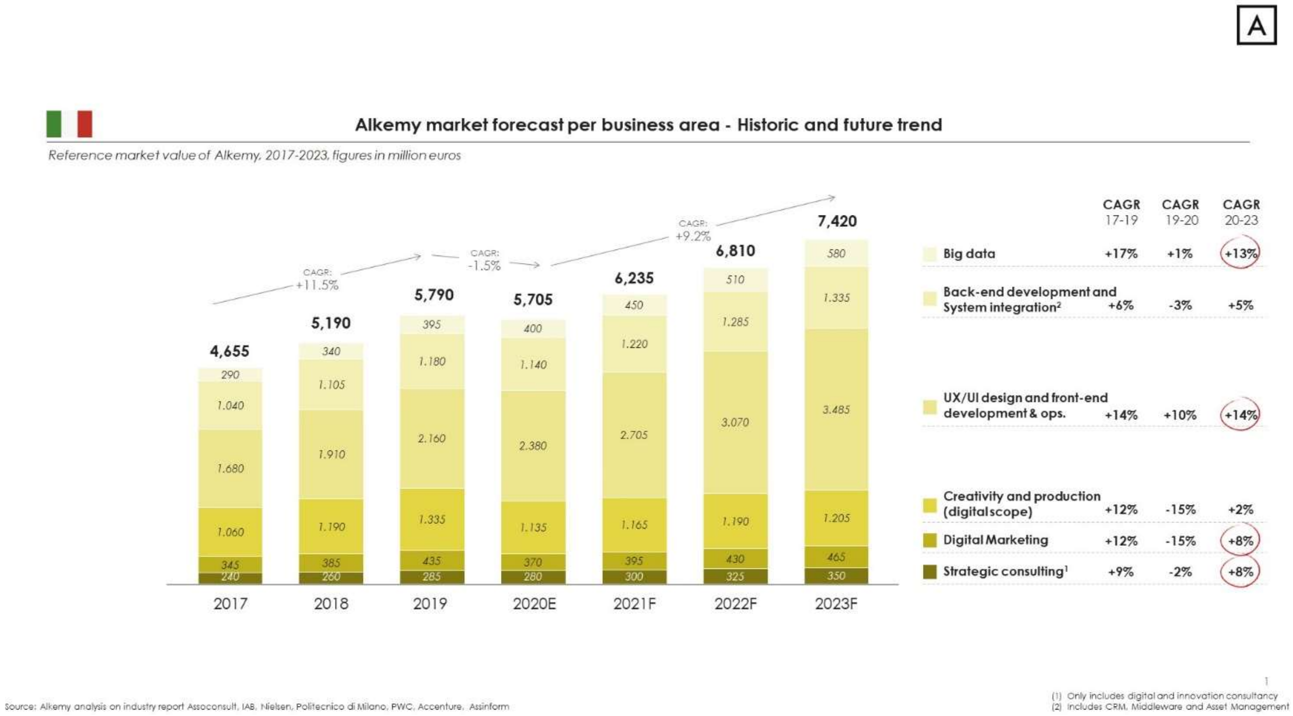
The growth rate set to characterise Italy over the next few years could be even more significant and this would allow for both a partial recovery of the gap with respect to other European countries and an extension of the potential business area associated with Alkemy's business, in light, above all, of the evidence that the use of digitisation has become a need (and no longer an option) for all companies of any segment. Following the COVID-19 emergency, in fact, all segments of the economy are forced to approach digital instruments and channels, transforming their business models, insofar as very much impacted by the restrictive measures implemented by the government and the changes in consumer purchasing behaviour, which in some cases are now irreversible.

In 2020, Alkemy's reference domestic market was worth approximately 5.7 billion euros, down by approximately 1.5% on 2019 following the impacts of the health emergency. The annual growth expected for the period 2020-2023 is 9.2%.

Instead, as concerns the export markets covered by the Group, the dimension estimated in 2019 is as follows:

- the Balkans (Slovenia, Croatia, Bosnia-Herzegovina, Serbia, Montenegro, Albania, Macedonia): € 0.5 billion, with annual growth expected for the period 2020-2023 is 9.0%;
- Iberian peninsula: €5.0 billion, with annual growth expected for the period 2020-2023 is 10.5%;
- Mexico: € 3.1 billion, with annual growth expected for the period 2020-2023 is 12.5%.

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



(1) Include solo consulenza Digital e Innovation
(2) Include CRM, Middleware e Asset Management

Fonte: analisi Alkemy su report di settore Assoconsult, IAB, Nielsen, Politecnico di Milano, PWC, Accenture, Assinform

Conduct by the competition

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

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

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

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

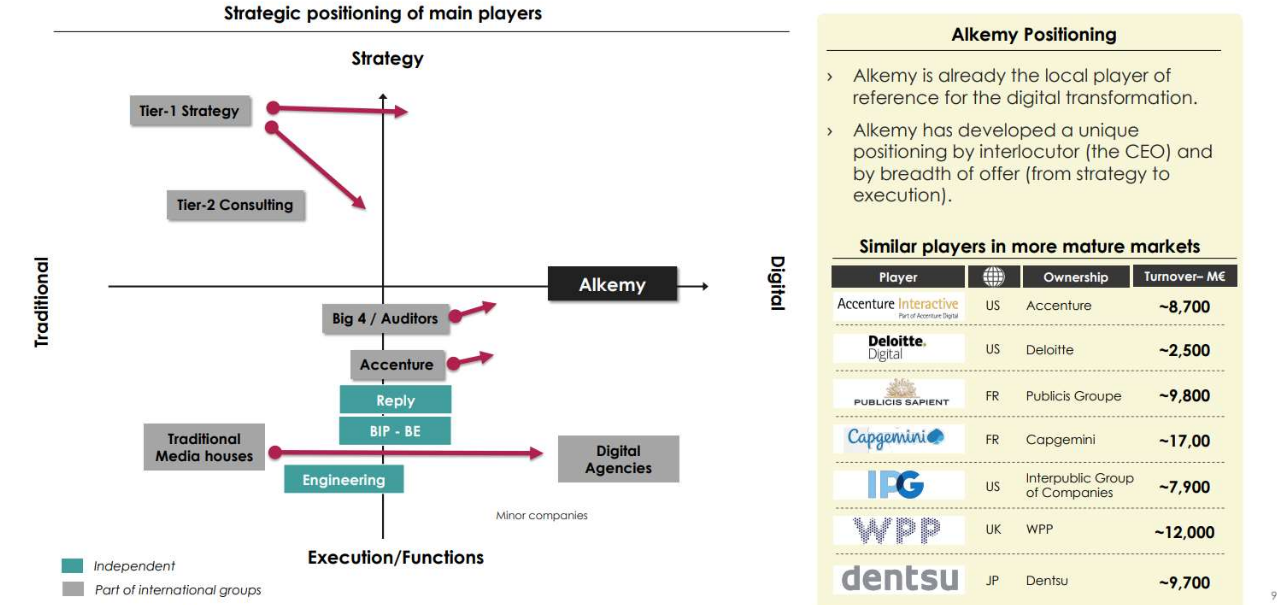
The Issuer believes that the competitive scenario in Italy is basically overseen by three types of players:

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

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

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

Due to the large number of integrated services offered, it is the opinion of the Issuer's management that the Alkemy Group holds a unique competitive position in Italy and the export markets covered.



Source: Alkemy analysis on official Annual Reports and press releases of the mentioned companies – 2019

Alkemy on the stock market

Alkemy S.p.A.'s shares were listed on the AIM Italia (Alternative Investment Market) from 05 December 2017 to 16 December 2019. As from 17 December 2019, Alkemy's shares have been listed in the STAR segment of the telematic stock market (MTA) of Borsa Italiana.

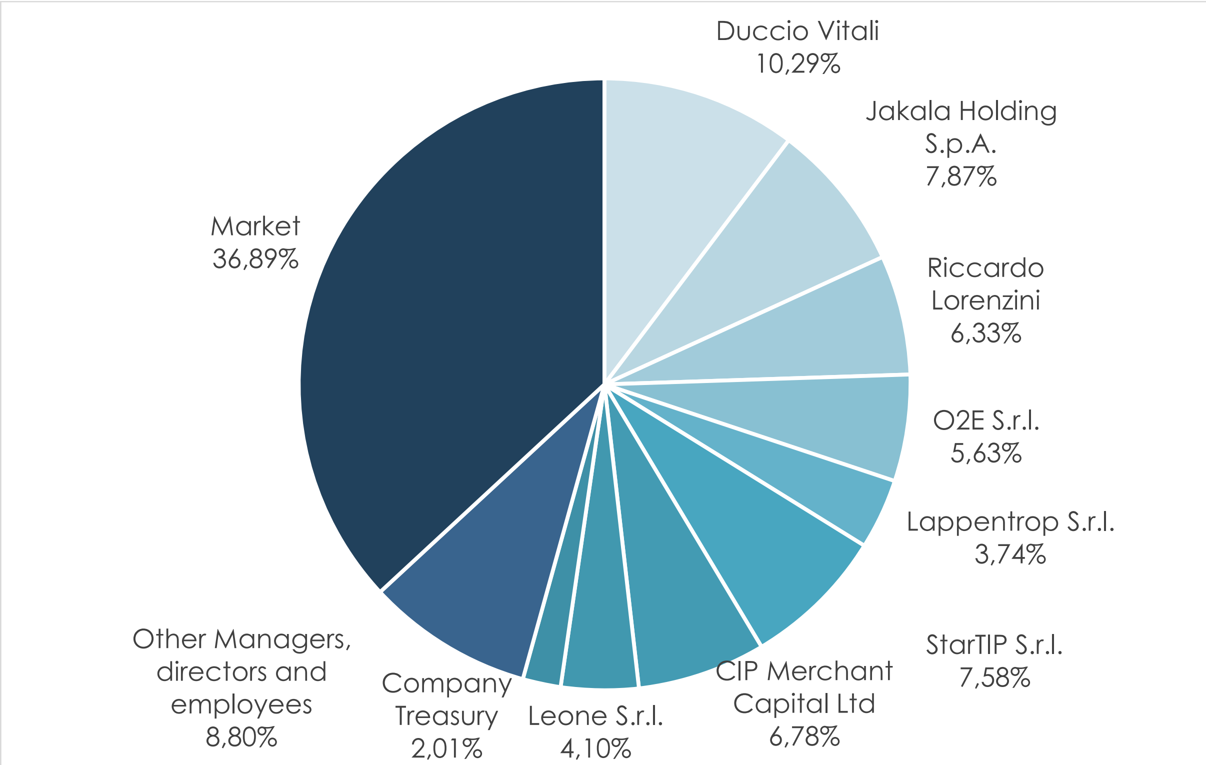
The STAR segment of Borsa Italiana is dedicated to medium enterprises with capitalisation of between 40 million and 1 billion euros, which undertake to respect requirements of excellence in terms of:

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

The Company's share capital is represented by 5,609,610 ordinary shares, conferring, as at 31 December 2020, a total of 7,402,600 voting rights and, specifically:

(i) 3,816,620 ordinary shares, without loyalty shares, conferring 3,816,620 voting rights (ii) 1,792,990 ordinary shares, with loyalty shares, conferring 3,585,980 voting rights.

Ownership structure (significant shareholdings) as at 22.03.2021



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

Alkemy share

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

Specialist: Intermonte Securities SIM

Admission price: €11.75
Price at 30.12.2020: €7.08
Capitalisation at the date of admission: €63,489,127.5
Capitalisation at 30.12.2020: €39,716,038.80

Alkemy share performance

In 2020 and in particular during the first half, the Alkemy share showed a high degree of volatility. Share prices became increasingly uncertain with growing concern linked to the COVID-19 pandemic. The period peak of 8.86 euros was reached on 2 January. Over the following months, macro economic tension linked to the pandemic weighed heavy on share prices, bringing about a progressive descent down to the all-time low since listing, of 3.91, which was booked on 01 April 2020.

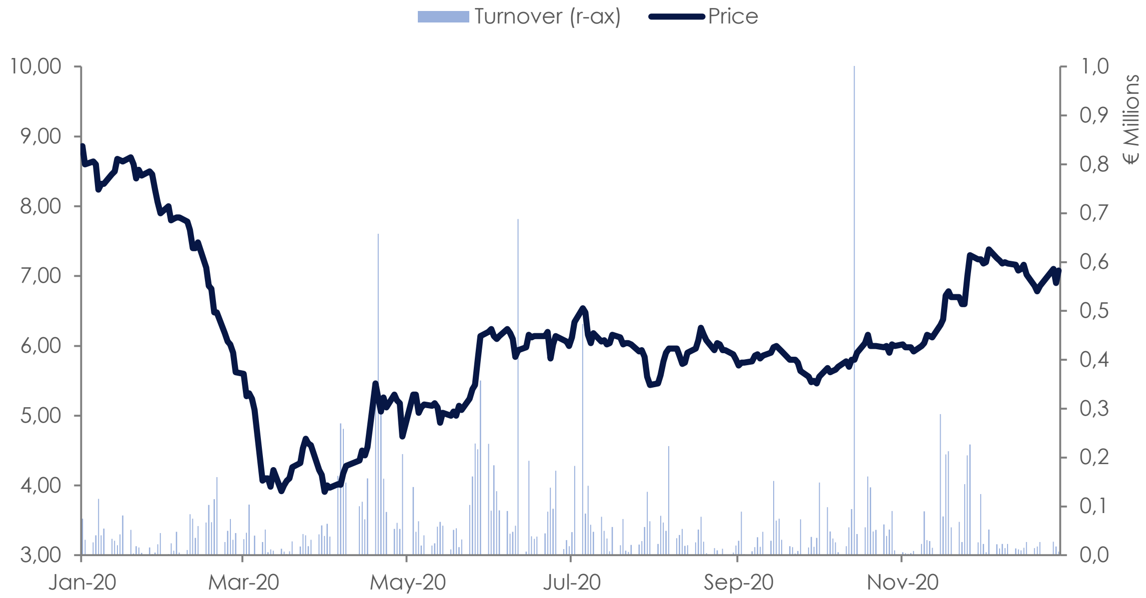
Following publication of the 2019 results on 24 March 2020 and publication of the Q1 2020 results on 14 May 2020, the positive indications on the holding out of Alkemy's business during the initial phases of lock-down and the growing focus of investors on digital transformation allowed the security to partly make up of the decline since the start of the year. Alkemy closed H1 2020 at 6.06, reducing the decline since the start of the year to -31%.

During the second half of 2020, the Alkemy share continued to recover, thanks to the publication of the first half of the year results on 11 September 2020 and the third quarter on 13 November 2020, in which evidence was shown of a strong increase in business margins coupled with a rise in cash generation over the period. The Alkemy share closed the year at a price of 7.08 euros, taking the decline from the start of 2020 to -20%.

The graph below compares the performance of the Alkemy security with the FTSE Italia Small Cap and the FTSE Italia STAR index from 01 January 2020 to 31 December 2020.

A total of 3.201 million euros worth of Alkemy shares were traded in 2020, more than double the 1.414 million euros worth of shares exchanged in 2019. The value of exchanges booked in 2020 came to 18.485 million euros, up more than 25% on 2019's 14.748 million euros.

The graph below shows the performance of the Alkemy security and the turnover of exchanges from 01 January 2020 to 31 December 2020 and the daily turnover of exchanges.



Analyst Coverage

- Intermonte, IPO Report November 2017 (Joint Global Coordinator & Specialist)
  Research Analyst: Gianluca Bertuzzo
  INITIAL COVERAGE: 01 February 2018

- Banca Imi, IPO Report November 2017 (Joint Global Coordinator)
  Research Analyst: Gabriele Berti
  INITIAL COVERAGE: 06 February 2018

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

Valuation and consensus

- Intermonte: bases the valuation of the Alkemy share on the DCF model and peer analysis
  The target price went from 7.40 euros, with an OUTPERFORM recommendation dating back to April 2020, to 8.30 euros with an OUTPERFORM recommendation in November 2020.

- Banca Imi: bases the valuation of the Alkemy share on the DCF model and peer analysis
  The target price went from 9.00 euros, with a BUY recommendation dating back to September 2020, to 10.70 euros with a BUY recommendation in February 2021.

- Mediobanca: bases the valuation of the Alkemy share on the DCF model and peer analysis The target price went from 8.00 euros, with a BUY recommendation dating back to September 2021, to 9.50 euros with an OUTPERFORM recommendation in February 2021.

Financial management

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

During the year, the Group met its current financial needs mainly through use of Own Funds, without using short-term facilities granted by banks (overdrafts, invoice advances and factoring). The Group in fact has short-term bank credit available to handle cash peaks. In any case, suitable financial flexibility is assured by the bank overdrafts agreed (2.5 million euros in Italy alone), granted by leading banks.

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

In derogation from the systems described above, in 2020, despite the lack of any extraordinary transactions, the Company, by way of prudence, took out three new medium-term loans for 6,000 thousand euros (3,500 thousand euros with Intesa Sanpaolo and 2,000 thousand euros with Banco BPM and 500 thousand euros with Credem), as already specified in the paragraph on "Significant events during the year". The reason behind this choice is linked to the extreme uncertainty of the macroeconomic context of the present time, as a result of the pandemic, merely aiming to have additional liquid funds available on demand, to cope with any unexpected critical issues with its customers and the market in general. The particularly favourable conditions of these loans, also by virtue of the government guarantees offered have, moreover, made such disbursements extremely convenient, with limited additional costs for the Company.

In accordance with Art. 2428, point 6-bis of the Italian Civil Code, it is acknowledged that the only financial instruments used by the Group are put/call options and, by the Parent Company, for the medium-term loans stipulated in 2019 and 2020, only in February 2021 were four cap options subscribed (at a fixed price, already paid) to hedge the risk of future rises in the interest rates, in connection with an equal number of loans accounting for approximately 87% of the bank debt recorded as at 31 December 2020.

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

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

Investments

In 2020, the Group invested in tangible and intangible assets for a total amount of 325 thousand euros (589 thousand euros in 2019), as follows:

- tangible fixed assets for 196 thousand euros (258 thousand euros in 2019), mainly relating to hardware purchases for internal use;
- intangible fixed assets for 129 thousand euros (331 thousand euros in 2019), mainly relative to the completion of management control software. This software was commissioned in 2020 and is an essential part both for the correct operation and management of the business and for the innovation process, which represents a key element of the business model and positioning adopted ("enabling evolution").

Results of the Parent Alkemy S.p.A.

Below is the key data on the Parent's operations in FY 2020:

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Net revenue	43,788	39,536
Gross operating profit (loss) (Adjusted EBITDA)	684	(906)
Amortisation, depreciation and impairment	2,024	1,419
Operating profit	(1,340)	(2,325)
Non-recurring expense (income)	224	1,415
Financial income (expense) and from options	(1,689)	(3,023)
Profit (loss) for the year	823	124
Net invested capital	42,151	45,294
Net financial position	(5,370)	(9,608)
Equity	36,781	35,686
Average number of employees	277	238

Main economic figures

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

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Net revenue	**43,788**	**39,536**
Costs for services, goods and other operating costs	26,018	24,610
Personnel expense	17,086	15,832
Gross operating profit (loss) (Adjusted EBITDA)	**684**	**(906)**
Amortisation, depreciation and impairment	2,024	1,419
Operating profit	**(1,340)**	**(2,325)**
Net gains (losses on) equity investments	1,875	1,470
Net gains (losses on) options	136	1,742
Other financial income	18	28
Other financial expense	(340)	(217)
Non-recurring expense (income)	(224)	(1,415)
Pre-tax profit (loss)	**125**	**(717)**
Income taxes	697	841
Profit (loss) for the year	**823**	**124**
Other items recognised in equity	(68)	(123)
Comprehensive income (expense) for the year	**755**	**1**

2020 revenues came to 43,788 thousand euros, up 4,252 thousand euros on last year (+10.8%), mainly due to the specified merger by acquisition of the subsidiary BizUp S.r.l. of Rome. It is recalled that the acquired company, of which Alkemy S.p.A. was the sole shareholder starting 2019, last year already accounted for approximately a third of its revenues and this figure then grew to more than 50% in 2020.

Operating costs, represented by costs for services, goods and other costs and for labour (net of non-recurring expenses) total 43,104 thousand euros, up 2,662 thousand euros on the previous year (+6.6%), proportional to revenues. In particular, the 2020 cost of labour was 17,086 thousand euros, up 1,254 thousand euros on the previous year (+7.9%), mainly due to the inclusion of ex-BizUp staff, but also to the remuneration increases recognised to staff and the greater remuneration assigned.

Adjusted EBITDA was positive for 684 thousand euros (negative for -906 thousand euros in 2019), up 1,590 thousand euros, mainly due to the acquired company and the greater efficiency of operating costs achieved during the year.

Amortisation, depreciation and impairment came to 2,024 thousand euros, up 605 thousand euros on 2019 (+42.6%). This item includes:

- amortisation and depreciation of tangible (234 thousand euros) and intangible (310 thousand euros) fixed assets with a finite useful life, for a period total of 544 thousand euros (+9.7% on 2019);
- amortisation for rights of use (pursuant to IFRS 16) for offices, cars and hardware, totalling 768 thousand euros;

- the provision made for the impairment of public grants in the amount of 497 thousand euros and for doubtful debt for 215 thousand euros, allocated mainly in view of potential future losses connected with specific disputed loans as at the reporting date.

Income from equity investments total 1,875 thousand euros (1,470 thousand euros in 2019) and include dividends resolved in 2020 in relation to FY 2019, by two subsidiaries, as detailed below.

- Nunatac S.r.l., 777 thousand euros
- Ontwice s.l. Madrid, 1,098 thousand euros

Income for options booked during the year came to 136 thousand euros (1,742 thousand euros in 2019), reflecting the change in fair value that took place in the exercise of derivatives representing the rights for the acquisition from minority shareholders of the subsidiaries of the residual shares in such, as envisaged in the related investment contracts.

Non-recurring expense booked during the year came to 224 thousand euros (1,415 thousand euros in 2019 and related to non-ordinary personnel-related costs.

The Company therefore recorded a pre-tax result positive for 125 thousand euros (negative for -717 thousand euros in 2019), which net of tax (positive for 697 thousand euros as compared with 841 thousand in 2019) gave rise to net profit of +823 thousand euros , as compared with +124 thousand euros for last year. A more detailed analysis of the items is given in the information provided in the notes.

Main balance sheet figures

The reclassified Statement of financial position of the Company as at 31 December 2020, compared with that of the previous year is as follows:

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Non-current assets	**34,313**	**35,391**
Short-term period assets	26,521	28,279
Short-term period liabilities	(15,758)	(16,059)
Net working capital	**10,763**	**12,220**
Post-employment benefits	(2,849)	(2,170)
Provisions for risks and charges	(76)	(147)
Net invested capital	**42,151**	**45,294**
Equity	**36,781**	**35,686**
Non-current net financial debt	13,050	10,573
Current own funds	(7,680)	(965)
Net financial position	**5,370**	**9,608**
Total sources of finance	**42,151**	**45,294**

Fixed assets have gone from 35,391 thousand euros to 34,313 thousand euros, down 1,078 thousand euros on 2019. This change is mainly due to (i) -2,269 thousand euros the valuation and different maturity of derivatives relative to the options; (ii) -1,328 thousand euros the accounting effects of the merger by acquisition of the subsidiary BizUp S.r.l. (which led to an increase in goodwill of 6,883 thousand euros and a reduction in the value of the equity investments of 8,211 thousand euros); (iii) +2,561 thousand euros the purchase of the additional 16% stake in the subsidiaries Ontwice Spain, following the exercise of the contracted put&call option.

Net working capital decreases from 12,220 thousand euros in 2019 to 10,763 thousand euros in 2020, following the changes made to short-term assets and liabilities, as explained hereto, despite the mentioned increase in revenues, mainly due to the merger with BizUp S.r.l.

Short-term operations, for 26,521 thousand euros (28,279 thousand euros in 2019) drop by 6.2% for 1,758 thousand euros, mainly due to:

- the update of the fair value of derivatives for +2,406 thousand euros;
- the use of the tax credit for research and development in offsetting for 1,282 thousand euros;
- the collection of receivables for public grants for 1,890 thousand euros, in addition to a write-down of such for 497 thousand euros.

Period short-term liabilities dropped by 301 thousand euros (-1.9%), going from 16,059 thousand euros in 2019 to 15,758 thousand euros in 2020. This reduction is mainly due to the reduction in trade payables (1,578 thousand euros) and tax payables (354 thousand euros), offset by the increase in other liabilities (1,632 thousand euros).

Positive changes impacting shareholders' equity (1095 thousand euros) are mainly due to:

- the comprehensive period result achieved (755 thousand euros)
- the contribution made by the merger by acquisition of the company BizUp S.r.l. (309 thousand euros);
- the change in the stock option reserve due to the booking of the cost relative to FY 2020 of the stock option plans in place (+211 thousand euros);
- the entry of reserves relating to the treasury shares purchased during the year (-181 thousand euros).

The net financial position went from a negative -9,608 thousand euros in 2019 to a negative -5,370 thousand euros, with a positive change of 4,238 thousand, as better specified in the next paragraph and the statement of cash flows.

Main financial figures

The Company's net financial position as at 31 December 2020 is negative for -5,370 thousand euros and includes:

- the balance of liquid funds for 12,924 thousand euros;
- receivables for infra-group loans in place, granted to the subsidiaries for 577 thousand euros

- short-/medium-term bank payables for loans for a total of 15,924 thousand euros, stipulated with various banks (7 during the year), detailed in the Notes, of which 11,353 thousand euros non-current and 4,571 thousand euros current.
- Payables for rights of use for a total of 2,947 thousand euros, of which 2,274 thousand euros non-current and 673 thousand euros current.

The significant increase in liquid funds seen during the year (+8,996 thousand euros) is due to the significant positive cash flow generated by ordinary operations, the additional net liquid funds for 4,694 thousand contributed by the new bank loans stipulated during the year (for a nominal 6,619 thousand euros), which more than offset the 2020 outlays to repay bank loans (1,925 thousand euros) for the exercise of the put option maturing during the year (2,650 thousand euros), the purchase of treasury shares (-181 thousand euros) and the reduction of payables relative to the application of IFRS 16 (187 thousand euros).

The table below details the net financial position as at 31/12/2020 compared with that of the previous year.

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Bank deposits	12,920	3,922
Cash on hand	4	6
Cash and cash equivalents	**12,924**	**3,928**
Loans	577	801
Loans	**577**	**801**
Bank loans and borrowings	(11,353)	(8,821)
Lease liabilities from application of IFRS 16	(2,274)	(2,553)
Non current financial liabilities	**(13,627)**	**(11,374)**
Bank loans and borrowings	(4,571)	(2,382)
Lease liabilities from application of IFRS 16	(673)	(581)
Current financial liabilities	**(5,244)**	**(2,963)**
Net financial position	**(5,370)**	**(9,608)**

Reconciliation of the results and shareholders' equity of the Parent and the Group

The statement below reconciles the profit (loss) and equity of the Parent with that from the Consolidated Financial Statements:

		Figures in thousands of euros
	2020 profit (loss)	**Shareholders' equity 31 Dec. 2020**
Alkemy S.p.A. (Parent)	**823**	**36,781**
Contribution made by consolidated equity investments	3,245	5,697
Derecognition of carrying amount of equity investments	-	(8,375)
Derecognition of dividends distributed to the parent	(1,875)	-
Elimination of derivatives and options on capital pertaining to non-controlling interests	(467)	(3,037)
Impairment on loans and equity investment of Alkemy USA	-	199
Measurements using the equity method	96	131
Loss and equity attributable to non-controlling interests	(30)	(254)
Consolidated Financial Statements of the Alkemy Group	**1,792**	**31,142**

Corporate governance

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

In compliance with regulatory obligations, the Report on the corporate governance system is prepared every year, offering a general description of the system adopted by the Group and gives details on the ownership structures and adhesion to the Corporate Governance Code, including the main governance practices applied and the characteristics of the internal control and risk management system. (This Report is available for consultation on the website www.Alkemy.com, in the Corporate Governance section, while the Corporate Governance Code is available for consultation on the website of Borsa Italiana S.p.A. www.borsaitaliana.it).

Remuneration Report

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

Related party transactions

For information on related party transactions, refer to Note 39 of the consolidated financial statements and Note 38 of the 2020 separate financial statements.

Research and development

During the year, the Group launched various initiatives in research and development (R&D), with the start of a new programme and the continued pursuit of projects that had started in previous years, incurring costs for both payroll (1,095 thousand euros) and external consultancy (436 thousand euros), for a total of 1,531 thousand euros (4,286 thousand euros in 2019), down 2,755 thousand euros on the previous year. For these projects, partly backed by Special Finance tenders, the parent company Alkemy S.p.A. consequently entered proceeds for contributions for 478 thousand euros (1,471 thousand euros in 2019) as well as obtaining multi-year loans correlated with these initiatives, at special rates, for 619 thousand euros (288 thousand euros in 2019).

In 2020, the Group also developed technological innovation projects for a total of 542 thousand euros, of which 276 thousand euros relative to Alkemy S.p.A. and 266 thousand euros to the subsidiary Alkemy Play.

Treasury shares

On 09 October 2020, 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 last 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.

During the period indicated, which closed on 12 November 2020, the Company therefore acquired a total of 30,000 treasury shares (0.53% of the Company's share capital) at the weighted average price average price of Euro 5.9591 each, net of commission, for a total outlay of Euro 178,774.

These purchases were 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.

As at 31 December 2020, the Company held 112,536 treasury shares, accounting for 2,006% of the share capital (82,536 as at 31 December 2019, equal to 1.47% of the share capital) for an equivalent value of 1,093 thousand euros, deriving from buy-back plans carried out by the Company in the last 3 years.

The company's equity includes a specific restricted reserve for equal amount.

Significant subsequent events

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

Starting January 2021, a new Group organisation is being implemented in Italy, operating by function (rather than competence), with the aim of ensuring a better focus on key accounts, with the establishment of a dedicated sales structure ("go-to-market") and a delivery structure, whose priority aim is to execute projects/services offered commercially, as well as to develop innovative business proposals of greater added value, consistently with Alkemy's positioning. The new organisation is expected to start operating by the end of the first half of 2021.

On 11 March 2021, the Company stipulated a binding agreement for the purchase of 51% of the share capital of eXperience Cloud Computing S.r.l. ("XCC"), an Italian company specialised in Cloud Computing solutions in CRM, Gold Consulting Partner of SalesForce, qualified to implement and develop integrated, multi-channel digital business solutions, from the CRM Cloud through to Marketing Automation, for B2B, B2C, Commerce and Retail. The transaction is expected to be completed by mid-April 2021. The total equity value of the transaction is estimated at appraisal 2.750 million euros, 51% of the capital will be acquired on the basis of a valuation of XCC of 5.6 times the 2020 booked EBITDA and the price will be paid in cash.

Outlook

As at the date on which this annual financial report at 31 December 2020 is approved, 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 in 2021 will mainly depend on exogenous factors correlated, by way of a priority, with the roll-out of the vaccination plan, this being the only effective solution by which to overcome the difficulties generated by the pandemic and drive the country's economic recovery and, therefore, the resilience of the customer businesses, government support of the economy in general and investments in the digitisation of businesses.

Taking into account the results achieved in 2020 and, in particular, in the last quarter of the year, any progress made on the business in the early months of 2021, save for the onset of any additional aggravating circumstances that are not always easy to predict (i.e. continuation and worsening of the lock-down, delay in the vaccination plan), it is confirmed that the Group's expectation is to resume organic growth, both in terms of revenues and margins, benefiting from the rationalisation and efficiency-enhancing carried out last year and still in progress. Indeed, the new Group organisation, which is still being implemented and completed, has been assessed as the most suitable, on the one hand, to best respond to the expected evolution of the domestic market and, on the other, to reinforce the integration of business, both with the new contexts entering the Group, with Nunatac S.r.l. (data analytics) and with Design Group Italia S.r.l. It is recalled that the latter, which has turnover of approximately 6 million euros, by the end of H1 2021, will be joining the Alkemy consolidation, following the exercise of the contracted put&call options.

Stock Option Plans

The Group has always taken a positive view of the opportunity of adopting stock option plans, holding them to be an appropriate manner by which to foster and encourage the relationship between the Company and the employees, offering a valid incentive for a lasting, professional relationship. During the last six years (2014, 2015, 2016, 2017, 2018 and 2019), the Group has adopted various stock option plans, thereby confirming its appreciation of this instrument, which is believed to strengthen the bond between the company and its employees.

Below, in chronological order, are the various resolutions passed in relation to the stock option plan assignments that are still being accrued and/or exercised to date.

- on 16 November 2017, the Shareholders' Meeting resolved a further share capital increase for the purpose of future stock option plans, for a total of 222,200 new shares, to be exercised within 5 years, with strike price set at the listing price, whose first partial assignment is envisaged for 2018 and the subsequent ones starting 2019, applicable to the results achieved by each beneficiary during the previous year.
- on 12 June 2018, in response to the shareholders' meeting resolution passed on 16 November 2017, the Board of Directors of Alkemy S.p.A. decided to assign a new stock option plan (2018-2021) aimed at offering incentive to certain employees of the Parent and certain directors of BizUp S.r.l. More specifically, in view of a share capital increase for a nominal 7,663.72 euros (plus premium), up to 74,700 options have been assigned (for the subscription of an equal number of new ordinary shares in the Company for the price of 11.75 euros each), maturing each year in equal quantities, on the basis of the performance achieved during the year by the individual beneficiary, with their exercise, on a single occasion, at the end of the plan, after 36 months, during the second half of 2021;
- on 10 July 2019, in response to the shareholders' meeting resolution passed on 16 November 2017, the Board of Directors of Alkemy S.p.A., in view of a share capital increase for a nominal 15,133.78 euros (plus premium), up to 147,500 options were assigned (for the subscription of an equal number of new ordinary shares in the Company for a price of 11.75 euros each), decided to assign two new stock option plans:
    - the first (2019-2021) for a total of 96,500 options, aimed at offering incentive to certain employees of the Parent, of the subsidiaries Nunatac S.r.l. and Alkemy Iberia S.L. and of the investee DGI. More specifically, these options will vest each year in equal amounts, on the basis of the period performance achieved by the individual beneficiary, with exercise on a single occasion, at the end of the plan, after 24 months, during the second half of 2021.
    - the second (2019-2022) for a total of 51,000 options, aimed at offering incentive to three key managers in the Parent; more specifically, these options will vest every year in equal amounts, on the basis of the period performance achieved partly by the Group and partly by the individual beneficiary, with exercise on a single occasion, at the end of the plan, after 36 months, during the second half of 2022.

Allocation of period result

We believe we have thus provided you with suitable information on the Company's performance and would therefore propose allocating the FY 2020 result of Alkemy S.p.A. of 822,894 euros entirely to the reserve for profits carried forward.

Acknowledgements

We would like to offer our sincerest thanks to the staff and all those who have helped pursue the corporate business and achieve the positive results booked.

We would now, therefore, ask you to kindly approve these Separate and Group Consolidated Financial Statements as at 31 December 2020.

Milan, 22 March 2021

for the Board of Directors

the Chief Executive Officer

Duccio Vitali

Alkemy S.p.A.

Consolidated financial statements

at 31 December 2020

Financial statements

Consolidated income statement (*)

		Figures in thousands of euros	
	Note	**31 Dec. 2020**	**31 Dec. 2019**
Revenue from sales and services	1	73,925	81,284
Other revenue and income	2	1,007	3,236
Total operating revenue and income		**74,932**	**84,520**
Costs for services, goods and other operating costs	3	(40,100)	(51,404)
- of which non-recurring		-	(1,192)
Personnel expense	4	(28,861)	(29,635)
- of which non-recurring		(224)	(357)
Total costs and other operating costs		**(68,961)**	**(81,039)**
Gross operating profit		**5,971**	**3,481**
Depreciation	5	(1,749)	(1,738)
Provisions and impairment	6	(1,077)	(336)
Operating profit		**3,145**	**1,407**
Net gains (losses on) equity investments	7	96	33
Financial income	8	587	380
Financial expense	9	(1,284)	(1,574)
Pre-tax profit (loss)		**2,544**	**246**
Income taxes	10	(722)	(486)
Profit (loss) for the year		**1,822**	**(240)**
Attributable to:			
- Owners of the parent		1,792	(139)
- Non-controlling interests		30	(101)
Earnings (loss) per share	11		
Basic		0.32	(0.03)
Diluted		0.32	(0.03)

(*) In accordance with CONSOB Resolution no. 15519 of 27 July 2006, the effects of related party transactions on the Consolidated Income Statement are highlighted in the specific table of the Consolidated Income Statement given in annex 2 and are also described in Note 39.

Consolidated statement of comprehensive income

		Figures in thousands of euros	
	Note	**31 Dec. 2020**	**31 Dec. 2019**
Profit/(loss) for the year		**1,822**	**(240)**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign operations - foreign currency translation differences		(86)	33
Total items that are or may be reclassified subsequently to profit or loss	26	**(86)**	**33**
Items that are not or may not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on defined benefits pension plans		(294)	(206)
Relative tax effect		71	49
Components that will not be reversed to the income statement	26	**(223)**	**(157)**
Total other profit/(loss) net of the tax effect		**(309)**	**(124)**
Total comprehensive income/(expense)		**1,513**	**(364)**
Attributable to:			
- Owners of the parent		1,483	(263)
- Non-controlling interests		30	(101)

Consolidated statement of financial position (*)

			Figures in thousands of euros
Assets	**Note**	**31 Dec. 2020**	**31 Dec. 2019**
Non-current assets			
Property, plant and equipment	12	855	980
Right-of-use assets	13	3,122	3,907
Goodwill	14	31,755	31,752
Intangible assets with a finite useful life	15	650	971
Equity investments	16	1,174	1,078
Non-current financial assets	17	1,646	1,555
Deferred tax assets	18	1,470	1,203
Other non-current receivables and assets	19	205	165
Total non-current assets		**40,877**	**41,611**
Current assets			
Inventories	20	-	61
Trade receivables	21	31,044	31,791
Current financial assets	22	82	115
Tax assets	23	1,441	3,663
Other current assets	24	2,766	5,153
Cash and cash equivalents	25	18,840	9,581
Total current assets		**54,173**	**50,364**
Total assets		**95,050**	**91,975**

(*) In accordance with CONSOB Resolution no. 15519 of 27 July 2006, the effects of related party transactions on the Consolidated Statement of financial position are highlighted in the specific table of the Consolidated Statement of financial position given in annex 2 and are also described in Note 39.

Consolidated statement of financial position (*)

		Figures in thousands of euros	
Liabilities and Shareholders' Equity	**Note**	**31 Dec. 2020**	**31 Dec. 2019**
Equity	26		
Share capital		588	588
Reserves		28,762	31,274
Profit/(loss) for the year		1,792	(139)
Equity attributable to owners of the parent		**31,142**	**31,723**
Equity attributable to non-controlling interests	27	**254**	**174**
Total net equity		**31,396**	**31,897**
Non-current liabilities			
Financial liabilities	28	11,439	8,968
Lease liabilities from right of use	30	2,415	3,103
Put option liabilities	31	3,115	10,973
Employee benefits	32	5,087	4,356
Provisions for risks and charges	33	222	44
Deferred tax liabilities	34	84	17
Total non-current liabilities		**22,362**	**27,461**
Current liabilities			
Financial liabilities	28	4,632	2,533
Lease liabilities from right of use	30	776	844
Put option liabilities	31	8,923	2,369
Trade payables	35	14,688	17,142
Tax liabilities	36	1,688	1,617
Other liabilities	37	10,585	8,112
Total current liabilities		**41,292**	**32,617**
Total liabilities		**63,654**	**60,078**
Total liabilities and equity		**95,050**	**91,975**

(*) In accordance with CONSOB Resolution no. 15519 of 27 July 2006, the effects of related party transactions on the Consolidated Statement of financial position are highlighted in the specific table of the Consolidated Statement of financial position given in annex 2 and are also described in Note 39.

Consolidated statement of cash flows

		Figures in thousands of euros	
	Note	**31 Dec. 2020**	**31 Dec. 2019**
Cash flow from operating activities			
Profit/(loss) for the year		1,822	(240)
Financial income	8	(587)	(380)
Net gains (losses on) equity investments	7	(96)	(33)
Financial expense	9	1,284	1,574
Income taxes	10	722	486
Depreciation	5	1,749	1,738
Provisions and impairment	6	1,077	336
Cost for share-based payments	4	564	382
Decrease (increase) in inventories		61	79
Decrease (increase) in trade receivables		244	592
Increase (decrease) in trade payables		(2,540)	(1,161)
Decrease (increase) in other assets		4,107	(2,199)
Increase (decrease) in other liabilities		2,038	1,549
Financial expenses paid		(307)	(232)
Income tax paid		(554)	(841)
Net cash from (used in) operating activities		**9,584**	**1,650**
Investments			
(Investments) divestments of tangible and intangible assets		(325)	(580)
Decrease (increase) in financial assets		(91)	(227)
(Investments in) divestments of equity investments in related parties		-	(1,038)
Acquisition (disposal) of equity investments, net of liquid funds acquired		-	(63)
Net cash used in inventing activities		**(416)**	**(1,908)**
Cash flows from financing activities			
Change in financial liabilities		4,542	8,934
Change in financial liabilities pursuant to IFRS 16		(950)	(1,119)
Change in treasury shares		(181)	(581)
Dividends paid to non-controlling interests		(667)	(668)
Other changes in equity		-	955
Share capital increases		-	14
Exercise of put options		(2,652)	(7,794)
Net cash flow used in financing activities		**91**	**(259)**
Net increase/(decrease) in cash and cash equivalents		**9,259**	**(517)**
Opening balance		**9,581**	**10,098**
Closing balance		**18,840**	**9,581**

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

Changes in shareholders' 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)**	**103**	**28,714**	**2,325**	**3,248**	**34,633**	**274**	**34,907**
Allocation of the profit for the year	-	-	99	-	3,149	(3,248)	-	-	-
Purchase of treasury shares	-	(581)	-	-	-	-	(581)	-	(581)
Sale of treasury shares	-	-	-	-	-	-	-	-	-
Stock options	14	-	-	1,337	-	-	1,351	-	1,351
Change in put option liabilities	-	-	-	-	(2,414)	-	(2,414)	-	(2,414)
Dividends to non-controlling interests	-	-	-	-	(1,002)	-	(1,002)	-	(1,002)
Other movements	-	-	-	-	-	-	-	-	-
Other comprehensive profit (loss)	-	-	-	(124)	-	-	(124)	-	(124)
Profit for the year	-	-	-	-	-	(139)	(139)	(101)	(240)
Balance at 31 December 2019	**588**	**(912)**	**202**	**29,927**	**2,057**	**(139)**	**31,723**	**174**	**31,897**

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)**	**202**	**29,927**	**2,057**	**(139)**	**31,723**	**174**	**31,897**
Allocation of the profit for the year	-	-	-	-	(139)	139	-	-	-
Purchase of treasury shares	-	(181)	-	-	-	-	(181)	-	(181)
Stock options	-	-	-	(200)	411	-	211	-	211
Change in put option liabilities	-	-	-	-	(1,181)	-	(1,181)	89	(1,092)
Dividends to non-controlling interests	-	-	-	-	(952)	-	(952)	-	(952)
Other movements	-	-	-	-	39	-	39	(39)	-
Other comprehensive profit (loss)	-	-	-	(309)		-	(309)	-	(309)
Profit for the year	-	-	-	-	-	1,792	1,792	30	1,822
Balance at 31 December 2020	**588**	**(1,093)**	**202**	**29,418**	**235**	**1,792**	**31,142**	**254**	**31,396**

Notes to the consolidated financial statements

General information

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

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

The shares of Alkemy S.p.A. (hereinafter the "Company", "Alkemy" or the "Parent") are listed on the STAR segment of the telematic stock market ("MTA") organised and managed by Borsa Italiana, starting 17 December 2019.

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

As parent, Alkemy S.p.A. has prepared the consolidated financial statements of the Alkemy Group at 31 December 2020.

The draft consolidated financial statements at 31 December 2020 were approved by the Board of Directors on 22 March 2021, which also authorised their publication.

Accounting standards

Basis of preparation

The consolidated financial statements as at 31 December 2020 have been prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. The term "IFRS" is used to also refer to all the international accounting standards reviewed ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

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

The financial statements are prepared on the basis that the business shall continue to operate as a going concern and on the basis of the historic cost principle, with the exception of the valuation of certain financial instruments, for which the far value criterion applies.

Format and contents of the financial statements

The financial statements have the following characteristics:

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

The schemes used, as described above, are those considered best able to represent the elements that determined the Group's equity and financial structure and economic result. This format is the same used for the presentation of the separate financial statements of Alkemy S.p.A.

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

Basis of consolidation

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

The consolidated financial statements refer to the same reporting date as the Parent.

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

in relation to the consolidation area, please note that:

- in July 2020, the Serbian company Alkemy See D.o.o. (of which Alkemy S.p.A. holds 70% of the share capital) acquired the remaining 49% from the minority shareholders of the subsidiary Alkemy Digital Hub D.o.o., consequently increase its stake from 51% to 100%;
- On 08 October 2020, Alkemy S.p.A. exercised its call option over 16% of the share capital of Ontwice S.L. (Madrid), consequently increasing the stake held by Alkemy S.p.A. from 64% to 80%.
- on 22 December 2020, the Board of Directors of Alkemy S.p.A. resolved, by notary deed, the merger by acquisition of the full subsidiary BizUp S.r.l., with effect from 31 December 2020 and accounting and tax effect from 01 January 2020.

At 31 December 2020, the scope of consolidation was as follows:

Company name	% held	Registered office
Direct subsidiaries:		
Alkemy Play S.r.l.	51%	Milan
Alkemy USA Inc. in liquidation	100%	USA - New York
Alkemy SEE D.o.o.	70%	Serbia – Belgrade
Alkemy Iberia S.L.	65%	Spain - Madrid
Nunatac S.r.l.	70%	Milan
Ontwice Interactive Service S.L.	80%	Spain - Madrid
Indirect subsidiaries:		
Alkemy Play D.o.o.	51%	Serbia – Belgrade
Alkemy Digital Hub D.o.o.	70%	Serbia – Belgrade
Kreativa New Formula D.o.o.	36%	Serbia – Belgrade
Ontwice Interactive Service S.A. Mexico City	80%	Mexico - Mexico City
Ontwice Interactive Service Digital S.A. Mexico City	80%	Mexico - Mexico City

Measurement criteria and accounting policies

Non-current assets

Property, plant and equipment

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

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

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

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

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

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

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

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

Items of property, plant and equipment are tested for impairment once a year or whenever specific events suggest that there may be impaired. The test carried out is described on the paragraph on "Impairment of assets".

Leased assets

Assets acquired through lease contracts, through which the risks and benefits associated with ownership are substantively transferred to the Group, are recognised as Group assets at their current value at the date on which the contract is stipulated or, if less, at the present value of the minimum payments due for the leasing, including any amount to be paid to exercise the purchase option. The corresponding lease liability is recognised under financial liabilities.

Intangible assets

Goodwill

In accordance with IFRS 3 (Business combinations), goodwill is recognised at the date of acquisition of businesses or business units; it is determined as the difference between the price paid for the purchase and the fair value of the identifiable assets acquired, net of identifiable liabilities accepted. Goodwill is classified on the statement of financial position as an “intangible asset with an indefinite useful life”.

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

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

Intangible assets with a finite useful life

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

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

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

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

Investments in other companies

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

Impairment

At least once a year, the Group tests for impairment on property, plant and equipment and intangible assets and investments in subsidiaries and associates, in order to determine whether such assets may have been impaired. If any such evidence is found, the carrying amount of the asset is reduced to the relevant recoverable amount, allocating any write-down of the value entered on the income statement.

The "recoverable amount" of an asset is the higher of the 'fair value less costs to sell' and the 'value in use. The value in use is defined on the basis of the discounting of cash flow forecast from use of the asset or aggregation of assets (cash generating unit) and the value expected from its disposal at the end of its useful life. Cash generating units have been identified, consistently with the Group's business and organisational structure, as homogeneous groupings that generate independent cash flows deriving from the continuous use of the assets assigned to them.

When the impairment loss of an asset subsequently ceases to exist or reduces, the carrying amount of the asset is increased to the new estimated recoverable amount but cannot exceed the value that would have been determined if no impairment loss had been recognised Any impairment gain is recognised in the income statement.

Financial instruments

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

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

Derivatives

Derivatives are initially recognised at fair value and, after purchase, measured differently depending on whether or not they are defined as "hedges" in accordance with IAS 39.

In line with that established by IAS 39, derivatives can be recognised according to the methods established for hedge accounting only when, upon taking out a hedge, there is the formal designation and documentation of its hedging relationship, where it is expected that the hedge will be highly effective during the various accounting periods for which it is designated.

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

Financial assets

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

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

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

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

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

Inventories

Inventories are recognised at the lesser of their purchase or production cost, including accessory charges, and their estimated realisable value based on market trends. The purchase cost is determined according to the FIFO criterion.

Allowances for inventory write-downs have also been made for inventories considered obsolete or slow-moving, considering their expected future use and estimated realisable value.

Cash and cash equivalents

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

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

Treasury shares

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

Stock Option Plans

Stock option plans, with the assignment of options whose exercise entails the delivery of shares, are measured at fair value determined at the date of plan concession. This fair value is allocated to the income statement in the vesting period envisaged by the plan, with the corresponding increase of equity.

Financial liabilities

Financial liabilities include financial payables, other financial liabilities, including derivatives and liabilities booked again assets entered under lease contracts.

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

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

Financial liabilities hedged by derivatives intended to cover the risk of a change in the liability (fair value hedges), are measured at fair value, as established by IAS 39 for hedge accounting: gains and losses deriving from subsequent fair value adjustments, limited to the hedged item, are recognised as profit and loss and offset against the effective portion of the loss or gain deriving from the corresponding fair value measurements of the hedge.

Financial liabilities hedged by derivatives aiming to cover the risk of changes in cash flows (cash flow hedges) remain measured at amortised cost, in the manner established by IAS 39 for hedge accounting.

Employee benefits

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

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

The components of the defined benefits are recorded as follows:

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

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

Provisions for risks and charges

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

The changes in the estimate are reflected in the income statement of the period in which the change took place.

Revenue recognition

Revenues are booked as profit and loss when the criteria are met as envisaged by IFRS 15 and to the extent to which it is likely that the company will obtain the economic benefits and their amount can be reliably determined. Revenues are shown net of any adjustments.

Government grants

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

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

Grants related to assets that refer to property, plant and equipment are recognised as deferred revenue and taken to income statement through the time frame corresponding to the useful life of the reference asset.

Tax

Income tax is determined using a realistic estimate of the tax expense to be paid in application of current tax legislation. Deferred tax assets and liabilities are determined on the temporary differences between the carrying amounts of the assets and liabilities and the corresponding tax amount.

The tax expense for the year includes current and deferred tax relating to the period profit/(loss), with the exception of those relating to business combinations or items noted directly as equity or other components of the statement of comprehensive income.

The Group has determined that interest and penalties relating to income tax, including the accounting treatments to be applied to income tax of uncertain nature, are booked in compliance with IAS 37 Provisions, Potential liabilities and potential assets, insofar as they do not come under the definition of income tax.

More specifically, deferred tax assets are recognised only if there is reasonable certainty that they will be recovered in the future. Deferred tax liabilities, on the other hand, are not recognised if it is unlikely that the related liability will effectively arise.

Translation of foreign currency amounts

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

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

Consolidation of foreign operations

All the assets and liabilities of foreign companies held in currencies other than the euro, which come under the scope of the consolidation area, are converted using the exchange rates in force as at the financial statement reference date. Income and costs are converted at the average exchange rate of the period. Exchange differences resulting from the application of this method are classified as items of equity.

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

Currency	Average exchange rate 2020	Exchange rate at 31 December 2020
Mexican peso	24.52	24.42
Serbian dinar	117.62	117.41
US dollar	1.14	1.23

Earnings per share

Basic earnings per share are calculated by dividing the Group's economic result by the weighted average of outstanding shares during the financial year, excluding any treasury shares held in the portfolio.

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

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

Use of estimates

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

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

In particular, the estimates are used to measure goodwill, to recognise lease payables, payables for put&call options and determine provisions made for risks on receivables, for obsolete inventories, amortisation/depreciation and impairment of assets, employee benefits, tax, provisions for risks and charges and other provisions made.

The estimates and assumptions are reviewed periodically, and any changes are immediately reflected in the income statement.

New standards, amendments and interpretations applicable from the year starting on or after 1 January 2020

Below is a list of the standards, amendments, interpretations and improvements in force starting 1 January 2020, for which there has been no significant impact on the Group's 2020 Annual Financial Report.

Amendment to the "References to the Conceptual Framework in IFRS Standards": on 29 March 2018, the IASB published this amendment. The conceptual framework defines the fundamental concepts for the financial disclosure, hence the document helps guarantee that the *standards* are conceptually consistent and that similar transactions are treated in the same way, so as to provide information that is useful to investors, lenders and other creditors.

Amendments to IAS 1 and IAS 8 - Definition of material: the IASB has published the amendment Definition of Material (Amendments to IAS 1 and IAS 8), which aims to clarify the definition of "material" in order to support the companies in assessing the significance of information to be included in the financial statements.

With the previous definition, it could incorrectly be interpreted that any omission could influence users on the basis of the quantity of information included in the financial statements. Instead, the new definition clarifies that only information that has been omitted and which could reasonably influence users, is "material".

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform: the IASB has modified IAS 39 and IFRS 9 to allow entities to not discontinue hedge ratios until such time as the reform has been completed to calculate benchmark interest rates;

More specifically, the IASB has decided to introduce exceptions to the general hedge accounting model of IAS 39 and IFRS 9, which must be applied to all hedges that could be impacted by the reference interest rates reform in respect of the following aspects:

- "Highly probable": to assess if the scheduled transition is highly probable, no consideration need be given to the potential effects of the reform of the reference interest rates;
- "Prospective assessment": the economic relation between the hedged item and the hedge itself must be determined prospectively, without considering the potential effects of the reference interest rate reform
- "Retrospective assessment": (applicable for IAS 39 only): an entity need not discontinue a hedge ratio if, during the period of uncertainty deriving from the reform of the reference interest rates, the retroactive valuation of said hedge falls outside the range of 80%-125%.

Amendment to IFRS 3 - Definition of a Business: in October 2018, the IASB published the amendment "Definition of a Business (Amendments to IFRS 3), with the aim of helping to determine whether a transaction is an acquisition of a business or a set of activities that does not meet the definition of a business under IFRS 3. The amendment aims to clarify that an integrated set of assets and activities can respect the definition of business, even if it does not include all inputs and processes necessary to create the outputs. The assessment must be performed considering the perspective of a market participant and, therefore, is not relevant:

- if before the acquisition, the seller managed the integrated set of assets and activities as a business; or
- if the buyer, after acquisition, intends to manage the integrated set of assets and activities as a business.

Moreover, the acquisition of a business must include, at the very least, an input and substantial process that together make a significant contribution to the capacity to create outputs.

Amendments to IFRS 16 - "Leases Covid 19-Related Rent Concessions": these amendments have introduced a practical expedient that allows the lessee to not consider any concessions on the payment of instalments received from 01 January 2020 and deriving from the effects of Covid-19 as an amendment of the original contract. Therefore, said concessions can be booked as positive variable charges without having to apply a contractual amendment.

In order to apply this exemption, all the following conditions must be met:

- the concession on payments must be a direct consequence of the COVID-19 pandemic and the reduction in payments refers only to those originally due up to June 2021;
- the change to payments must have left the same amount outstanding for payment unchanged in respect of the original conditions, or must have reduced it;
- there must be no substantive changes to any other contractual terms or conditions of the lease.

Accounting standards, amendments and interpretations applicable from years starting on or after 1 January 2020

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

Amendment "Amendments to IFRS 4 - Insurance Contracts - deferral of IFRS 9": this amendment assists companies in implementing the new standard IFRS 17 and simplifies the presentation of their financial performance. The amendment is expected to come into force on 1 January 2021;

Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2": supplements that already issued in 2019. The amendments referring to phase 2 mainly regard the effects of changes to contractual cash flows or hedge ratios deriving from the replacement of one rate with another alternative reference rate (a "replacement issue") and assist companies in applying the IFRSs if changes are made to contractual cash flows or hedge ratios as a result of the interest rate reform and in supplying useful information to users of the financial statements. It is expected to come into force on 1 January 2021.

Below are the amendments not yet approved as at the reporting date of these financial statements:

Amendments to IFRS 3 "Reference to the Conceptual Framework": the aim is to (i) complete the update of the references to the Conceptual Framework for Financial Reporting in the accounting standard; (ii) provide clarification on the assumptions for the recognition, at the acquisition date, of provisions, contingent liabilities and tax liabilities (so-called levies) assumed as part of a business combination; (iii) explain that contingent assets cannot be recognised as part of a business combination;

Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use", aimed at defining that revenues deriving from the sale of goods produced by an asset before it is ready for its intended use must be entered in the profit and loss account together with the relative production costs.

Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract" aimed at providing clarifications on how to determine the onerousness of a contract;

"Annual Improvements to IFRS Standards 2018 - 2020 Cycle", containing changes, primarily of a technical and editorial nature, to accounting standards.

IFRS 17 "Insurance Contracts" is a new comprehensive standard relating to insurance contracts that covers recognition and measurement, presentation and disclosure. This standard will replace IFRS 4 Insurance Contracts, issued in 2005 and applies to all types of insurance contracts regardless of the type of entity that issues them, as well as to some guarantees and financial instruments with discretionary participation features;

Amendments to the definitions of current and non-current assets in IAS 1, seeking to provide a more general approach to the classification of liabilities under that standard, based on contractual arrangements.

Amendments to IAS 1 and IAS 8 aimed at improving the disclosure of accounting policies in order to provide more useful information to investors and other primary users of financial statements and to help companies distinguish between changes in accounting estimates and changes in accounting policies.

Financial risk management

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

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

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

Credit risk

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

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

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

Exposure to credit risk at 31 December 2020 and 31 December 2019 is as follows:

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Non-current financial assets	1,646	1,555
Other non-current receivables and assets	205	165
Trade receivables	32,582	33,077
Current financial assets	82	115
Other current assets	2,766	5,153
Total exposure	**37,281**	**40,065**
Loss allowance	(1,538)	(1,286)
Total exposure net of the loss allowance	**35,743**	**38,779**

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

Below is a breakdown of financial assets at 31 December 2020 and 31 December 2019, grouped by category and due date:

Figures in thousands of euros

	Carrying amount 31 Dec. 2020	Falling due	Past due						Loss allowance
			0 - 30	30 - 90	90 - 180	180-365	more than 365	Total past due	
Non-current financial assets	1,646	1,646	-	-	-	-	-	-	-
Other non-current receivables and assets	205	205	-	-	-	-	-	-	-
Trade receivables	31,044	26,725	2,558	1,248	117	447	1,487	5,857	(1,538)
Current financial assets	82	82	-	-	-	-	-	-	-
Other current assets	2,766	2,766	-	-	-	-	-	-	-
Total financial assets (*)	**35,743**	**31,424**	**2,558**	**1,248**	**117**	**447**	**1,487**	**5,857**	**(1,538)**

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

Figures in thousands of euros

	Carrying amount 31 Dec. 2019	Falling due	Past due						Loss allowance
			0 - 30	30 - 90	90 - 180	180-365	more than 365	Total past due	
Non-current financial assets	1,555	1,555	-	-	-	-	-	-	-
Other non-current receivables and assets	165	165	-	-	-	-	-	-	-
Trade receivables	31,791	26,403	2,114	2,043	649	388	1,480	6,674	(1,286)
Current financial assets	115	115	-	-	-	-	-	-	-
Other current assets	5,153	5,153	-	-	-	-	-	-	-
Total financial assets (*)	**38,779**	**33,394**	**2,114**	**2,043**	**649**	**388**	**1,480**	**6,674**	**(1,286)**

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

Liquidity risk

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

During the year, the Group met its financial requirements using own funds, without applying for new facilities from the banking system. Indeed, although the management has short-term bank facilities in place, aimed at managing peaks in current requirements, it saw no need to use such instruments during the year, thanks to the positive generation of liquidity from current operations.

Financial liabilities at 31 December 2020 and 31 December 2019, including interest payable, divided up by contractual due date, are as follows:

Figures in thousands of euros

	Carrying amount 31 Dec. 2020	Contractual financial flows	Current portion	from 1 to 2 years	from 2 to 5 years	More than 5 years
Bank loans and borrowings	15,969	16,313	4,775	4,261	6,954	323
Lease liabilities from right of use	3,191	3,349	846	828	1,406	269
Put option liabilities	12,038	12,242	9,093	2,881	268	-
Loans and borrowings from other financial backers	102	103	17	17	51	18
Total financial liabilities	**31,300**	**32,007**	**14,731**	**7,987**	**8,679**	**610**

Figures in thousands of euros

	Carrying amount 31 Dec. 2019	Contractual financial flows	Current portion	from 1 to 2 years	from 2 to 5 years	More than 5 years
Bank loans and borrowings	11,363	11,711	2,610	2,998	5,962	141
Lease liabilities from right of use	3,947	4,149	919	798	1,816	616
Put option liabilities	13,342	14,287	2,899	8,731	2,657	-
Loans and borrowings from other financial backers	138	138	35	16	50	37
Total financial liabilities	**28,790**	**30,285**	**6,463**	**12,543**	**10,485**	**794**

As regards trade payables and other liabilities, the cash flows expected from the related contracts are within 12 months. Financial liabilities as at 31 December 2020 and 31 December 2019, as resulting from the statement of financial position, divided up by contractual due date, are as follows:

Figures in thousands of euros

	Carrying amount 31 Dec. 2020	Current portion	from 1 to 2 years	from 2 to 5 years	More than 5 years
Bank loans and borrowings	15,969	4,616	4,153	6,877	323
Lease liabilities from right of use	3,191	776	785	1,364	266
Put option liabilities	12,038	8,923	2,850	265	-
Loans and borrowings from other financial backers	102	16	17	51	18
Total financial liabilities	**31,300**	**14,331**	**7,805**	**8,557**	**607**

Figures in thousands of euros

	Carrying amount 31 Dec. 2019	Current portion	from 1 to 2 years	from 2 to 5 years	More than 5 years
Bank loans and borrowings	11,363	2,499	2,884	5,839	141
Lease liabilities from right of use	3,947	844	748	1,747	608
Put option liabilities	13,342	2,369	8,393	2,580	-
Loans and borrowings from other financial backers	138	35	16	50	37
Total financial liabilities	**28,790**	**5,747**	**12,041**	**10,216**	**786**

Please note that three loans (7,782 thousand euro as at 31 December 2020) envisage the respect for two covenants and, in particular: (i) leverage ratio, i.e. net financial position/EBITDA <2, to be calculated annually starting 31 December 2020; and (ii) the ratio of net financial position and shareholder's equity <1, to be calculated annually starting 31 December 2019. Please note that in December 2020, as a preventive measure, exoneration was requested and granted by the bank for this year, from compliance with the leverage ratio benchmark, which was then found to be almost in line with the contractual provision (2.1). The second parameter is instead fully respected.

Market risk

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

Interest rate risk

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

Please note that in February 2021, as already mentioned in the Report on Operations, for the medium-term loans stipulated in 2019 and 2020, the Parent company subscribed four cap options (at a fixed price, already paid) to hedge the risk of future rises in the interest rates, in connection with an equal number of loans accounting for approximately 87% of the bank debt recorded as at 31 December 2020.

Financial liabilities of 31,300 thousand euros as at 31 December 2020 and 28,790 thousand euros as at 31 December 2019 include variable rate loans respectively for 10,857 thousand euros and 15,283 thousand euros.

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

The effects as at 31 December 2020 and 31 December 2019 are shown in the table below:

		Figures in thousands of euros
	+ 50 basis points	**- 50 basis points**
Greater (lesser) interest payable for variable rate liabilities - 2020	52	(52)
Total	**52**	**(52)**

		Figures in thousands of euros
	+ 50 basis points	**- 50 basis points**
Greater (lesser) interest payable for variable rate liabilities - 2019	30	(30)
Total	**30**	**(30)**

Currency risk

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

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

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

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

Other information

Government grants

As envisaged by Article 1, paragraphs 125-129 of Italian Law no. 124/2017 (the "2017 Competition Law"), subsequently supplemented by the "Security" Decree Law (no. 113/2018) and the "Simplification" Decree Law (no. 135/2018), under the scope of transparency obligations in connection with financing and economic grants of any type received from the public administrations and similar or equivalent subjects, these amounts are disclosed and in 2020, the Parent received capital contributions of 1,890 thousand euros. The table below gives details of data relating to the providers and the amount of cash disbursements:

Figures in thousands of euros

Provider	2020 amount collected	Reason
Ministry of Economic Development	627	Nextshop project
Ministry of Economic Development	498	D-ALL project
Ministry of Education, University and Research	369	InMoTo project
Regional Authority of Sardinia	217	DEEP project
Ministry of Education, University and Research	179	SecureOpenNet project
Ministry of Economic Development	627	NextShop project
For.Te. provision	15	For.Te. - Financial training
	1,906	

The Parent Company has also received loan contributions for 619 thousand euros. Details are given of data relating to the providers and the amount of cash disbursements:

		Figures in thousands of euros
Provider	**2020 amount collected**	**Reason**
Ministry of Economic Development	310	NextShop project
Ministry of Economic Development	309	D-ALL project
	619	

Financing on the above projects refer entirely to research and development carried out by the Company, while the For.Te. contribution refers to the financed training.

A complete disclosure on revenues for public financing is given in Note 2.

Segment reporting

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

Said segments are "Italy" and "Export".

Below is the data of 2020 and 2019, broken down by segment as required by IFRS 8, indicating any inter-segment adjustments.

				Figures in thousands of euros
Year ended at 31 December 2020	**Italy**	**Export**	**Inter-segment adjustments**	**Total**
Revenue from sales and services	52,643	21,695	(413)	**73,925**
Other revenue and income	909	103	(5)	**1,007**
Total revenue and income	**53,552**	**21,798**	**(418)**	**74,932**
Costs for services, goods and other operating costs	(27,618)	(12,900)	418	**(40,100)**
Personnel expense	(23,190)	(5,671)	-	**(28,861)**
- of which non-recurring	(224)	-	-	**(224)**
Total costs and other operating costs	**(50,808)**	**(18,571)**	**418**	**(68,961)**
Gross operating profit	**2,744**	**3,227**	**-**	**5,971**
Depreciation	(1,541)	(208)	-	**(1,749)**
Impairment and provisions	(738)	(339)	-	**(1,077)**
Operating profit	**465**	**2,680**	**-**	**3,145**
Financial income	1,209	579	(1,105)	**683**
Financial expense	(605)	(686)	7	**(1,284)**
Pre-tax profit/(loss)	**1,069**	**2,573**	**(1,098)**	**2,544**
Income taxes	35	(757)	-	**(722)**
Profit/(loss) for the year	**1,104**	**1,816**	**(1,098)**	**1,822**
Attributable to:				
- Owners of the parent	1,104	1,786	(1,098)	**1,792**
- Non-controlling interests	-	30	-	**30**

			Figures in thousands of euros	
Year ended at 31 December 2019	**Italy**	**Export**	**Inter-segment adjustments**	**Total**
Revenue from sales and services	53,981	27,328	(25)	**81,284**
Other revenue and income	3,158	79	(1)	**3,236**
Total revenue and income	**57,139**	**27,407**	**(26)**	**84,520**
Costs for services, goods and other operating costs	(31,997)	(19,432)	25	**(51,404)**
- of which non-recurring	(1,192)	-	-	**(1,192)**
Personnel expense	(24,086)	(5,550)	-	**(29,635)**
- of which non-recurring	(357)	-	-	**(357)**
Total costs and other operating costs	**(56,083)**	**(24,982)**	**25**	**(81,039)**
Gross operating profit	**1,056**	**2,425**	**(1)**	**3,481**
Depreciation	(1,514)	(224)	-	**(1,738)**
Impairment and provisions	(321)	(16)	-	**(336)**
Operating profit	**(779)**	**2,185**	**(1)**	**1,407**
Financial income	410	368	(365)	**413**
Financial expense	(983)	(597)	6	**(1,574)**
Pre-tax profit/(loss)	**(1,352)**	**1,956**	**(360)**	**246**
Income taxes	47	(532)	-	**(486)**
Profit/(loss) for the year	**(1,305)**	**1,424**	**(360)**	**(240)**
Attributable to:				
- Owners of the parent	(1,305)	1,525	(360)	**(139)**
- Non-controlling interests	-	(101)	-	**(101)**

Italy segment

The Italy segment includes the following companies: Alkemy S.p.A., Nunatac S.r.l., Alkemy Play S.r.l. and Alkemy Play D.o.o.

2020 Italy segment revenues came to 53,552 thousand euros down 3,587 thousand euros on last year.

Revenues of 52,643 thousand euros comprises revenue from sales and services (53,981 thousand euros in 2019) and 909 thousand euros for other revenues and income (3,158 thousand euros in 2019); details are given in the notes.

The reduction in revenues of the Italy segment is therefore -2,249 thousand euros due to the "Other revenues and income" component, mainly correlated with the lesser public contributions and tax credit relative to the research and development activities carried out in FY 2020.

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.

Operating costs, represented by costs for services, goods and other items and for personnel expenses, total 50,808 thousand euros, down 5,275 thousand euros (-9.4%) on the previous year. This reduction 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, in connection with meal vouchers and travel and transfer costs.

The cost of labour was 23,190 thousand euros in 2020 vs 24,086 thousand euros in 2019 (-3.7%). This reduction is due to the rationalisation of personnel expenses, despite not having used social shock absorbers and/or other benefits available insofar as unnecessary in view of the full use of the workforce.

Both cost items for personnel and purchases of services, goods and other operating costs, also include all costs incurred for the Group's research and development activities; more details and information are given in Note 2.

Gross operating profit came to 2,744 thousand euros (1,056 thousand euros in 2019) up 1,688 thousand euros.

Amortisation, depreciation and impairment came to 2,279 thousand euros, up 444 thousand euros on 2019 (+24.2%). This item includes:

- amortisation/depreciation for property, plant and equipment and intangible fixed assets with a finite useful life for a total of 1,541 thousand euros (1,514 thousand euros in 2019);
- the accrual to the loss allowance of 738 thousand euros, allocated for 497 thousand euros in view of the write-down of public contributions and 241 thousand to cover potential future losses connected with specific disputed loans as at the reporting date.

The Italy segment therefore recorded a pre-tax profit of 1,069 thousand euros (negative for 1,352 thousand euros in 2019), which, less tax, gave rise to a net profit of 1,104 thousand euros, as compared with a loss of 1,305 thousand euros for the previous year.

Export segment

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

The following companies are included: Ontwice s.l. (Spain), OIS Digital s.l. (Mexico), OIS Service s.l. (Mexico), Alkemy Iberia S.L. (Spain), Kreativa New Formula D.o.o. (Serbia), Alkemy SEE D.o.o. (Serbia), Alkemy Digital Hub D.o.o., Alkemy USA Inc. in liquidation (USA).

2020 Export segment revenues came to 21,798 thousand euros as compared with 27,407 thousand euros in 2019. This reduction is mainly due to the Mexican subsidiary (-5,991 thousand euros on 2019 or -41.0%), which, following the COVID-19, significantly suffered the slow-down to the tourism-hotel industry in which its key account operates.

Operating and personnel costs go from 24,982 thousand euros to 18,571 thousand euros.

EBITDA therefore comes to 3,227 thousand euros, as compared with 2,425 thousand euros last year.

Operating profit comes to 2,680 thousand euros, as compared with last year's 2,185 thousand euros.

The period net result therefore totals 1,816 thousand euros, as compared with 1,424 thousand euros in 2019.

Additionally, in order to assure a complete disclosure, below are the trade receivables as at 31 December 2020 and as at 31 December 2019, divided up by segment:

				Figures in thousands of euros
Year ended at 31 December 2020	**Italy**	**Export**	**Inter-segment adjustments**	**Total**
Trade receivables	23,599	7,837	(393)	**31,044**

				Figures in thousands of euros
Year ended at 31 December 2019	**Italy**	**Export**	**Inter-segment adjustments**	**Total**
Trade receivables	26,372	5,510	(91)	**31,791**

A

Comments on the accounting schedules

Consolidated income statement

1. Revenue from sales and services

Revenue from sales and services come to 73,925 thousand euros (81,284 thousand euros as at 31 December 2019) and can be broken down as follows:

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Sales of services	73,923	80,793
Sales of products	2	491
Total revenue from sales and services	**73,925**	**81,284**

Turnover for 2020 is down 7,359 thousand euros on the previous year.

This reduction in revenues from the previous financial year is mainly due to foreign companies (-5,753 thousand euros, -21.1%) and in particular the Mexican subsidiary, which, following COVID-19, significantly suffered the slowing of the tourism-hotel industry in which its key account operates.

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 1,007 thousand euros (3,236 thousand euros at 31 December 2019), as follows:

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Government grants	493	1,482
Tax asset pursuant to Decree Law no. 145/2013	330	1,624
Other revenue	184	130
Total other revenue and income	**1,007**	**3,236**

Government grants of 493 thousand euros (1,482 thousand euros as at 31 December 2019), are detailed as follows:

- 404 thousand euros (403 thousand euros as at 31 December 2019) refers to the portion of the grant related to income, relative to the subsidised finance project “SecureOpenNets”;
- 50 thousand euros (428 thousand euros as at 31 December 2019) refers to the portion of the grant related to income, relative to the subsidised finance project “D-All”;
- 17 thousand euros (171 thousand euros as at 31 December 2019) refers to the portion of the grant related to income, relative to the subsidised finance project “ProtectID”;
- 11 thousand euros (zero thousand euros as at 31 December 2019) relate to the Fondimpresa

contribution;

- 7 thousand euros (90 thousand euros at 31 December 2019) refers to the portion of the grant related to income, relative to the subsidised finance project "Culture 4.0";
- 4 thousand euros (10 thousand euros at 31 December 2019) refers to the Fondir contribution.

Last year, revenues for public contributions included not only the contributions described above but also an additional 380 thousand euros relative to "Next Shop" special finance projects for 334 thousand euros, "Tetris" for 27 thousand euros and "Smart" for 19 thousand euros.

Public contributions refer for 478 thousand euros (1,471 thousand euros in 2019) to contributions for research and development carried out by the Parent Company, which entailed investments made during the year totalling 1,057 thousand euros (3,180 thousand euros in 2019), divided up into personnel costs for 621 thousand euros (2,634 thousand euros in 2019) and external consultancy for 436 thousand euros (546 thousand euros in 2019). In addition to said investments, relative to special rate finance projects, which obtained an approval decree and operating contribution, additional research and development was carried out during the year, with an investment of 474 thousand euros in payroll costs. In 2019, investments in research and development relating to subsidiaries was 1,106 thousand euros.

In 2020, the Group also developed technological innovation projects for a total of 542 thousand euros, of which 276 thousand euros relative to Alkemy S.p.A. and 266 thousand euros to the subsidiary Alkemy Play.

On a Group level, total allocation of resources, in terms of personnel expense and external consultancy, came to a total of 2,075 thousand euros (4,286 thousand euros in 2019), split between personnel expenses for 1,639 thousand euros and consultancy for 436 thousand euros.

The tax asset accrued on investments made in research and development and technological innovation comes to 330 thousand euros (1,624 thousand euros at 31 December 2019).

Other revenue came to 184 thousand euros (130 thousand euros at 31 December 2019) and mainly regards contingent assets.

3. Costs for services, goods and other operating costs

Services, goods and other operating costs comes to 40,100 thousand euros (51,404 thousand euros at 31 December 2019), as detailed hereto:

		Figures in thousands of euros
	31 Dec. 2020	**31 Dec. 2019**
Services	39,464	50,419
Purchase of raw materials	261	367
Change in inventories	58	33
Lease costs	57	156
Other operating costs	260	429
Total	**40,100**	**51,404**

Services

Costs for services come to 39,464 thousand euros (50,419 thousand euros as at 31 December 2019) and are detailed below:

		Figures in thousands of euros
	31 Dec. 2020	**31 Dec. 2019**
Services for customers	36,389	44,693
Consultancy and legal expenses	517	528
Other consultancy	332	358
Administrative services	314	212
Maintenance services	271	332
Insurance	207	180
Restaurant vouchers	205	401
Travel and transfer expenses	200	780
Postal, telephone and data transmission services	163	146
Audit fees	135	135
Payslip processing	133	167
Marketing services	109	174
Condominium and supervisory expenses	82	92
Cleaning expenses	80	93
Board of Auditors' fees	70	77
Logistics services	64	447
Collaborators' fees	61	96
Utilities	52	83
Banking services	49	91
Commercial services	15	113
Other services	16	29
Non-recurring translisting costs	-	1,192
Total services	**39,464**	**50,419**

Services mainly include commercial costs incurred for activities provided to customers, media space, costs for third party services, distribution costs and costs for collaborators. Their reduction 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, in connection with meal vouchers and travel costs.

Purchase of raw materials

Costs for the purchase of raw materials total 261 thousand euros (367 thousand euros at 31 December 2019) and mainly regard the purchase of goods for resale to B2C customers of the eCommerce BU, fully disposed of in FY 2020, and the purchase of licences for resale.

Lease costs

Lease costs come to 57 thousand euros (156 thousand euros at 31 December 2019) and relate to costs that, by nature, do not come under the scope of application of IFRS 16.

Other operating costs

Other operating costs come to 260 thousand euros (429 thousand euros as at 31 December 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 28,861 thousand euros (29,635 thousand euros at 31 December 2019) and consist of the following:

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Wages and salaries	20,075	20,340
Non-recurring wages and salaries	224	357
Directors' fees	1,488	1,686
Social security expenses	5,399	5,549
Costs for defined benefit plans	1,058	1,141
Cost for share-based payments	564	380
Other personnel expense	53	182
Total personnel expense	**28,861**	**29,635**

This item includes all costs incurred during the year, directly or indirectly relating to employees and collaborators, as well as directors' fees for 1,488 thousand euros.

The cost for share-based payments includes 353 thousand euros in the cost of competence relative to a new long-term incentive plan for 3 strategic managers, as well as the Chairman and CEO of the parent company.

The average number of employees during FY 2020 was 531 (512 in 2019).

534 employees were on the workforce as at 31 December 2020, as compared with 526 last year.

Despite the increase in the number of employees, the cost of labour mainly reduces due to the rationalisation of personnel costs in the Italian companies, without, moreover, benefiting from reductions connected with the use of social shock absorbers or other benefits available, insofar as unnecessary in view of the full use of the workforce.

5. Depreciation

Amortisation/depreciation comes to 1,749 thousand euros (1,738 thousand euros at 31 December 2019) and consists of:

- 978 thousand euros (930 thousand euros at 31 December 2019) relate to the amortisation of right-of-use assets;
- 321 thousand euros (327 thousand euros at 31 December 2019) for the depreciation of property, plant and equipment;
- 450 thousand euros (481 thousand euros at 31 December 2019) for the amortisation of intangible fixed assets.

6. Provisions and impairment

Provisions come to 1,077 thousand euros (336 thousand euros at 31 December 2019) and are detailed as follows:

- 497 thousand euros (zero thousand euros at 31 December 2019), for the impairment of receivables relating to contributions for special finance projects;
- 428 thousand euros (193 thousand euros as at 31 December 2019) refers to the impairment of trade receivables;
- 152 thousand euros (31 thousand euros as at 31 December 2019) refers to the provision for risks.

Finally, please note that as at 31 December 2019, the item included 112 thousand euros relative to the impairment of closing warehouse inventories.

7. Net gains (losses on) equity investments

Net gains on equity investments amount to 96 thousand euros (33 thousand euros as at 31 December 2019) and refers to the equity valuation of the associate Design Group Italia S.r.l., acquired by the Parent Company in July 2019.

8. Financial income

Financial income comes to 587 thousand euros (380 thousand euros as at 31 December 2019) and mainly refers to the effects of exchange gains for 578 thousand euros as well as to interest on bank current accounts. Exchange gains mainly refer to the subsidiary Ontwice Interactive Services S.A. Mexico City, which also originates most of the exchange losses, of 662 thousand euros (392 thousand euros in 2019), included in financial expense, 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 average USD/MXN exchange rate rise by 12%.

9. Financial expense

Financial expense comes to 1,284 thousand euros (1,574 thousand euros at 31 December 2019) and is detailed below:

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Exchange losses	662	392
Interest from put option liabilities	254	766
Interest expense on loans	197	97
Interest on leases	101	105
Interest expense on employee benefits (IAS 19)	32	50
Interest expense on current accounts	2	1
Loss on the sale of equity investments	-	127
Other financial expense	36	36
Total financial expense - third parties	**1,284**	**1,574**

10. Income taxes

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

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Current income tax	785	485
Current IRAP tax	147	222
Previous years' tax	(56)	(28)
Change in deferred tax assets	(198)	(230)
Change in deferred tax liabilities	44	37
Total taxes	**722**	**486**

Current income tax refers mainly to the foreign companies and it's increase is related to the grow of pre-tax profit of the export segment.

11. Earnings (loss) per share

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

In calculating diluted earnings per share, the weighted average of the outstanding shares takes into account the conversion of all instruments having a dilutive effect and, therefore, the options assigned to stock option plan beneficiaries.

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

	Figures expressed in units of euros	
	31 Dec. 2020	**31 Dec. 2019**
Profit		
Group profit (loss) for the year	1,792,000	(139,000)
Group profit (loss) for the year, attributable to ordinary shares	1,792,000	(139,000)
Number of shares		
Average number of outstanding ordinary shares	5,521,692	5,470,867
Adjusted average number of ordinary shares	5,521,692	5,478,488
Basic earnings per share	0.32	(0.03)
Diluted earnings per share	0.32	(0.03)

Consolidated statement of financial position

Assets

Non-current assets

12. Property, plant and equipment

The item totals 855 thousand euros (980 thousand euros as at 31 December 2019); changes are shown below:

			Figures in thousands of euros	
	Land and buildings	Plant and machinery	Other assets	Total
Balance at 31 December 2018	**82**	**44**	**939**	**1,064**
Change in the scope of consolidation	-	-	(12)	(12)
Investments	-	-	258	258
Decreases	-	-	(3)	(3)
Depreciation	(4)	(15)	(308)	(327)
Change in the scope of consolidation	-	-	(12)	(12)
Balance at 31 December 2019	**78**	**29**	**874**	**980**
Investments	-	-	196	196
Depreciation	(4)	(15)	(302)	(321)
Balance at 31 December 2020	**74**	**14**	**768**	**855**

Land and buildings includes a property owned in Rende (CZ).

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

13. Right-of-use assets

The item totals 3,122 thousand euros (3,907 thousand euros as at 31 December 2019); changes are shown below:

			Figures in thousands of euros
	Buildings	Other assets	Total
Balance at 31 December 2018	**-**	**-**	**-**
Adoption of IFRS 16	4,275	475	4,750
Increases	-	87	87
Depreciation	(724)	(206)	(930)
Balance at 31 December 2019	**3,551**	**356**	**3,907**
Investments	213	466	679
Decreases	(461)	(25)	(486)
Depreciation	(711)	(267)	(978)
Balance at 31 December 2020	**2,592**	**530**	**3,122**

"Buildings" refers to the right-of-use of offices and the increases (213 thousand euros) mainly relate to the renewal of the lease contract for the offices in Mexico City, by Ontwice Interactive Services de Mexico S.a.

The period reductions (461 thousand euros) mainly relate:

- for 195 thousand euros to the termination of the lease contract on the Madrid offices leased by Ontwice S.l. following the choice to reorganise spaces in connection with the increase in smart working consequent to the COVID-19 pandemic;
- for 182 thousand euros to the notice given on the lease contract for the Rome offices in Lungotevere Mellini, following the decision to transfer the Rome offices to a single site (via del commercio). This transfer took place in December 2020;
- for 84 thousand euros to the recalculation of the right-of-use value following the reduction in charges obtained for certain properties leased by the Group companies. In this regard, please note that the Group has not used the practical expedient granted by the amendment to IFRS 16 Leases, issued in 2020 by the International Accounting Standards Board (IASB).

"Other" includes right-of-use of company cars and period increases mainly relate to the stipulation of new rental contracts to replace those that expired during the year as well as the increase in the vehicle fleet.

14. Goodwill

Goodwill comes to 31,755 thousand euros (31,752 thousand euros as at 31 December 2019), as detailed hereto:

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Goodwill for the Ontwice Group	12,673	12,673
Goodwill for BizUp	6,883	6,883
Goodwill for Nunatac	6,603	6,603
Goodwill for Kreativa	979	976
Goodwill for Alkemy Tech	2,898	2,898
Goodwill for Seolab	1,167	1,167
Goodwill for Between	552	552
Total goodwill	**31,755**	**31,752**

The increase is due to the exchange differences for goodwill relating to Kreativa New Formula D.o.o.

The Group expects to obtain a positive contribution in terms of cash flow from these assets, for an indefinite period of time.

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

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

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

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

The main assumptions on which the recoverable amount is calculated regard the discount rate, the use of the latest budgets and medium-term forecasts and the expected growth rate at the end of the explicit forecasting period.
Discounting regarded forecast cash flow as resulting from the 2021-2023 three-year plan approved by the Board of Directors on 11 December 2020 and integrated with the preliminary data as at 31 December 2020.
The terminal value was calculated using the "perpetual income" method determined by the normalised cash flow projection relative to the first year after the explicit forecasting period, assuming a growth rate of 1.20% for the CGU - Italy, 1.7% for the CGU - Spain/Mexico and 1.5% for the CGU - the Balkans.
In discounting cash flows, the Group adopted a rate that expresses the weighted average cost of capital (WACC) comprising a weighted average of the cost of capital and the cost of debt. The rates were differentiated for each CGU, taking into account the specific risk level of the countries in which the subsidiaries are based.
More specifically, with reference to the valuations as at 31 December 2020, the Group applied a rate of 9.83% for the CGU - Italy, 11.67% for the CGU - Spain/Mexico and 13.2% for the CGU - the Balkans.
The impairment test results revealed for each CGU that the recoverable amount exceeded the carrying amount, accordingly no impairment losses were recognised.

As at 31 December 2020, Alkemy's capitalisation is 39,716,039 euros, compared to a Group's equity of 31.142 thousand euros, and therefore falls below the Group valuation using the DCF methods based on officially approved plans (recoverable value of the CGUs); the directors consider that this value, expressed by the financial market, is not an indicator of potential losses to the assets held by the Group, insofar as it suffers outlooks factors precisely due to the stock market dynamics that penalised the security during the listing process and as a result of the pandemic, determining a value that is not representative of its intrinsic value, which, just before the début on the main market, settled at around 60 million euros.

Please note that a sensitivity analysis has also been carried out, hypothesising changes in the WACC discounting rate with an increase/decrease of 1 percentage point, matched with (i) an increase/decrease of 0.5 percentage points of the perpetual g-rate, (ii) a different determination of the EBITDA of the terminal value, in respect of changes in results envisaged by the three-year plan (mean EBITDA 2021-2023, mean 2022-2023 and just 2023).
These analyses also failed to reveal any impairment loss on goodwill.
In order to assure a more in-depth sensitivity analysis, break-even thresholds were identified for the main parameters, namely the values beyond which the cover for each CGU is zeroed and, therefore, losses in value start to apply to goodwill. The evidence that emerged suggests that the model is solid, insofar as only where there are major changes in these parameters can possible critical issues arise.
The table below provides a summary of these results.

PARAMETER		**CGU Italy**	**CGU Iberia**	**CGU Serbia**
	basic	9.8%	11.7%	13.2%
WACC	break-even	12.4%	19.6%	33.8%
	delta	*2.6%*	*7.9%*	*20.6%*
	basic	1.2%	1.70%	1.5%
G-rate	break-even	-1.8%	-8.40%	-27.4%
	delta	*-3.0%*	*-10.1%*	*-28.9%*
Reduction in EBITDA BP and TV	break-even	-16.80%	-39.5%	-53.8%

15. Intangible assets with a finite useful life

Intangible fixed assets amount to 650 thousand euros (971 thousand euros as at 31 December 2019). Below are details on changes seen to intangible fixed assets:

Figures in thousands of euros

	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other	Total
Balance at 31 December 2018	**469**	**33**	**942**	**1,444**
Change in the scope of consolidation	(316)	-	-	(316)
Investments	169	-	162	331
Decreases	(16)	-	-	(16)
Depreciation	(105)	(6)	(370)	(481)
Reduction in provision for disposals	9	-	-	9
Balance at 31 December 2019	**210**	**27**	**734**	**971**
Investments	125	-	4	129
Depreciation	(139)	(6)	(305)	(450)
Balance at 31 December 2020	**196**	**21**	**433**	**650**

Industrial patents and intellectual property rights

This item mainly includes the costs incurred for the purchase of company management software. Investments are mainly due to the purchase of new licences correlated with software for management control and new firewalls.

Concessions, licences, trademarks and similar rights

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

Other

This item includes long-term costs that, due to their different nature, do not fit under any of the other items of this category. More specifically, the item includes: (i) costs incurred by the parent company for the eCommerce platform, (ii) costs incurred by the subsidiary Alkemy Play S.r.l., including through the subsidiary Alkemy Play D.o.o., in relation to the programming and development of a web platform dedicated to the supply of digital services for small and medium enterprises and (iii) costs incurred by the subsidiary BizUp S.r.l. (now incorporated into Alkemy S.p.A.) in relation to the development of a platform dedicated to services for the development of branded content of customer companies.

16. Equity investments

Equity investments amount to 1,174 thousand euros (1,078 thousand euros as at 31 December 2019). The item refers to:

- 1,169 thousand euros for the investment in the associate Design Group Italia I.D. S.r.l.;
- 5 thousand euros to the investment in the consortium company ICT SUD S.C.r.l., held by the Parent.

Design Group Italia I.D. S.r.l. details and result at 31 December 2020 are detailed below:

Company name	Registered office	Capital	Shareholders' equity	Profit (loss)	% held
Design Group Italia I.D. S.r.l.	Milan – Via A. Aleardi 12/14	119	1,570	422	20%

Please note that the table includes the value of the equity of the associated Design Group Italia I.D. S.r.l. without considering the fair value adjustments made at the acquisition date of the investment (23 July 2019).

17. Non-current financial assets

Non-current financial assets come to 1,646 thousand euros (1,555 thousand euros as at 31 December 2019) and are detailed below:

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Amount due from insurance companies	1,518	1,427
Amounts due from employees	128	128
Total non-current financial assets	**1,646**	**1,555**

Amount due from insurance companies refers to insurance policies signed to cover directors' and employees' severance indemnity in reference to the subsidiary Nunatac S.r.l.

18. Deferred tax assets

Deferred tax assets amount to 1,470 thousand euros (1,203 thousand euros as of 31 December 2019).

They are determined on the temporary differences between the carrying amounts of the assets and liabilities taken in order to prepare the financial statements and the respective tax values (mainly provisions for doubtful debt and fees to directors not paid), as well as on tax losses that can be carried forward indefinitely.

The increase in deferred tax assets mainly related to the increase of tax losses that can be carried forward indefinitely.

Deferred tax is recognised when it is considered, on the basis of forecasts for future results, that it is reasonably certain of being recovered in future years.

19. Other non-current receivables and assets

Other assets come to 205 thousand euros (165 thousand euros as at 31 December 2019) and mainly relate to guarantee deposits for leased offices.

Current assets

20. Inventories

Inventories total zero thousand euros (61 thousand euros at 31 December 2019) due to the closure of the e-commerce business.

21. Trade receivables

Trade receivables come to 31,044 thousand euros (31,791 thousand euros as at 31 December 2019), as detailed herewith:

		Figures in thousands of euros
	31 Dec. 2020	**31 Dec. 2019**
Italy	21,221	24,101
EU	6,382	4,934
Non-EU	3,441	2,756
Total trade receivables	**31,044**	**31,791**

There are no amounts due after one year.

trade receivables are stated net of a loss allowance of 1,538 thousand euros (1,286 thousand euros as at 31 December 2019). The provision for doubtful debt was calculated on the basis of the estimated expected loss throughout the life of the amount due, from when it is first recognised and during subsequent measurements. The estimate is mainly prepared by determining the average expected incapacity to collect, based on historical indicators. For some categories, characterised by specific risk elements, specific valuations are instead made on the individual positions.

Below are year changes to the loss allowance:

	Figures in thousands of euros
Balance at 31 December 2019	**1,286**
Accruals	428
Uses	(176)
Balance at 31 December 2020	**1,538**

22. Current financial assets

Financial assets amount to 82 thousand euros (115 thousand euros as at 31 December 2019).

23. Tax assets

Tax credits come to 1,441 thousand euros (3,663 thousand as at 31 December 2019) and are detailed as follows:

		Figures in thousands of euros
	31 Dec. 2020	**31 Dec. 2019**
VAT asset	736	591
Tax assets	354	1,295
Tax asset pursuant to DL.145/2013	330	1,624
Withholding taxes	1	19
Other tax assets	20	134
Total tax assets	**1,441**	**3,663**

The reduction in tax receivables is mainly due to the offsetting of the tax credit for research and development for 1,624 thousand euros plus IRES credits for 836 thousand euros.
The tax asset for 330 thousand euros is for the amount accrued in connection with subsidised finance projects for investments made in 2020 in research and development, pursuant to Decree Law no. 145/2013.

24. Other current assets

Other assets of 2,766 thousand euros (5,153 thousand euros as at 31 December 2019) are detailed as follows:

		Figures in thousands of euros
	31 Dec. 2020	**31 Dec. 2019**
Government grants	2,591	4,019
Impairment of government grants	(497)	-
Prepayments	561	941
Other receivables	111	193
TOTAL	**2,766**	**5,153**

It is specified that public grants reduce by 1,925 thousand euros in respect of payments received for 1,906 thousand euros and new entries for 478 thousand euros correlated to research and development carried out during the year and an impairment thereof for 497 thousand euros. This impairment is connected with a legal petition, the outcome of which is extremely uncertain.

25. Cash and cash equivalents

The balance of 18,840 thousand euros (9,581 thousand euros as at 31 December 2019) is detailed hereto:

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Bank deposits	18,835	9,572
Cash and petty cash	5	9
TOTAL	**18,840**	**9,581**

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

Liabilities and equity

Non-current liabilities

26. Equity

Changes in and a breakdown of equity for 2019 and 2020 are given in the changes to the equity amounts, to which you are referred.

Share capital

The Parent's share capital comes to 588 thousand euros (no change on 31 December 2019) and is fully paid-up.
The share capital as at 31 December 2020 is represented by 5,609,610 shares (no change on 31 December 2019). On 16 November 2017, the Shareholders' Meeting had resolved to split existing shares, in the amount of ten new shares for each pre-existing share, and to eliminate the shares' nominal amount.

Treasury shares

The reserve for treasury shares in portfolio totalled 1,093 thousand euros (912 thousand euros at 31 December 2019). The change is due to the purchase of treasury shares for 181 thousand euros during the year, equal to 30,000 treasury shares.
At 31 December 2020, the Parent Company portfolio held 112,536 treasury shares, accounting for 2.006 % of the share capital.

Legal reserve

The legal reserve amounts to 202 thousand euros (unchanged on 31 December 2019).

Other reserves

Other reserves come to 29,418 thousand euros (29,927 thousand euros as at 31 December 2019), as follows:

- share premium reserve for 30,966 thousand euros (unchanged on 31 December 2019);
- stock option reserve of 229 thousand euros (429 thousand euros as at 31 December 2019);
- FTA reserve for 147 thousand euros (no change on 31 December 2019);
- other reserves negative for 1,164 thousand euros (o change on 31 December 2019) in relation to the put option liabilities of the companies established in 2017;
- gains (losses) recognised in equity for a negative 380 thousand euros (loss for 157 thousand euros as at 31 December 2019); the item relates to the discounting of post-employment benefits, envisaged by IAS 19;

- reserve for the conversion of financial statements prepared in foreign currencies, negative for 86 thousand euros (zero thousand euros at 31 December 2019).

The change in the stock option reserve, of 200 thousand euros, is for +211 thousand euros due to the cost of the stock option plans in place in 2020 and for -411 thousand euros to the closure of the 2017-2020 stock option plan, reclassified to profits carried forward.

Retained earnings

Retained earnings come to 235 thousand euros (2,057 thousand euros as at 31 December 2019); the change for the year is due to:

- 411 thousand euros, the increase in connection with the closure of the 2017-2020 stock option plans;
- 39 thousand euros, the increase mainly relative to the change in the consolidation area, following acquisition of the remaining share (49%) of the company Alkemy Digital Hub D.o.o. by Alkemy SEE D.o.o.
- 1,181 thousand euros, the reduction in relation to the change in fair value of put option liabilities;
- 952 thousand euros, the reduction relating to the dividends resolved in the favour of non-controlling investors;
- 139 thousand euros, the decrease relative to the allocation of losses from the previous year, in accordance with the resolution passed by the shareholders' meeting of the Parent on 24 April 2020.

27. Equity attributable to non-controlling interests

Equity attributable to non-controlling interests comes to 254 thousand euros (174 thousand euros as at 31 December 2019) and mainly refers to the portion pertaining to the non-controlling investors of the subsidiaries in the Balkans area.

28. Financial liabilities

Current and non-current financial liabilities come to 16,071 thousand euros (11,501 thousand euros as at 31 December 2019) and are broken down below according to due dates:

- 11,439 thousand euros (8,968 thousand euros as at 31 December 2019) refer to non-current financial liabilities;
- 4,632 thousand euros (2,533 thousand euros as at 31 December 2019) refer to current financial liabilities.

There are financial liabilities due after 5 years, for the amount of 341 thousand euros.

The increase in financial liabilities of 4,570 thousand euros, net of reimbursements paid during the year for 2,078 thousand euros, mainly relates to new loans disbursed during the year, in particular:

- 3,500 thousand euros, the loan obtained from Banca Intesa Sanpaolo on 17 July 2020 with a term of 60 months, including a pre-amortisation period of 24 months, with repayment of principal in twelve quarterly instalments, the first due on 17/10/2022;

- 2,000 thousand euros, the medium-term loan agreement entered into with Banco BPM to facilitate the Group's financial operations, with a term of 24 months, with repayment in quarterly instalments ending on 16 September 2022;
- 500 thousand euros, the medium/long-term loan stipulated by the Parent company in February 2020 to facilitate the Group's financial operations, with CREDEM, for a term of 36 months, with repayment in quarterly instalments with the last one falling due in February 2023;
- 619 thousand euros for four two long-term loans correlated to subsidised finance projects, obtained by the Parent company from Mediocredito Centrale at special rates and conditions.

Financial liabilities are illustrated below:

- 6,099 thousand euros (6,954 thousand euros as at 31 December 2019) relative to a medium/long-term bank loan obtained from Mediocredito Italiano in 2019 for 7,000 thousand euros. Repayment is on a straight-line basis every six months, starting 31 December 2020 with each instalment being for 875 thousand euros. The interest rate applied is the 6M Euribor, increased by a spread of 1.5 points. At disbursement, an up-front fee was withheld of 35 thousand euros. The contract envisages respect of two financial covenants, specifically: (i) leverage ratio, i.e. net financial position/EBITDA <2, to be calculated annually starting 31 December 2020; and (ii) the ratio of net financial position and shareholder's equity <1, to be calculated annually starting 31 December 2019. Please note that in December 2020, as a preventive measure, exoneration was requested and granted by the bank for this year, from compliance with the leverage ratio benchmark, which was then found to be almost in line with the contractual provision (2.1). The second parameter is instead fully respected;
- 3,499 thousand euros relative to the medium/long-term bank loan with Intesa Sanpaolo, as described above;
- 1,999 thousand euros relate to the additional BPM loan stipulated in 2020 and described above;
- 897 thousand euros (288 thousand euros at 31 December 2019) refer to the seven loans from Mediocredito Centrale correlated to subsidised finance projects;
- 875 thousand euros (996 thousand euros at 31 December 2019) refer to an additional Intesa Sanpaolo loan stipulated in 2019 with a term of 30 months, with repayment in five straight-line six-monthly instalments due in 2024. The contract envisages respect of two financial covenants, specifically: (i) leverage ratio, i.e. net financial position/EBITDA <2, to be calculated annually starting 31 December 2020; and (ii) the ratio of net financial position and shareholder's equity <1, to be calculated annually starting 31 December 2019. Please note that in December 2020, as a preventive measure, exoneration was requested and granted by the bank for this year, from compliance with the leverage ratio benchmark, which was then found to be almost in line with the contractual provision (2.1). The second parameter is instead

fully respected;

- 857 thousand euros (995 thousand euros at 31 December 2019) refer to a loan obtained from Banco BPM in 2019 to facilitate the Group's financial operations, with a term of 42 months, plus 9 month grace period, with repayment in quarterly instalments ending on 29 December 2023;
- 808 thousand euros (1,001 thousand euros at 31 December 2019) refer to a loan obtained in 2019 from Intesa Sanpaolo for research and development. The contract envisages respect of two financial covenants, specifically: (i) leverage ratio, i.e. net financial position/EBITDA <2, to be calculated annually starting 31 December 2020; and (ii) the ratio of net financial position and shareholder's equity <1, to be calculated annually starting 31 December 2019. Please note that in December 2020, as a preventive measure, exoneration was requested and granted by the bank for this year, from compliance with the leverage ratio benchmark, which was then found to be almost in line with the contractual provision (2.1). The second parameter is instead fully respected;
- 451 thousand euros relate to the additional Credem loan stipulated in 2020 and described above;
- 251 thousand euros (624 thousand euros as at 31 December 2019) refer to the medium/long-term bank loan with Banca Intesa Sanpaolo S.p.A., entered into by the Parent in 2016 to purchase the subsidiary BizUp S.r.l. Repayment is on a straight-line basis once a quarter, starting 30 June 2017 with each instalment being for 125 thousand euros. The interest rate applied is the 3M Euribor, increased by a spread of 1.5 points;
- 134 thousand euros (235 thousand euros as at 31 December 2019) refer to the medium/long-term bank loan entered into in July 2017 with Credito Emiliano S.p.A. and deriving from the merger of Alkemy Tech S.r.l. The 36-month loan has a fixed interest rate of 0.7% and repayment in equal monthly instalments starting February 2018;
- 56 thousand euros (112 thousand euros as at 31 December 2019) refer to the medium/long-term bank loan with Credito Emiliano S.p.A., entered into by the Company in August 2017. The 36-month loan has a fixed interest rate of 0.7% and repayment in equal monthly instalments starting September 2017;
- 44 thousand euros (119 thousand euros as at 31 December 2019) refer to the medium/long-term bank loan issued to the Spanish Ontwice Group by Banca Santander;
- 101 thousand euros (112 thousand euros as at 31 December 2019) refer to loans and borrowings from other backers in the medium/long-term, issued to the Spanish Ontwice Group by the Ministry for the Economy;

As at 31 December 2019 also included a total of 65 thousand euros, 40 thousand euros relative to short-term bank loans issued to Alkemy SEE D.o.o. and 25 thousand euros relative to payables to other lenders or shareholder loans relative to companies operating in Serbia.

Finally, please note that the parent company, for the medium-term loans stipulated in 2019 and 2020, only in February 2021 subscribed four cap options (at a fixed price, already paid) to hedge the risk of future rises in the interest rates, in connection with an equal number of loans accounting for approximately 87% of the bank debt recorded as at 31 December 2020.

29. 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 December 2020:

			Figures in thousands of euros
		At 31 December 2020	At 31 December 2019
A	Cash	5	9
B	Other cash and cash equivalents	18,835	9,572
C	Securities held for trading	-	-
D	**Cash and cash equivalents (A+B+C)**	**18,840**	**9,581**
E	Current loans	82	82
F	Current bank loans and borrowings	-	41
G	Current portion of non-current debt	4,616	2,458
H	Other current financial liabilities	9,715	3,248
I	**Current financial debt (F+G+H)**	**14,331**	**5,747**
J	**Net current financial debt (I-E-D)**	**(4,591)**	**(3,916)**
K	Non-current bank loans and borrowings	11,353	8,864
L	Bonds issued	-	-
M	Other non-current financial liabilities	5,616	14,179
N	**Non-current financial debt (K+L+M)**	**16,969**	**23,043**
O	**Net Financial Debt (J+N)**	**12,378**	**19,127**

30. Lease liabilities from right of use

Current and non-current financial liabilities from right-of-use assets total 3,191 thousand euros (3,947 thousand euros as at 31 December 2019) and are broken down below according to due dates:

- 2,415 thousand euros (3,103 thousand euros as at 31 December 2019) refer to non-current financial liabilities;
- 776 thousand euros (844 thousand euros as at 31 December 2019) refer to current financial liabilities.

Please note that there are financial liabilities due beyond 5 years, for the amount of 266 thousand euros.

31. Put option liabilities

The liabilities to non-controlling investors in the short and medium-term total 12,038 thousand euros (13,342 thousand euros as at 31 December 2019) and refer to the commitment relating to the acquisition of the residual portion of the investment in the subsidiaries Nunatac, Ontwice, Alkemy Play, Alkemy Iberia and Kreativa New Formula, comprising a contractual structure of put and call options between the Company and the non-controlling investors. As is frequently the case in purchases of majority investments, the contractual agreements in fact include a put option in the favour of the remaining non-controlling investors and a call option in the favour of Alkemy. The liabilities due to non-controlling investors were recognised with a balancing entry in goodwill in the case of companies acquired, whereas for companies established with non-controlling investors, the put option liability was recognised as a reduction of equity. In accordance with the provisions of IAS 32, the assignment of a put option in fact requires the initial booking of a liability corresponding to the estimated redemption value, expected when the option is exercised, discounted at a factor calculated on the basis of the risk-free rate and credit spread of Alkemy and for which the fair value as at 31 December 2020 was determined in consideration of the new redemption values expected at the time the option is exercised.

The put options whose exercise is contractually envisaged by 31 December 2021, are classified as current financial liabilities; in particular, they refer 20% to the capital of Ontwice Interactive Service S.L., exercise of which is envisaged for September 2021, 30% to the capital of Nunatac S.r.l., the exercise of which is envisaged for July 2021 and 15% the capital of Kreativa New Formula, the exercise of which is envisaged for July 2021.

The remaining put option liabilities can contractually be exercised after 31 December 2021.

The decrease of 1,304 thousand euros is due to:

- 2,650 thousand euros to the decrease relative to the exercise of put&call options and, in particular, payment of the portion of 16% of Ontwice (2,561 thousand euros) and payment of the last portion linked to the exercise of BizUp (89 thousand euros, paid in January 2020);
- 1,092 thousand euros, the increase in fair value brought about by spot redetermination of the strike price of all put options, on the basis of the company's new gross operating profit (loss); this change was recognised as a reduction of equity;
- and 254 thousand euros, to the increase relative to interest on the passing of time (unwinding of the discounting of the strike price).

32. Employee benefits

Employee benefits come to 5,087 thousand euros (4,356 thousand euros as at 31 December 2019) and refer to the post-employment benefits of employees and the end-of-office entitlement of the directors of the subsidiary Nunatac S.r.l.

Period changes were as follows:

	Figures in thousands of euros
Balance at 31 December 2018	**3,647**
Accruals	1,141
Actuarial (gains)/losses	206
Utilisation of the year	(639)
Balance at 31 December 2019	**4,356**
Accruals	1,058
Actuarial (gains)/losses	294
Utilisation of the year	(622)
Balance at 31 December 2020	**5,087**

In accordance with IAS 19, this payable is recognised as a defined benefit plan and measured using the projected unit credit method, in accordance with the following actuarial assumptions:

Actuarial assumptions	**31 Dec. 2020**	**31 Dec. 2019**
Discount rate	0.34%	0.77%
Remuneration increase rate	2.00%	2.00%
Increase in the cost of living	1.00%	1.00%

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

33. Provisions for risks and charges

The provisions for risks and charges comes to 222 thousand euros (44 thousand euros at 31 December 2019).

The increase mainly refers to the allocation of 152 thousand euros set aside by the Spanish subsidiary Ontwice, following a claim for compensation for damages made by the Spanish customer.
The provisions also include 45 thousand euros relative to a verification by the labour inspectorate at the Spanish subsidiary Ontwice, following which it received a request for payment of sanctions, against which the subsidiary has lodged an appeal.

34. Deferred tax liabilities

Deferred tax liabilities amount to 84 thousand euros (17 thousand euros as of 31 December 2019).

Current liabilities

35. Trade payables

Trade payables come to 14,688 thousand euros (17,142 thousand euros as at 31 December 2019).

Below is a breakdown of trade payables by geographical segment

		Figures in thousands of euros
	31 Dec. 2020	**31 Dec. 2019**
Italy	7,508	10,497
EU	4,938	3,652
Non-EU countries	2,242	2,993
Total trade payables	**14,688**	**17,142**

36. Tax liabilities

Tax payables come to 1,688 thousand euros (1,617 thousand euros as at 31 December 2019) and include liabilities for tax that is both certain and quantified, in relation to VAT, income tax and withholdings, as substitute tax; the breakdown is as follows:

		Figures in thousands of euros
	31 Dec. 2020	**31 Dec. 2019**
Current tax liabilities	284	27
Withholdings	588	625
VAT	671	719
Other tax liabilities	145	246
Total tax liabilities	**1,688**	**1,617**

Please note that together with the subsidiaries Nunatac and Alkemy Play S.r.l., the Company has opted for the national tax consolidation scheme.

37. Other liabilities

Other current liabilities come to 10,585 thousand euros (8,112 thousand euros as at 31 December 2019), detailed as follows:

		Figures in thousands of euros
	31 Dec. 2020	**31 Dec. 2019**
Social security charges	1,440	1,531
Due to employees	4,380	3,555
Accrued expenses and deferred income	3,965	2,587
Other liabilities	800	439
Total other liabilities	**10,585**	**8,112**

Due to employees includes the amounts due to employees, directors and collaborators; the item includes salaries for December and accruals for 2020 not yet paid, in relation to bonuses, holidays, permits and 14th month salaries.
The related increase, for a total of 825 thousand euros, mainly relates (i) for 353 thousand euros to the execution of the "2020-2023 Long-Term Incentive Plan" and (ii) for 250 thousand euros to the increase in payables to directors.

Accrued expenses and deferred income are recognised on an accruals basis. At 31 December 2020, there were no accruals or deferrals with a residual term of more than five years.

Other payables total 800 thousand euros (439 thousand euros at 31 December 2019) and their increase is mainly due for 283 thousand euros to the increase in the payable for dividends to be paid to minority shareholders by Ontwice S.l. Madrid, equal to 618 thousand euros as at 31 December 2020.

38. Guarantees given and other commitments

Guarantees given

As at 31 December 2020, there are three insurance sureties for 532 thousand euros of the Parent issued in the favour of two customers, to guarantee the correct fulfilment, by the Company, of its contractual obligations.

39. Related party transactions

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

The related financial statements have been eliminated during the consolidation process.

Refer to Note 38 of the Separate financial statements for details of the trade and financial transactions implemented by and between the Parent and its subsidiaries during 2020.

Below are details of related party transactions:

				Figures in thousands of euros
	Assets	**Liabilities**	**Revenue**	**Costs**
Codermine S.r.l.	-	(188)	-	(453)
O2E S.r.l.	-	-	-	(67)
Jakala S.p.A.	5	-	-	-
Design Group Italia S.r.l.	236	(242)	205	(458)
Total	**241**	**(430)**	**205**	**(978)**

An IT consulting contract has been stipulated with the related company Codermine S.r.l., which in 2020 resulted in costs of 453 thousand euros, with a trade payable at 31 December 2020 of 188 thousand euros.

Commercial relations are entertained with the associate DGI S.r.l., which in 2020 gave rise to costs for 458 thousand euros, a trade payable at 31 December 2020 of 242 thousand euros and revenues for 205 thousand euros, with a trade receivable at 31 December 2020 of 236 thousand euros.

Fees to directors, auditors and key management personnel

The fees paid in 2020 to the Parent's Board of Directors totalled 1,293 thousand euros (1,045 thousand euros in 2019), whilst those due to the Board of Auditors came to 70 thousand euros (77 thousand euros in 2019). The fees due to the Board of Directors also includes the remuneration of the Chief Executive Officer for the role of key manager.

The fees due to the other four key managers in force as at 31 December 2020 came to 841 thousand euros (1,078 thousand euros of business cost) as compared with 551 thousand euros in 2019 (789 thousand euros of business cost).

Finally, please note that 2019 included (i) an additional strategic manager, who in 2020 no longer holds that position and the cost of which to the business last year was 125 thousand euros (181 thousand euros cost) (ii) two strategic managers discontinued in 2019, the cost of which came to 408 thousand euros, including 108 thousand in additional non-recurring expenses.

40. Potential liabilities and main disputes

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

In 2014, the Parent was served an amicable notice by the Revenue Agency relative to the 2011 tax period, on the offsetting of an asset for investment in research and development for 21 thousand euros. The Parent has broken the amount demanded down into instalments and has completed payment thereof. At the same time, Alkemy S.p.A. has submitted a supplementary return for the tax period under review, along with a claim for the reimbursement of the amount paid to date, as it believes that the amount in question is, indeed, due.

In 2018, the Parent was notified a writ of summons by a customer, with a demand for compensation for damage. Following the first hearing held on 09 May 2019, the Court asked the parties to seek an amicable settlement to the dispute; the opposing party refused this, however, and has pursued proceedings. On 30 October 2019, the Court rejected the opposing party's additional demands, scheduling the hearing for the conclusions for 11 November 2020. At this hearing, which was held with written discussion due to COVID-19, after having incorporated the additional conclusions of the parties, the judge withheld the case for decision, setting a deadline for the deposit of defence briefs as 11 January 2021 for the final statement and 30 January 2021 for the statement of defence. As a consequence of the results of the final defence deposits, the court judgement will be issued and can be reasonably expected by the end of H1 2021.

As mentioned by Note 33, the Spanish subsidiary Ontwice has two charges in progress:

- a claim for compensation for damages made by a customer for an amount of 303 thousand euros, in connection with which the directors of the subsidiary chose make a provision for risks in the amount of 152 thousand euros;
- following an audit by the labour inspectorate, a provision has been made for risks of 42 thousand euros, which coincides with the potential liability connected with said dispute. The total amount demanded by the authorities comes to 84 thousand euros, for which the subsidiary has prepared an appeal and in connection with which the directors have prudently provisioned half the amount.

41. Subsequent events

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

Starting January 2021, a new Group organisation is being implemented in Italy, operating by function (rather than competence), with the aim of ensuring a better focus on key accounts, with the establishment of a dedicated sales structure ("go-to-market") and a delivery structure, whose priority aim is to execute projects/services offered commercially, as well as to develop innovative business proposals of greater added value, consistently with Alkemy's positioning. The new organisation is expected to start operating by the end of the first half of 2021.

On 11 March 2021, the Company stipulated a binding agreement for the purchase of 51% of the share capital of eXperience Cloud Computing S.r.l. ("XCC"), an Italian company specialised in Cloud Computing solutions in CRM, Gold Consulting Partner of SalesForce, qualified to implement and develop integrated, multi-channel digital business solutions, from the CRM Cloud through to Marketing Automation, for B2B, B2C, Commerce and Retail. The transaction is expected to be completed by mid-April 2021. The total equity value of the transaction is estimated at appraisal 2.750 million euros, 51% of the capital will be acquired on the basis of a valuation of XCC of 5.6 times the 2020 booked EBITDA and the price will be paid in cash.

As at the date on which these financial statements are approved, 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.

Milan, 22 March 2021

for the Board of Directors

the Chief Executive Officer

Duccio Vitali

Alkemy Group

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

The table below, prepared in accordance with Art. 149-*duodecies* of the CONSOB Issuers' Regulation, shows the fees for FY 2020 for auditing and other non-auditing services provided by the independent auditing firm appointed or by entities belonging and not belonging to its network.

Figures in thousands of euros

Service provider	Beneficiary	Note	Fees for FY 2020
Auditing and certification services			
KPMG S.p.A.	Parent company - Alkemy S.p.A.	**[1]**	75
KPMG network companies	Subsidiaries		60
Deloitte & Touche S.p.A.	Parent company - Alkemy S.p.A.	**[1] - [2]**	16
Other services			
KPMG S.p.A.	Parent company - Alkemy S.p.A.	**[1] - [3]**	9
Deloitte & Touche S.p.A.	Parent company - Alkemy S.p.A.	**[1] - [4]**	40
Total			**200**

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

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

[3] Includes the signing of Income, IRAP and 770 forms and certification of tax credit

[4] Includes (i) methodological support in connection with impairment testing and the fair value measurement of put options and (ii) methodological support with formalising the risk assessment process

Annex 1

THE ALKEMY GROUP COMPANIES AS AT 31 December 2020

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

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

For each company, moreover, the following information is given: business name, registered office and share capital. The percentage share held by Alkemy S.p.A. or by other subsidiaries is also shown.

Figures expressed in thousands

Business name	Registered office	Currency	Share capital (in local currency)	Held by	Percentage of control
Parent company					
Alkemy S.p.A.	Milan	Euro	588		
Subsidiaries consolidated on a line-by-line basis:					
Nunatac S.r.l.	Milan	Euro	50	Alkemy S.p.A.	70
Alkemy Play S.r.l.	Milan	Euro	10	Alkemy S.p.A.	51
Ontwice Interactive Service S.L.	Madrid	Euro	9	Alkemy S.p.A.	80
Alkemy Iberia S.L.	Madrid	Euro	10	Alkemy S.p.A.	65
Alkemy SEE D.o.o.	Belgrade	Serbian dinar	48,402	Alkemy S.p.A.	70
Alkemy USA Inc. (in liquidation)	New York	USD	520	Alkemy S.p.A.	100
Ontwice Interactive Service S.A. Mexico City	Mexico City	Mexican peso	100	Ontwice Interactive Service S.L.	80
Ontwice Interactive Service Digital S.A. Mexico City	Mexico City	Mexican peso	50	Ontwice Interactive Service S.L.	80
Alkemy Digital Hub D.o.o.	Belgrade	Serbian dinar	120	Alkemy SEE D.o.o.	70
Kreativa New Formula D.o.o.	Belgrade	Serbian dinar	601	Alkemy SEE D.o.o.	36
Alkemy Play D.o.o.	Belgrade	Serbian dinar	-	Alkemy SEE D.o.o.	51
Related companies measured using the equity method					
Design Group Italia S.r.l.	Milan	Euro	119	Alkemy S.p.A.	20

Annex 2

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

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

Figures in thousands of euros

	31 Dec. 2020	of which with related parties	31 Dec. 2019	of which with related parties
Revenue from sales and services	73,925	205	81,284	20
Other revenue and income	1,007		3,236	
Total operating revenue and income	**74,932**	**205**	**84,520**	**20**
Costs for services, goods and other operating costs	(40,100)	(981)	(51,404)	(1,024)
- of which non-recurring	0		(1,192)	0
Personnel expense	(28,861)	(2,371)	(29,635)	(2,423)
- of which non-recurring	(224)		(357)	(108)
Total costs and other operating costs	**(68,961)**	**(3,352)**	**(81,039)**	**(3,447)**
Gross operating profit	**5,971**	**(3,147)**	**3,481**	**(3,427)**
Depreciation	(1,749)		(1,738)	
Provisions and impairment	(1,077)		(336)	
Operating profit	**3,145**	**(3,147)**	**1,407**	**(3,427)**
Net gains (losses on) equity investments	96		33	
Financial income	587		380	
Financial expense	(1,284)		(1,574)	
Pre-tax profit (loss)	**2,544**	**(3,147)**	**246**	**(3,427)**
Income taxes	(722)		(486)	
Profit (loss) for the year	**1,822**	**(3,147)**	**(240)**	**(3,427)**

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

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

Figures in thousands of euros

Assets	31 Dec. 2020	of which with related parties	31 Dec. 2019	of which with related parties
Non-current assets				
Property, plant and equipment	855		980	
Right-of-use assets	3,122		3,907	
Goodwill	31,755		31,752	
Intangible assets with a finite useful life	650		971	
Equity investments	1,174		1,078	
Non-current financial assets	1,646		1,555	
Deferred tax assets	1,470		1,203	
Other non-current receivables and assets	205		165	
Total non-current assets	**40,877**	**-**	**41,611**	**-**
Current assets				
Inventories	0		61	
Trade receivables	31,044	241	31,791	12
Current financial assets	82		115	
Tax assets	1,441		3,663	
Other current assets	2,766		5,153	
Cash and cash equivalents	18,840		9,581	
Total current assets	**54,173**	**241**	**50,364**	**12**
Total assets	**95,050**	**241**	**91,975**	**12**

Figures in thousands of euros

Liabilities and Shareholders' Equity	31 Dec. 2020	of which with related parties	31 Dec. 2019	of which with related parties
Equity				
Share capital	588		588	
Reserves	28,762		31,274	
Profit/(loss) for the year	1,792		(139)	
Equity attributable to owners of the parent	**31,142**	**-**	**31,723**	**-**
Equity attributable to non-controlling interests	254		174	
Total net equity	**31,396**	**-**	**31,897**	**-**
Non-current liabilities				
Financial liabilities	11,439		8,968	
Lease liabilities from right of use	2,415		3,103	
Put option liabilities	3,115		10,973	
Employee benefits	5,087		4,356	
Provisions for risks and charges	222		44	
Deferred tax liabilities	84		17	
Total non-current liabilities	**22,362**	**-**	**27,461**	**-**
Current liabilities				
Financial liabilities	4,632		2,533	
Lease liabilities from right of use	776		844	
Put option liabilities	8,923		2,369	
Trade payables	14,688	430	17,142	769
Tax liabilities	1,688		1,617	
Other liabilities	10,585	339	8,112	
Total current liabilities	**41,292**	**769**	**32,617**	**769**
Total liabilities	**63,654**	**769**	**60,078**	**769**
Total liabilities and equity	**95,050**	**769**	**91,975**	**769**

ATTESTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH ART. 81-*TER* OF THE CONSOB REGULATION 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND INTEGRATED

1. We the undersigned, Duccio Vitali, Chief Executive Officer and Claudio Benasso, the manager appointed to prepare the company's accounting documents of Alkemy S.p.A., having also taken into account the provisions of Art. 154-bis, paragraphs 3 and 4, of the Italian Legislative Decree no. 58 dated 24 February 1998, hereby certify:
   - the adequacy, considering the company's characteristics, and
   - the effective application

of the administrative and accounting procedures for the preparation of the consolidated financial statements, during FY 2020.

2. It is also attested that the consolidated financial statements:
   - are consistent with the underlying books and accounting records;
   - have been prepared in accordance with the Accounting Standards recognised by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and the Council of 19 July 2002;
   - provide a true and correct representation of the financial position of the issuer and the group of companies included in the scope of consolidation.

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

Milan, 22 March 2021

Chief Executive Officer	Manager appointed to prepare the company's accounting documents
Duccio Vitali	**Claudio Benasso**

Alkemy S.p.A.

Financial statements

at 31 December 2020

Financial statements

Income statement (*)

			Figures expressed in euros
	Note	**31 Dec. 2020 (*)**	**31 Dec. 2019 (*)**
Revenue from sales and services	1	42,937,091	36,728,689
Other revenue and income	2	850,741	2,807,272
Total operating revenue and income		**43,787,832**	**39,535,961**
Costs for services, goods and other operating costs	3	(26,018,048)	(25,802,313)
- of which non-recurring		-	(1,192,349)
Personnel expense	4	(17,309,601)	(16,054,337)
- of which non-recurring		(223,825)	(222,283)
Total costs and other operating costs		**(43,327,649)**	**(41,856,650)**
Gross operating profit		**460,183**	**(2,320,689)**
Depreciation	5	(1,312,488)	(1,167,525)
Provisions and impairment	6	(711,528)	(251,286)
Operating profit		**(1,563,833)**	**(3,739,500)**
Net gains (losses on) equity investments	7	1,874,521	1,469,632
Net gains (losses on) options	8	136,148	1,742,424
Other financial income	9	18,427	27,740
Other financial expense	10	(339,772)	(217,239)
Pre-tax profit (loss)		**125,491**	**(716,943)**
Income taxes	11	697,403	840,749
Profit (loss) for the year		**822,894**	**123,806**
Earnings (loss) per share	12		
Basic		**0.15**	**0.02**
Diluted		**0.15**	**0.02**

(*) In accordance with CONSOB Resolution no. 15519 of 27 July 2006, the effects of related party transactions on the Income Statement are highlighted in the specific table of the Income Statement given in annex 1 and are also described in Note 38.

Statement of comprehensive income

			Figures expressed in euros
	Note	**31 Dec. 2020**	**31 Dec. 2019**
Profit/(loss) for the year		**822,894**	**123,806**
Items that are not or may not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on defined benefits pension plans		(89,436)	(161,260)
Relative tax effect		21,465	38,702
Components that will not be reversed to the income statement	27	**(67,971)**	**(122,558)**
Total other profit/(loss) net of the tax effect		**(67,971)**	**(122,558)**
Total comprehensive income/(expense)		**754,923**	**1,248**

Statement of financial position (*)

			Figures expressed in euros
	Note	**31 Dec. 2020**	**31 Dec. 2019**
Assets			
Non-current assets			
Property, plant and equipment	13	644,900	715,100
Right-of-use assets	14	2,896,621	3,109,452
Goodwill	15	11,500,045	4,616,639
Intangible assets with a finite useful life	16	460,086	538,503
Equity investments	17	16,991,055	22,627,294
Non-current financial assets	18	1,057,544	3,550,760
Deferred tax assets	19	1,151,689	919,752
Other non-current receivables and assets	20	187,563	114,416
Total non-current assets		**34,889,503**	**36,191,916**
Current assets			
Inventories	21	-	57,611
Trade receivables	22	20,124,546	20,087,995
Current financial assets	23	2,405,510	-
Tax assets	24	446,355	2,232,107
Other current assets	25	3,545,056	5,901,738
Cash and cash equivalents	26	12,924,264	3,928,215
Total current assets		**39,445,731**	**32,207,666**
Total assets		**74,335,234**	**68,399,582**

(*) In accordance with CONSOB Resolution no. 15519 of 27 July 2006, the effects of related party transactions on the Statement of financial position are highlighted in the specific table of the Statement of financial position given in annex 1 and are also described in Note 38.

Statement of financial position (*)

			Figures expressed in euros
Liabilities and Shareholders' Equity	**Note**	**31 Dec. 2020**	**31 Dec. 2019**
Equity	27		
Share capital		587,589	587,589
Reserves		35,370,137	34,975,086
Profit/(loss) for the year		822,894	123,806
Total net equity		**36,780,620**	**35,686,481**
Non-current liabilities			
Financial liabilities	28	11,353,183	8,821,481
Lease liabilities from right of use	30	2,274,064	2,552,751
Employee benefits	31	2,849,455	2,169,541
Provisions for risks and charges	32	27,987	80,353
Deferred tax liabilities	33	47,763	66,695
Total non-current liabilities		**16,552,452**	**13,690,821**
Current liabilities			
Financial liabilities	28	4,570,816	2,382,413
Lease liabilities from right of use	30	673,403	581,333
Trade payables	34	9,705,482	11,283,838
Tax liabilities	35	454,025	808,057
Other liabilities	36	5,598,436	3,966,639
Total current liabilities		**21,002,162**	**19,022,280**
Total liabilities and equity		**74,335,234**	**68,399,582**

(*) In accordance with CONSOB Resolution no. 15519 of 27 July 2006, the effects of related party transactions on the Statement of financial position are highlighted in the specific table of the Statement of financial position given in annex 1 and are also described in Note 38.

Statement of Cash Flows

	Note	31 Dec. 2020	31 Dec. 2019
		Figures expressed in euros	
Cash flow from operating activities			
Profit/(loss) for the year		822,894	123,806
Dividends and other net losses on equity investments	7	(1,874,521)	(1,469,632)
Expense on (income from) options	8	(136,148)	(1,742,424)
Other financial income	9	(18,427)	(27,740)
Other financial expense	10	339,772	217,239
Income taxes	11	(697,403)	(840,749)
Depreciation	5	1,312,488	1,167,525
Provisions and impairment	6	711,528	251,286
Cost for share-based payments	4	550,034	367,427
Decrease (increase) in inventories		57,611	32,502
Decrease (increase) in trade receivables		3,594,479	(95,726)
Increase (decrease) in trade payables		(2,211,015)	(60,112)
Decrease (increase) in other assets		4,055,268	(286,787)
Increase (decrease) in other liabilities		351,539	860,187
Interest paid		(269,971)	(145,736)
Income tax paid		-	(31,549)
Net cash from (used in) operating activities		**6,588,127**	**(1,680,483)**
Investments			
(Investments) divestments of tangible and intangible assets		(243,788)	(451,097)
(Investments) divestments of equity investments		(2,561,308)	(8,830,570)
Decrease (increase) in financial assets		(25,945)	20,369
Dividends received		1,136,494	387,544
Net liquid funds acquired through mergers		336,101	-
Net cash used in inventing activities		**(1,358,446)**	**(8,873,754)**
Cash flows from financing activities			
Changes in bank loans and borrowings		4,691,731	8,913,567
Change in financial liabilities pursuant to IFRS 16		(744,507)	(646,894)
Change in treasury shares		(180,781)	(581,360)
Share capital increases		-	13,728
Other changes in equity		-	954,822
Payments by non-controlling interests		(75)	-
Net cash flow used in financing activities		**3,766,367**	**8. 653,863**
Net increase/(decrease) in cash and cash equivalents		**8,996,049**	**(1,900,374)**
Opening balance		**3,928,215**	**5,828,589**
Closing balance		**12,924,264**	**3,928,215**

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

Changes in shareholders' equity

						Figures expressed in euros	
	Share capital	Treasury shares	Legal reserve	Other reserves	Retained earnings	Profit/(loss) for the year	Total
Balance at 31 December 2018	**573,861**	**(330,647)**	**103,856**	**30,360,695**	**2,235,872**	**1,972,668**	**34,916,305**
Allocation of the profit for the year	-	-	98,633		1,874,035	(1,972,668)	-
Purchase of treasury shares	-	(581,360)	-	-	-	-	(581,360)
Stock options	-	-	-	381,738	-	-	381,738
Stock options - exercise	13,728	-	-	954,822	-	-	968,550
Other comprehensive profit (loss)	-	-	-	(122,558)	-	-	(122,558)
Profit for the year	-	-	-	-	-	123,806	123,806
Balance at 31 December 2019	**587,589**	**(912,007)**	**202,489**	**31,574,697**	**4,109,907**	**123,806**	**35,686,481**

						Figures expressed in euros	
	Share capital	Treasury shares	Legal reserve	Other reserves	Retained earnings	Profit/(loss) for the year	Total
Balance at 31 December 2019	**587,589**	**(912,007)**	**202,489**	**31,574,697**	**4,109,907**	**123,806**	**35,686,481**
Allocation of the profit for the year	-	-	-	-	123,806	(123,806)	-
Contribution from merger	-	-	-	(10,052)	319,005	-	308,953
Purchase of treasury shares	-	(180,781)	-	-	-	-	(180,781)
Stock options	-	-	-	(199,508)	410,552	-	211,044
Other comprehensive profit (loss)	-	-	-	(67,971)	-	-	(67,971)
Profit for the year	-	-	-	-	-	822,894	822,894
Balance at 31 December 2020	**587,589**	**(1,092,788)**	**202,489**	**31,297,166**	**4,963,270**	**822,894**	**36,780,620**

Notes to the financial statements

General information

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

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

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

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

As Parent, Alkemy has prepared the consolidated financial statements of the Alkemy Group as at 31 December 2020.

Alkemy's draft separate financial statements at 31 December 2020 were approved by the Board of Directors on 22 March 2021, which also authorised their publication.

Accounting standards

Basis of preparation

The financial statements of Alkemy S.p.A. at 31 December 2020, were prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. The IFRS are understood to also be all the international accounting standards reviewed ("IAS"), all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

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

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

Format and contents of the financial statements

The financial statements have the following characteristics:

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

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

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

Measurement criteria and accounting policies

Non-current assets

Property, plant and equipment

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

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

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

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

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

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

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

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

Items of property, plant and equipment are tested for impairment once a year or whenever specific events suggest that there may be impaired. The test carried out is described on the paragraph on "Impairment of assets".

Leased assets

Assets acquired through lease contracts, through which the risks and benefits associated with ownership are substantively transferred to the company, are recognised as company assets at their current value at the date on which the contract is stipulated or, if less, at the present value of the minimum payments due for the leasing, including any amount to be paid to exercise the purchase option. The corresponding lease liability is recognised under financial liabilities.

Intangible assets

Goodwill

In accordance with IFRS 3 (Business combinations), goodwill is recognised at the date of acquisition (also carried out through merger or conferral) of businesses or business units; it is determined as the difference between the price paid for the purchase and the fair value of the identifiable assets acquired, net of identifiable liabilities accepted. Goodwill is classified on the statement of financial position as an "intangible asset with an indefinite useful life".

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

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

Intangible assets with a finite useful life

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

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

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

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

Investments in subsidiaries, associates and other companies

Investments in subsidiaries and associates are recognised at cost, adjusted for impairment losses in compliance with the provisions of IAS 36.

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

Investments in subsidiaries are tested for impairment each year or, if necessary, more frequently. When there is evidence that these investments have become impaired, an impairment loss is recognised in the income statement. If the share pertaining to the Company of the losses of the subsidiary exceeds the carrying amount of the equity investment, the value of said equity investment is zeroed and the portion of any additional losses is recognised under liabilities, as a provision, to the extent to which the investing company is committed to fulfil the legal or constructive obligations in regard to the investee or in any case to cover its losses. If the impairment subsequently ceases to exist or reduces, the impairment loss is reversed through profit or loss.

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

Impairment

At least once a year, the company tests for impairment on property, plant and equipment and intangible assets and investments in subsidiaries and associates, in order to determine whether such assets may have been impaired. If any such evidence is found, the carrying amount of the asset is reduced to the relevant recoverable amount, taking any impairment loss on the income statement.

The "recoverable amount" of an asset is the higher of the 'fair value less costs to sell' and the 'value in use The value in use is defined on the basis of the discounting of cash flow forecast from use of the asset or aggregation of assets (cash generating unit) and the value expected from its disposal at the end of its useful life. Cash generating units have been identified according to three geographic areas, consistently with the Company's business and organisational structure, as homogeneous groupings that generate independent cash flows deriving from the continuous use of the assets assigned to them.

When the impairment loss of an asset subsequently ceases to exist or reduces, the carrying amount of the asset is increased to the new estimated recoverable amount but cannot exceed the value that would have been determined if no impairment loss had been recognised Any impairment gain is recognised in the income statement.

Financial instruments

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

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

Derivatives

Derivatives are initially recognised at fair value and, after purchase, measured differently depending on whether or not they are defined as "hedges" in accordance with IAS 39.

In line with that established by IAS 39, derivatives can be recognised according to the methods established for hedge accounting only when, upon taking out a hedge, there is the formal designation and documentation of its hedging relationship, where it is expected that the hedge will be highly effective during the various accounting periods for which it is designated.

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

Financial assets

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

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

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

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

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

Inventories

Inventories are recognised at the lesser of their purchase or production cost, including accessory charges, and their estimated realisable value based on market trends. The purchase cost is determined according to the FIFO criterion.

Allowances for inventory write-downs have also been made for inventories considered obsolete or slow-moving, considering their expected future use and estimated realisable value.

Cash and cash equivalents

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

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

Treasury shares

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

Stock Option Plans

Stock option plans, with the assignment of options whose exercise entails the delivery of shares, are measured at fair value determined as at the date of plan concession. This fair value is allocated to the income statement in the vesting period envisaged by the plan, with the corresponding increase in equity.

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

Financial liabilities

Financial liabilities include financial payables, other financial liabilities, including derivatives and liabilities booked again assets entered under lease contracts.

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

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

Financial liabilities hedged by derivatives intended to cover the risk of a change in the liability (fair value hedges), are measured at fair value, as established by IAS 39 for hedge accounting: gains and losses deriving from subsequent fair value adjustments, limited to the hedged item, are recognised as profit and loss and offset against the effective portion of the loss or gain deriving from the corresponding fair value measurements of the hedge.

Financial liabilities hedged by derivatives aiming to cover the risk of changes in cash flows (cash flow hedges) remain measured at amortised cost, in the manner established by IAS 39 for hedge accounting.

Employee benefits

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

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

The components of the defined benefits are recorded as follows:

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

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

Provisions for risks and charges

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

The changes in the estimate are reflected in the income statement of the period in which the change took place.

Revenue recognition

Revenues are booked as profit and loss when the criteria are met as envisaged by IFRS 15 and to the extent to which it is likely that the company will obtain the economic benefits and their amount can be reliably determined. Revenues are shown net of any adjustments.

Government grants

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

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

Grants related to assets that refer to property, plant and equipment are recognised as deferred revenue and taken to income statement through the time frame corresponding to the useful life of the reference asset.

Financial income and expense

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

Dividends received

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

Tax

Income tax is determined using a realistic estimate of the tax expense to be paid in application of current tax legislation. Deferred tax assets and liabilities are determined on the temporary differences between the carrying amounts of the assets and liabilities and the corresponding tax amount.

The tax expense for the year includes current and deferred tax relating to the period profit/(loss), with the exception of those relating to business combinations or items noted directly as equity or other components of the statement of comprehensive income.

The Company has determined that interest and penalties relating to income tax, including the accounting treatments to be applied to income tax of uncertain nature, are booked in compliance with IAS 37 Provisions, Potential liabilities and potential assets, insofar as they do not come under the definition of income tax.

More specifically, deferred tax assets are recognised only if there is reasonable certainty that they will be recovered in the future. Deferred tax liabilities, on the other hand, are not recognised if it is unlikely that the related liability will effectively arise.

Earnings per share

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

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

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

Translation of foreign currency amounts

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

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

Use of estimates

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

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

In particular, the estimates are used to measure goodwill, to recognise lease payables, put&call options and determine provisions made for risks on receivables, for obsolete inventories, amortisation/depreciation and impairment of assets, employee benefits, tax, provisions for risks and charges and other provisions made.

The estimates and assumptions are reviewed periodically, and any changes are immediately reflected in the income statement.

New standards, amendments and interpretations applicable from the year starting on or after 1 January 2020

Below is a list of the standards, amendments, interpretations and improvements in force starting 1 January 2020, for which there has been no significant impact on the 2020 Annual Financial Report.

Amendment to the "References to the Conceptual Framework in IFRS Standards": on 29 March 2018, the IASB published this amendment. The conceptual framework defines the fundamental concepts for the financial disclosure, hence the document helps guarantee that the *standards* are conceptually consistent and that similar transactions are treated in the same way, so as to provide information that is useful to investors, lenders and other creditors.

Amendments to IAS 1 and IAS 8 - Definition of material: the IASB has published the amendment Definition of Material (Amendments to IAS 1 and IAS 8), which aims to clarify the definition of "material" in order to support the companies in assessing the significance of information to be included in the financial statements.

With the previous definition, it could incorrectly be interpreted that any omission could influence users on the basis of the quantity of information included in the financial statements. Instead, the new definition clarifies that only information that has been omitted and which could reasonably influence users, is "material".

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform: the IASB has modified IAS 39 and IFRS 9 to allow entities to not discontinue hedge ratios until such time as the reform has been completed to calculate benchmark interest rates;

More specifically, the IASB has decided to introduce exceptions to the general hedge accounting model of IAS 39 and IFRS 9, which must be applied to all hedges that could be impacted by the reference interest rates reform in respect of the following aspects:

- "Highly probable": to assess if the scheduled transition is highly probable, no consideration need be given to the potential effects of the reform of the reference interest rates;
- "Prospective assessment": the economic relation between the hedged item and the hedge itself must be determined prospectively, without considering the potential effects of the reference interest rate reform
- "Retrospective assessment": (applicable for IAS 39 only): an entity need not discontinue a hedge ratio if, during the period of uncertainty deriving from the reform of the reference interest rates, the retroactive valuation of said hedge falls outside the range of 80%-125%.

Amendment to IFRS 3 - Definition of a Business: in October 2018, the IASB published the amendment "Definition of a Business (Amendments to IFRS 3), with the aim of helping to determine whether a transaction is an acquisition of a business or a set of activities that does not meet the definition of a business under IFRS 3. The amendment aims to clarify that an integrated set of assets and activities can respect the definition of business, even if it does not include all inputs and processes necessary to create the outputs. The assessment must be performed considering the perspective of a market participant and, therefore, is not relevant:

- if before the acquisition, the seller managed the integrated set of assets and activities as a business; or
- if the buyer, after acquisition, intends to manage the integrated set of assets and activities as a business.

Moreover, the acquisition of a business must include, at the very least, an input and substantial process that together make a significant contribution to the capacity to create outputs.

Amendments to IFRS 16 - "Leases Covid 19-Related Rent Concessions": these amendments have introduced a practical expedient that allows the lessee to not consider any concessions on the payment of instalments received from 01 January 2020 and deriving from the effects of Covid-19 as an amendment of the original contract. Therefore, said concessions can be booked as positive variable charges without having to apply a contractual amendment.

In order to apply this exemption, all the following conditions must be met:

- the concession on payments must be a direct consequence of the COVID-19 pandemic and the reduction in payments refers only to those originally due up to June 2021;
- the change to payments must have left the same amount outstanding for payment unchanged in respect of the original conditions, or must have reduced it;
- there must be no substantive changes to any other contractual terms or conditions of the lease.

Accounting standards, amendments and interpretations applicable from years starting on or after 1 January 2020

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

Amendment "Amendments to IFRS 4 - Insurance Contracts - deferral of IFRS 9": this amendment assists companies in implementing the new standard IFRS 17 and simplifies the presentation of their financial performance. The amendment is expected to come into force on 1 January 2021;

Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2": supplements that already issued in 2019. The amendments referring to phase 2 mainly regard the effects of changes to contractual cash flows or hedge ratios deriving from the replacement of one rate with another alternative reference rate (a "replacement issue") and assist companies in applying the IFRSs if changes are made to contractual cash flows or hedge ratios as a result of the interest rate reform and in supplying useful information to users of the financial statements. It is expected to come into force on 1 January 2021.

Below are the amendments not yet approved as at the reporting date of these financial statements:

Amendments to IFRS 3 "Reference to the Conceptual Framework": the aim is to (i) complete the update of the references to the Conceptual Framework for Financial Reporting in the accounting standard; (ii) provide clarification on the assumptions for the recognition, at the acquisition date, of provisions, contingent liabilities and tax liabilities (so-called levies) assumed as part of a business combination; (iii) explain that contingent assets cannot be recognised as part of a business combination;

Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use", aimed at defining that revenues deriving from the sale of goods produced by an asset before it is ready for its intended use must be entered in the profit and loss account together with the relative production costs.

Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract" aimed at providing clarifications on how to determine the onerousness of a contract;

"Annual Improvements to IFRS Standards 2018 - 2020 Cycle", containing changes, primarily of a technical and editorial nature, to accounting standards.

IFRS 17 "Insurance Contracts" is a new comprehensive standard relating to insurance contracts that covers recognition and measurement, presentation and disclosure. This standard will replace IFRS 4 Insurance Contracts, issued in 2005 and applies to all types of insurance contracts regardless of the type of entity that issues them, as well as to some guarantees and financial instruments with discretionary participation features;

Amendments to the definitions of current and non-current assets in IAS 1, seeking to provide a more general approach to the classification of liabilities under that standard, based on contractual arrangements.

Amendments to IAS 1 and IAS 8 aimed at improving the disclosure of accounting policies in order to provide more useful information to investors and other primary users of financial statements and to help companies distinguish between changes in accounting estimates and changes in accounting policies.

Financial risk management

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

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

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

Credit risk

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

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

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

Exposure to credit risk at 31 December 2020 and 31 December 2019 is as follows:

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Non-current financial assets	1,222	3,648
Other non-current receivables and assets	188	114
Trade receivables	21,273	21,045
Current financial assets	2,406	0
Other current assets	3,545	5,902
Total exposure	**28,634**	**30,709**
Loss allowance	(1,312)	(1,054)
Total exposure net of the loss allowance	**27,322**	**29,655**

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

Below is a breakdown of financial assets at 31 December 2020 and 31 December 2019, grouped by category and due date:

Figures in thousands of euros

	Carrying amount 31 Dec. 2020	Falling due	Past due						Loss allowance
			0 - 30	30 - 90	90 - 180	180-365	more than 365	Total past due	
Non-current financial assets	1,058	1,222	-	-	-	-	-	-	(164)
Other non-current receivables and assets	188	188	-	-	-	-	-	-	-
Trade receivables	20,125	16,850	1,907	913	96	263	1,244	4,423	(1,148)
Current financial assets	2,406	2,406	-	-	-	-	-	-	-
Other current assets	3,545	3,545	-	-	-	-	-	-	-
Total financial assets (*)	**27,322**	**24,211**	**1,907**	**913**	**96**	**263**	**1,244**	**4,423**	**(1,312)**

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

Figures in thousands of euros

	Carrying amount 31 Dec. 2019	Falling due	Past due						Loss allowance
			0 - 30	30 - 90	90 - 180	180-365	more than 365	Total past due	
Non-current financial assets	3,551	3,648	-	-	-	-	-	-	(97)
Other non-current receivables and assets	114	114	-	-	-	-	-	-	-
Trade receivables	20,088	17,116	1,407	421	499	347	1,255	3,929	(957)
Other current assets	5,902	5,902	-	-	-	-	-	-	-
Total financial assets (*)	**29,655**	**26,780**	**1,407**	**421**	**499**	**347**	**1,255**	**3,929**	**(1,054)**

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

Liquidity risk

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

During the year, the Company met its financial requirements using own funds, without applying for new facilities from the banking system. Indeed, although the management has short-term bank facilities in place, aimed at managing peaks in current requirements, it saw no need to use such instruments, thanks to the positive generation of liquidity from current operations.

Financial liabilities at 31 December 2020 and 31 December 2019, including interest payable, divided up by contractual due date, are as follows:

Figures in thousands of euros						
	Carrying amount 31 Dec. 2020	Contractual financial flows	Current portion	from 1 to 2 years	from 2 to 5 years	More than 5 years
Bank loans and borrowings	15,924	16,268	4,730	4,261	6,954	323
Lease liabilities from right of use	2,947	3,073	720	682	1,402	269
Total financial liabilities	**18,871**	**19,341**	**5,450**	**4,943**	**8,356**	**592**

Figures in thousands of euros						
	Carrying amount 31 Dec. 2019	Contractual financial flows	Current portion	from 1 to 2 years	from 2 to 5 years	More than 5 years
Bank loans and borrowings	11,203	11,591	2,534	2,953	5,963	141
Lease liabilities from right of use	3,134	3,288	630	604	1,497	557
Total financial liabilities	**14,337**	**14,879**	**3,164**	**3,557**	**7,460**	**698**

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

Financial liabilities as at 31 December 2020 and 31 December 2019, as resulting from the statement of financial position, divided up by contractual due date, are as follows:

Figures in thousands of euros					
	Carrying amount 31 Dec. 2020	Current portion	from 1 to 2 years	from 2 to 5 years	More than 5 years
Bank loans and borrowings	15,924	4,571	4,154	6,876	323
Lease liabilities from right of use	2,947	673	649	1,359	266
Total financial liabilities	**18,871**	**5,244**	**4,803**	**8,235**	**589**

Figures in thousands of euros					
	Carrying amount 31 Dec. 2019	Current portion	from 1 to 2 years	from 2 to 5 years	More than 5 years
Bank loans and borrowings	11,203	2,384	2,840	5,896	140
Lease liabilities from right of use	3,134	582	566	1,438	548
Total financial liabilities	**14,337**	**2,966**	**3,406**	**7,334**	**688**

Please note that three loans (7,782 thousand euro as at 31 December 2020) envisage the respect for two covenants and, in particular: (i) leverage ratio, i.e. net financial position/EBITDA <2, to be calculated annually starting 31 December 2020; and (ii) the ratio of net financial position and shareholder's equity <1, to be calculated annually starting 31 December 2019. Please note that in December 2020, as a preventive measure, exoneration was requested and granted by the bank for this year, from compliance with the leverage ratio benchmark, which was then found to be almost in line with the contractual provision (2.1). The second parameter is instead fully respected.

Market risk

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

Interest rate risk

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

Please note that in February 2021, as already mentioned in the Report on Operations, for the medium-term loans stipulated in 2019 and 2020, the Company subscribed four cap options (at a fixed price, already paid) to hedge the risk of future rises in the interest rates, in connection with an equal number of loans accounting for approximately 87% of the bank debt recorded as at 31 December 2020.

Financial liabilities of 18,871 thousand euros as at 31 December 2020 and 14,337 thousand euros as at 31 December 2019 include variable rate loans respectively for 10,857 thousand euros and 15,283 thousand euros.

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

The effects are shown in the tables below:

		Figures in thousands of euros
	+ 50 basis points	**- 50 basis points**
Greater (lesser) interest payable for variable rate liabilities - 2020	52	(52)
Total	**52**	**(52)**

		Figures in thousands of euros
	+ 50 basis points	**- 50 basis points**
Greater (lesser) interest payable for variable rate liabilities - 2019	30	(30)
Total	**30**	**(30)**

Please note that the Company is also, to a marginal extent, exposed to the foreign exchange risk on receivables carried in currencies other than the euro.

Financial assets and liabilities measured at fair value

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

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

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

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

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

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

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

With reference to the values presented at 31 December 2020 and 31 December 2019, the tables below show the fair value hierarchy for the company's assets and liabilities measured at fair value:

			Figures in thousands of euros
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**
Put and call options		2,759	
Balance at 31 December 2020	**0**	**2,759**	**0**

			Figures in thousands of euros
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**
Put and call options		2,622	
Balance at 31 December 2019	**0**	**2,622**	**0**

Other information

Government grants

As envisaged by Article 1, paragraphs 125-129 of Italian Law no. 124/2017 (the "2017 Competition Law"), subsequently supplemented by the "Security" Decree Law (no. 113/2018) and the "Simplification" Decree Law (no. 135/2018), under the scope of transparency obligations in connection with financing and economic grants of any type received from the public administrations and similar or equivalent subjects, these amounts are disclosed and in 2020, the Company received 1,890 thousand euros. The table below gives details of data relating to the providers and the amount of cash disbursements:

Figures in thousands of euros

Provider	**2020 amount collected**	**Reason**
Ministry of Economic Development	627	Nextshop project
Ministry of Economic Development	498	D-ALL project
Ministry of Education, University and Research	369	InMoTo project
Regional Authority of Sardinia	217	DEEP project
Ministry of Education, University and Research	179	SecureOpenNet project
For.Te. provision	15	For.Te. - Financial training
	1,906	

The Company has also received loan contributions for 619 thousand euros. Details are given of data relating to the providers and the amount of cash disbursements:

Figures in thousands of euros

Provider	**2020 amount collected**	**Reason**
Ministry of Economic Development	310	Nextshop project
Ministry of Economic Development	309	D-ALL project
	619	

Financing on the above projects refer entirely to research and development carried out by the Company, while the For.Te. contribution refers to the financed training.

A complete disclosure on revenues for public financing is given in Note 2.

Period mergers

With effect 31 December 2020, the company BizUp S.r.l. (a 100% subsidiary) was merged by incorporation into Alkemy S.p.A. The merger, which took place by keeping the accounting values of the subsidiary unchanged, took accounting and tax effect from 01 January 2020.

The equity and financial values of the company merged as at 01 January 2020 are stated in the table below:

	Figures expressed in euros
	BizUp S.r.l. as at 01 January 2020
Assets	
Property, plant and equipment	512,066
Intangible assets with a finite useful life	107,186
Deferred tax assets	10,673
Other non-current receivables and assets	26,583
Total non-current assets	**656,508**
Inventories	0
Trade receivables	4,530,419
Tax assets	116,452
Other current assets	25,262
Cash and cash equivalents	336,101
Total current assets	**5,008,234**
Total assets	**5,664,742**
Liabilities	
Share capital	85,000
Reserves	789,784
Profit/(loss) for the year	761,906
Total net equity	**1,636,690**
Financial liabilities	623,446
Employee benefits	329,516
Provisions for risks and charges	31,000
Total non-current liabilities	**983,963**
Financial liabilities	96,444
Trade payables	1,317,048
Tax liabilities	92,863
Other liabilities	1,537,734
Total current liabilities	**3,044,089**
Total liabilities and equity	**5,664,742**

The cancellation difference between the cost of the equity investment and the shareholders' equity of the subsidiary led to a merger deficit that, in compliance with the provisions of the Preliminary Assirevi Guidelines on IFRSs (OPI 2), not having found an allocation under assets, has been identified as goodwill for the acquired company.
It was booked in continuity of values with the Group's consolidated financial statements for a total of 6,883 thousand euros.

Comments on the accounting schedules

Income statement

1. Revenue from sales and services

Revenue from sales and services comes to 42,937 thousand euros (36,729 thousand euros as at 31 December 2019) and can be broken down as follows:

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Sales of services	41,798	35,726
Sales of services to related parties	1,137	739
Sales of products	2	264
Total revenue from sales and services	**42,937**	**36,729**

Turnover for 2020 is up 6,208 thousand euros on the previous year.
This increase in revenues is mainly due to the sales made by the company BizUp S.r.l., which was merged by acquisition starting 01 January 2020.

The breakdown of revenue by geographical segment is not significant insofar as almost all come from national customers.

2. Other revenue and income

Other revenue and income totals 851 thousand euros (2,807 thousand euros at 31 December 2019), as follows:

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Government grants	493	1,482
Tax asset pursuant to Decree Law no. 145/2013	310	1,282
Other revenue	48	43
Total other revenue and income	**851**	**2,807**

Government grants of 493 thousand euros (1,482 thousand euros as at 31 December 2019), are detailed as follows:

- 404 thousand euros (403 thousand euros as at 31 December 2019) refers to the portion of the grant related to income, relative to the subsidised finance project "SecureOpenNets";
- 50 thousand euros (428 thousand euros as at 31 December 2019) refers to the portion of the grant related to income, relative to the subsidised finance project "D-All";
- 17 thousand euros (171 thousand euros as at 31 December 2019) refers to the portion of the grant related to income, relative to the subsidised finance project "ProtectID";

- 11 thousand euros (zero thousand euros as at 31 December 2019) relate to the Fondimpresa contribution;
- 7 thousand euros (90 thousand euros at 31 December 2019) refers to the portion of the grant related to income, relative to the subsidised finance project "Culture 4.0";
- 4 thousand euros (10 thousand euros at 31 December 2019) refers to the Fondir contribution.

Last year, revenues for public contributions included not only the contributions described above but also an additional 380 thousand euros relative to "Next Shop" special finance projects for 334 thousand euros, "Tetris" for 27 thousand euros and "Smart" for 19 thousand euros.

Public contributions refer for 478 thousand euros (1,471 thousand euros in 2019) to contributions for research and development carried out by the Parent Company, which entailed investments made during the year totalling 1,057 thousand euros (3,180 thousand euros in 2019), divided up into personnel costs for 621 thousand euros (2,634 thousand euros in 2019) and external consultancy for 436 thousand euros (546 thousand euros in 2019). In addition to said investments, relative to special rate finance projects, which obtained an approval decree and operating contribution, additional research and development was carried out during the year, with an investment of 474 thousand euros in payroll costs.

During 2020, the Company also carried out technological innovation projects for 276 thousand euros.

The tax credit accrued on expenses incurred in research and development pursuant to Italian Decree Law no. 145/2013, comes to 310 thousand euros (1,282 thousand euros as at 31 December 2019).

3. Costs for services, goods and other operating costs

Services, goods and other operating costs comes to 26,018 thousand euros (25,802 thousand euros at 31 December 2019), as detailed hereto:

		Figures in thousands of euros
	31 Dec. 2020	**31 Dec. 2019**
Services	25,798	25,335
Purchase of raw materials	48	263
Change in inventories	58	33
Lease costs	50	84
Other operating costs	64	87
Total costs for services, goods and other operating costs	**26,018**	**25,802**

Services

Costs for services come to 25,798 thousand euros (25,335 thousand euros as at 31 December 2019) and are detailed below:

		Figures in thousands of euros
	31 Dec. 2020	**31 Dec. 2019**
Services for customers	23,109	20,880
Other consultancy	526	293
Consultancy and legal expenses	509	504
Maintenance services	242	303
Marketing services	170	69
Administrative services	169	90
Travel and transfer expenses	154	512
Postal, telephone and data transmission services	119	92
Insurance	110	88
Restaurant vouchers	102	240
Payslip processing	89	109
Condominium and supervisory expenses	80	64
Cleaning expenses	78	72
Audit fees	75	75
Board of Auditors' fees	70	77
Logistics services	64	447
Utilities	44	53
Banking services	36	55
Collaborators' fees	36	7
Commercial services	15	113
Other services	1	-
Non-recurring translisting costs	0	1,192
Total services	**25,798**	**25,335**

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

Purchase of raw materials

Costs for the purchase of raw materials total 48 thousand euros (263 thousand euros at 31 December 2019) and mainly regard the purchase of goods for resale to B2C customers of the e-Commerce BU and licences for resale.

Lease costs

Lease costs come to 50 thousand euros (84 thousand euros at 31 December 2019) and relate to costs that, by nature, do not come under the scope of application of IFRS 16.

Other operating costs

Other operating costs come to 64 thousand euros (87 thousand euros at 31 December 2019) and mainly regard costs from previous years, as well as, to a lesser extent, sanctions, stamp duty and tax.

4. Personnel expense

Personnel expense comes to 17,310 thousand euros (16,054 thousand euros at 31 December 2019) and consist of the following:

		Figures in thousands of euros
	31 Dec. 2020	**31 Dec. 2019**
Wages and salaries	11,630	10,909
Non-recurring wages and salaries	224	222
Social security expenses	3,314	3,138
Costs for defined benefit plans	740	732
Directors' fees	838	666
Cost for share-based payments	551	367
Other personnel expense	13	20
Total personnel expense	**17,310**	**16,054**

This item includes all costs incurred during the year, directly or indirectly relating to employees and directors.

The cost for share-based payments includes 353 thousand euros in the cost of competence relative to a new long-term incentive plan for 3 strategic managers, as well as the Chairman and CEO of the Company.

270 employees were on the workforce as at 31 December 2020, as compared with 231 last year.
The average number of employees during the year was 277 (238 in 2019).
The table below shows the average number of employees in 2020, divided up by category.

	31 Dec. 2020	**31 Dec. 2019**
Managers	11	14
Middle managers	29	20
Office employees	237	204
Total	**277**	**238**

5. Depreciation

Amortisation/depreciation comes to 1,312 thousand euros (1,168 thousand euros at 31 December 2019) and refers to:

- 768 thousand euros (672 thousand euros at 31 December 2019) for the amortisation of right-of-use assets;
- 234 thousand euros (237 thousand euros at 31 December 2019) for the depreciation of property, plant and equipment;
- 310 thousand euros (259 thousand euros at 31 December 2019) for the amortisation of intangible fixed assets.

6. Provisions and impairment

Provisions recorded come to 712 thousand euros (251 thousand euros at 31 December 2019) and refer to:

- 497 thousand euros (zero thousand euros at 31 December 2019), the impairment of two receivables relating to special finance projects;
- 215 thousand euros (139 thousand euros at 31 December 2019) for the impairment of losses on trade receivables;

Last year, the item included 112 thousand euros relative to the impairment of closing warehouse inventories.

7. Net gains (losses on) equity investments

Net gains (losses) on equity investments came to 1,875 thousand euros (1,470 thousand euros at 31 December 2019) and refer to dividends resolved in 2020 relative to 2019, from the subsidiaries Nunatac S.r.l. (777 thousand euros) and Ontwice s.l. Madrid (1,098 thousand euros).

Last year, the item also included the impairment of the equity investment held in Alkemy USA for 78 thousand euros.

8. Net gains (losses on) options

Net gains (losses) on options, of a positive 136 thousand euros (1,742 thousand euros at 31 December 2019) reflects the fair value of gains (losses) on derivatives representing the rights relating to the acquisition of the residual investment in the subsidiaries, comprising a contractual put and call options structure between the Company and the non-controlling investors. The options are more extensively described in Note 18.

9. Other financial income

Other financial income comes to 18 thousand euros (28 thousand euros at 31 December 2019) and mainly refers to interest regarding subsidiaries for 14 thousand euros and other interest for 3 thousand euros. The item also includes the effects of exchange gains for 1 thousand euros.

10. Other financial expense

Other financial expense comes to 340 thousand euros (217 thousand euros at 31 December 2019) and is detailed below:

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Interest expense on loans	195	94
Interest on leases	58	59
Interest expense on employee benefits (IAS 19)	23	29
Exchange losses	41	19
Other financial expense	21	16
Interest expense on current accounts	2	-
Total financial expense	**340**	**217**

11. Income taxes

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

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Tax consolidation income	(481)	(615)
Change in deferred tax assets	(200)	-
Change in deferred tax liabilities	(19)	(241)
Previous years' tax	(28)	15
Current IRAP tax	31	-
Total taxes	**(697)**	**(841)**

Below is a reconciliation of the theoretical and effective tax charge:

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Pre-tax profit	125	(717)
Current tax rate	24%	24%
Theoretical tax expense (income)	30	(172)
Temporary differences deductible in subsequent years:	121	286
Temporary differences reversed from previous years	(171)	(127)
Permanent differences	(461)	(602)
Income from tax consolidation	(481)	(615)
Effective rate on the income statement	385%	(86%)

12. Earnings (loss) per share

Basic earnings per share are calculated by dividing the Company's profit (loss) by the weighted average of outstanding shares during the year, thereby excluding treasury shares held in the portfolio. In calculating diluted earnings per share, the weighted average of the outstanding shares takes into account the conversion of all instruments having a dilutive effect and, therefore, the options assigned to stock option plan beneficiaries.

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

	Figures expressed in units of euros	
	31 Dec. 2020	**31 Dec. 2019**
Profit		
Profit (loss) for the year	822,894	123,806
Profit (loss) for the year, attributable to ordinary shares	822,894	123,806
Number of shares		
Average number of outstanding ordinary shares	5,521,692	5,470,867
Adjusted average number of ordinary shares	5,521,692	5,478,488
Basic earnings per share	0.15	0.02
Diluted earnings per share	0.15	0.02

Statement of financial position

Assets

Non-current assets

13. Property, plant and equipment

The item totals 645 thousand euros (715 thousand euros as at 31 December 2019); changes relating to the last two years are shown below:

				Figures in thousands of euros
	Land and buildings	Plant and machinery	Other assets	Total
Balance at 31 December 2018	**82**	**43**	**681**	**806**
Investments	-	-	146	146
Depreciation	(4)	(15)	(218)	(237)
Balance at 31 December 2019	**78**	**28**	**609**	**715**
Increase from merger	-	1	61	62
Investments	-	-	102	102
Depreciation	(4)	(15)	(215)	(234)
Balance at 31 December 2020	**74**	**14**	**557**	**645**

Land and buildings includes a property owned in Rende (CZ).
Other assets mainly includes computers and IT equipment purchased for Company employees, as well as furniture and furnishings of the company Milan office and secondary offices.
Increases are mainly due to the purchase of computers and IT equipment.

14. Right-of-use assets

Right-of-use assets comes to 2,897 thousand euros, as shown by the following detailed table:

			Figures in thousands of euros
	Buildings	Other assets	Total
Balance at 31 December 2018	**-**	**-**	**-**
Adoption of IFRS 16	3,220	475	3,695
Investments (decreases)	-	86	86
Depreciation	(466)	(206)	(672)
Balance at 31 December 2019	**2,754**	**355**	**3,109**
Increase from merger	468	-	468
Investments	-	303	303
Decreases	(190)	(25)	(215)
Depreciation	(555)	(213)	(768)
Balance at 31 December 2020	**2,477**	**420**	**2,897**

"Buildings" refers to the right-of-use of offices and the period reductions (190 thousand euros) relate:

- for 182 thousand euros to the notice given on the lease contract for the Rome offices in Lungotevere Mellini, following the decision to transfer the Rome offices to a single site (via del commercio). This transfer took place in December 2020;

- for 8 thousand euros to the recalculation of the right-of-use value following the reduction in charges obtained for certain properties leased by the Company. In this regard, please note that the Company has not used the practical expedient granted by the amendment to IFRS 16 Leases, issued in 2020 by the International Accounting Standards Board (IASB) to facilitate lessors in booking incentives relating to leases deriving from the COVID-19 pandemic.

“Other” includes right-of-use of company cars and period increases mainly relate to the stipulation of new rental contracts to replace those that expired during the year as well as the increase in the vehicle fleet.

15. Goodwill

Goodwill comes to 11,500 thousand euros (4,617 thousand euros as at 31 December 2019), as detailed hereto:

		Figures in thousands of euros
	31 Dec. 2020	**31 Dec. 2019**
Goodwill for BizUp	6,883	-
Goodwill for Alkemy Tech	2,898	2,898
Goodwill for Seolab	1,167	1,167
Goodwill for Between	552	552
Total goodwill	**11,500**	**4,617**

The period increase is due to the merger by acquisition of the subsidiary BizUp S.r.l., as already described in the Report on Operations.
The Company expects to obtain a positive contribution in terms of cash flow from these assets, for an indefinite period of time.
As goodwill has an indefinite useful life, it is not amortised but rather tested for impairment once a year, or more frequently if events or changes in circumstances suggest a possible loss.

In order to assess a possible loss of value, the recoverability of goodwill has been evaluated on an aggregate level, using its value in use, determined by applying the discounted cash flow method. If the recoverable amount exceeds carrying amount of goodwill, no impairment loss is recognised; otherwise, the difference between the carrying amount and the recoverable amount, as resulting from the impairment test, determines the amount of the adjustment to be made.
The main assumptions on which the recoverable amount is calculated regard the discount rate, the use of the latest budgets and medium-term forecasts and the expected growth rate at the end of the explicit forecasting period.
Discounting regarded forecast cash flow as resulting from the 2021-2023 three-year plan approved by the Board of Directors on 11 December 2020 and integrated with the preliminary data as at 31 December 2020.
The terminal value was calculated using the “perpetual income” method determined by the

normalised cash flow projection relative to the first year after the explicit forecasting period, assuming a growth rate of 1.20%.
In discounting cash flows, the Company adopted a discount rate that expresses the weighted average cost of capital (WACC) comprising a weighted average of the cost of capital and the cost of debt.
More specifically, with reference to the valuations relative to 31 December 2020, the Company used a discounting rate of 9.83%.
The impairment test results revealed that the recoverable amount of goodwill exceeded their carrying amount, accordingly no impairment losses were recognised.

Please note that a sensitivity analysis has also been carried out, hypothesising changes in the WACC discounting rate with an increase/decrease of 1 percentage point, matched with (i) an increase/decrease of 0.5 percentage points of the perpetual g-rate, (ii) a different determination of the EBITDA of the terminal value, in respect of changes in results envisaged by the three-year plan (mean EBITDA 2021-2023, mean 2022-2023 and just 2023).
These analyses also failed to reveal any impairment loss on goodwill.

16. Intangible assets with a finite useful life

Intangible assets amount to 460 thousand euros (539 thousand euros as at 31 December 2019). Below are details on changes seen to intangible fixed assets in the last two years:

				Figures in thousands of euros
	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other	Total
Balance at 31 December 2018	**51**	**32**	**410**	**493**
Investments	154	-	151	305
Depreciation	(57)	(6)	(196)	(259)
Balance at 31 December 2019	**147**	**26**	**366**	**539**
Increase from merger	3	-	105	108
Investments	120	-	3	123
Depreciation	(116)	(6)	(188)	(310)
Balance at 31 December 2020	**154**	**20**	**286**	**460**

Industrial patents and intellectual property rights
This item mainly includes the costs incurred for the purchase of company management software, the increase in which is primarily due to the purchase of new licences in relation to the software used for management control and the new firewalls.

Concessions, licences, trademarks and similar rights
This item mainly includes costs incurred to register trademarks.

Other

This item includes long-term costs that, due to their different nature, do not fit under any of the other items of this category. More specifically, the item includes: (i) the costs incurred by the Company for the eCommerce platform, (ii) the costs incurred by the subsidiary BizUp S.r.l. (now incorporated into Alkemy S.p.A.) in relation to the development of a platform dedicated to services for the development of branded content of customer companies.

17. Equity investments

Equity investments amount to 16,991 thousand euros (22,627 thousand euros as at 31 December 2019); they are detailed as follows:

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Equity investments in subsidiaries	15,948	21,584
Equity investments in associates	1,038	1,038
Investments in other companies	5	5
Total equity investments	**16,991**	**22,627**

The list of equity investments in related companies and associates with the indication of the related share capital, shareholder's equity and share held is as follows:

					Figures in thousands of euros	
Company name	Registered office	Currency	Capital in euros	Shareholders' equity in euros	Profit (loss) in euros	% held
Subsidiaries						
Alkemy Play S.r.l.	Milan – Via San Gregorio 34	Euro	10	(227)	(237)	51%
Alkemy USA Inc.	USA – New York (NY) – 444 Madison Avenue	USD	424	(191)	(6)	100%
Alkemy SEE D.o.o.	Serbia – Belgrade - Sime Igumanova 64	Serbian dinar	412	322	(19)	70%
Alkemy Iberia S.l.	Spain – Madrid – calle Magallanes 9	Euro	10	456	192	65%
Nunatac S.r.l.	Milan – Via San Gregorio 34	Euro	50	3,047	1,688	70%
Ontwice Interactive Service Sl	Spain – Madrid – Pintor Juan Gris 4	Euro	9	1,853	1,690	80%
Associates						
Design Group Italia I.D. S.r.l.	Milan – Via Aleardo Aleardi 12/14	Euro	119	1,570	422	20%

The change and breakdown relate to the investments in subsidiaries, as follows:

				Figures in thousands of euros
	31 Dec. 2019	**Extraordinary transactions**	**Increases**	**31 Dec. 2020**
BizUp S.r.l.	8,211	(8,211)	-	-
Alkemy Play S.r.l.	173	-	-	173
Alkemy SEE D.o.o.	357	-	-	357
Alkemy Iberia S.l.	7	-	-	7
Alkemy USA Inc.	-	-	-	-
Nunatac S.r.l.	5,192	-	14	5,206
Ontwice	7,644	-	2,561	10,205
Total	**21,584**	**(8,211)**	**2,575**	**15,948**

The increases in the carrying amount of the investments in subsidiaries come to 2,575 thousand euros, as follows:

- 2,561 thousand euros for the purchase of 16% of the subsidiary Ontwice S.l. (Madrid); on 08 October 2020, 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%. For more details, please see the Report on operations;
- 14 thousand euros for the portion of the stock option recognised to the subsidiary Nunatac S.r.l.

"Investments in associates" refers to the investment in Design Group Italia I.D. S.r.l., purchased on 23 July 2019.
"Investments in other companies" refers to the investment in the consortium company ICT SUD S.C.r.l.

The carrying value of the equity investments has been specifically impairment tested to verify the potential recovery of such values.

The test was carried out comparing the carrying amount of the investment with its value in use, determined by discounting net cash flows from business, less the total net debt of the investees.
The period considered covers the three years 2021 - 2023. The net flows thus determined have been discounted at the weighted average cost of capital (WACC), diversified depending on the company to take into account the various local factors, without prejudice to the general structure of calculation as detailed in Note 15.
More specifically, the discounting rate used was 9.83% for the companies of the Italy area, 11.67% for Spain/Mexico and 13.2% for the Balkans.
The terminal value was calculated using the "perpetual income" method determined by the normalised cash flow projection relative to the first year after the explicit forecasting period, assuming a growth rate of 1.20% for the companies of the Italy area, 1.7% for Spain/Mexico and 1.5% for the Balkans.

This analysis did not reveal any need to recognise impairment losses on the investments. The sensitivity analysis also failed to reveal any loss in value of the equity investments.

18. Non-current financial assets

Non-current financial assets come to 1,058 thousand euros (3,551 thousand euros as at 31 December 2019) and are detailed below:

		Figures in thousands of euros
	31 Dec. 2020	**31 Dec. 2019**
Loans to subsidiaries	577	801
Derivatives	353	2,622
Other financial assets	128	128
Total non-current financial assets	**1,058**	**3,551**

Derivatives total 353 thousand euros (2,622 thousand euros as at 31 December 2019) and refer to the options relating to the acquisition of the residual portion of the investment in the subsidiaries Alkemy Play S.r.l., Alkemy Iberia S.L. and one of the two residual shares of Design Group Italia I.D. S.r.l., comprising a contractual structure of put and call options between the Company and the non-controlling investments. As is frequently the case in purchases of majority investments, the contractual agreements in fact include a put option in the favour of the remaining non-controlling investors and a call option in the favour of Alkemy. The options to be exercised in FY 2021 are classified under current non-financial assets: see note 23.

Interest-bearing loans to subsidiaries come to 577 thousand euros (801 thousand euros as at 31 December 2019) and are detailed as follows:

- 180 thousand euros (unchanged on 31 December 2019) to the subsidiary Alkemy SEE D.o.o.; the loan disbursed in 2018 bears interest at a rate of 2.9%;
- 321 thousand euros (unchanged on 31 December 2019) to the subsidiary Alkemy Play S.r.l.; the loan disbursed in 2017 bears interest at a rate of Euribor 12 months plus a spread of 2%;
- 50 thousand euros (unchanged on 31 December 2019) to the subsidiary Alkemy Iberia S.L.; the loan disbursed in 2017 bears interest at a rate of Euribor 12 months plus a spread of 2.20%;
- 26 thousand euros to the subsidiary Alkemy USA Inc. (total amount of 190 thousand euros, net of 164 thousand euros of impairment).

Please note that at 31 December 2019, the item also included the loan disbursed to the subsidiary BizUp S.r.l. (now merged by acquisition), repaid in 2020.

19. Deferred tax assets

Deferred tax assets amount to 1,152 thousand euros (920 thousand euros as of 31 December 2019). Below is a breakdown of prepaid tax:

Figures in thousands of euros

	Amount of temporary differences as at 31 December 2020	Tax effect 31 Dec. 2020	Amount of temporary differences as at 31 December 2019	Tax effect 31 Dec. 2019
Reversal of intangible fixed assets - from conversion of standards	380	106	765	213
Loss allowance	1,124	270	949	228
Provision for the impairment of special finance contributions	497	119	-	-
Directors' fees	245	59	160	38
Provision for stock obsolescence	-	-	137	33
Post-employment benefits	460	110	356	85
ACE	402	96	402	96
Tax losses that can be carried forward	1,583	380	802	192
Other assets	38	11	135	33
Total	**4,729**	**1,152**	**3,706**	**920**

The balance includes deferred tax assets determined on the temporary differences between the carrying amount of the assets and liabilities taken in order to prepare the financial statements and the respective values.

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

20. Other non-current receivables and assets

Other assets come to 188 thousand euros (114 thousand euros as at 31 December 2019) and relate to guarantee deposits.

Current assets

21. Inventories

Inventories total zero thousand euros (58 thousand euros at 31 December 2019) due tot eh closure of the e-commerce business.

22. Trade receivables

Trade receivables come to 20,125 thousand euros (20,088 thousand euros as at 31 December 2019), as detailed herewith:

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Third parties	19,175	19,468
Related parties	950	620
Total trade receivables	**20,125**	**20,088**

There are no amounts due after one year.
Below is a breakdown of trade receivables by geographical segment:

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Italy	17,845	18,639
EU	987	585
Non-EU	1,293	864
Total trade receivables	**20,125**	**20,088**

trade receivables are stated net of a loss allowance of 1,148 thousand euros (957 thousand euros as at 31 December 2019). The provision for doubtful debt was calculated on the basis of the estimated expected loss throughout the life of the amount due, from when it is first recognised and during subsequent measurements. The estimate is mainly prepared by determining the average expected incapacity to collect, based on historical indicators. For some categories, characterised by specific risk elements, specific valuations are instead made on the individual positions.

Below are year changes to the loss allowance:

	Figures in thousands of euros
Balance at 31 December 2019	**957**
Effect of merger	138
Accruals	215
Uses	(162)
Balance at 31 December 2020	**1,148**

23. Current financial assets

Current financial assets come to 2,406 thousand euros (zero at 31 December 2019) and include derivatives relating to the acquisition of the residual investment share in the subsidiaries Nunatac S.r.l.

and Ontwice S.L. and a portion of the related company DGI S.r.l.; the exercise date of said purchases is expected for H2 2021 for the subsidiaries and 30 June 2021 for the related company Design Group Italia I.D. S.r.l., which following this purchase, will become a subsidiary.

24. Tax assets

Tax credits come to 446 thousand euros (2,232 thousand as at 31 December 2019) and are detailed as follows:

		Figures in thousands of euros
	31 Dec. 2020	**31 Dec. 2019**
Tax asset pursuant to DL.145/2013	310	1,282
Tax assets	122	944
Other tax assets	14	6
Total tax assets	**446**	**2,232**

The reduction in tax receivables is mainly due to the offsetting of the tax credit for research and development for 1,282 thousand euros plus IRES credits for 836 thousand euros.
The tax asset for 310 thousand euros is for the amount accrued in connection with subsidised finance projects for investments made in 2020 in research and development, pursuant to Decree Law no. 145/2013.

25. Other current assets

Other assets come to 3,545 thousand euros (5,902 thousand euros as at 31 December 2019), detailed as follows:

		Figures in thousands of euros
	31 Dec. 2020	**31 Dec. 2019**
From subsidiaries	1,117	1,306
Government grants	2,591	4,019
Impairment of government grants	(497)	-
Prepayments	306	569
Other receivables	28	8
Total other current assets	**3,545**	**5,902**

Amounts receivable from the parent company mainly refer to dividends resolved by Ontwice S.L. Madrid and not yet collected during the year.

It is specified that public grants reduce by 1,428 thousand euros in respect of payments received for 1,906 thousand euros and new entries for 478 thousand euros correlated to research and development carried out during the year.

26. Cash and cash equivalents

The balance of 12,924 thousand euros (3,928 thousand euros as at 31 December 2019) is detailed hereto:

		Figures in thousands of euros
	31 Dec. 2020	**31 Dec. 2019**
Bank deposits	12,920	3,922
Cash and petty cash	4	6
Total cash and cash equivalents	**12,924**	**3,928**

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

Liabilities and equity

Non-current liabilities

27. Equity

Changes in and a breakdown of equity for 2019 and 2020 are given in the changes to the equity amounts, to which you are referred.

Share capital

The Company's share capital comes to 588 thousand euros (no change on 31 December 2019) and is fully paid-up.
The share capital at 31 December 2020, in therefore represented by 5,609,610 shares. On 16 November 2017, the Shareholders' Meeting had resolved to split existing shares, in the amount of ten new shares for each pre-existing share, and to eliminate the shares' nominal amount.

Legal reserve

The legal reserve amounts to 202 thousand euros (unchanged on 31 December 2019).

Treasury shares

The reserve for treasury shares in portfolio totalled 1,093 thousand euros (912 thousand euros at 31 December 2019). The change is due to the purchase of treasury shares for 181 thousand euros during the year, equal to 30,000 treasury shares.
At 31 December 2020, the Company portfolio held 112,536 treasury shares, accounting for 2.006 % of the share capital.

Other reserves

Other reserves come to 31,297 thousand euros (31,575 thousand euros as at 31 December 2019), as follows:

- share premium reserve for 30,966 thousand euros (unchanged on 31 December 2019);
- FTA reserve for 301 thousand euros (307 thousand euros as at 31 December 2019);
- stock option reserve of 229 thousand euros (429 thousand euros as at 31 December 2019);
- gains (losses) recognised in equity for a negative 199 thousand euros (loss for 127 thousand euros as at 31 December 2019); the item relates to the discounting of post-employment benefits, envisaged by IAS 19.

The change in the stock option reserve, of 200 thousand euros, is for +211 thousand euros due to the cost of the stock option plans in place in 2020 and for -411 thousand euros to the closure of the 2017-2020 stock option plan, reclassified to profits carried forward.
The change in the FTA reserve is due to the merger by acquisition of the subsidiary BizUp S.r.l., as extensively described in the Report on Operations.

Retained earnings

Profits carried forward comes to 4,963 thousand euros (4,110 thousand euros as at 31 December 2019); the period change is due to:

- 411 thousand euros, the increase in connection with the closure of the 2017-2020 stock option plans;
- 319 thousand euros, the increase emerging from the merger by acquisition of the subsidiary BizUp S.r.l.;
- 123 thousand euros, the increase relative to the allocation of profits from the previous year, in accordance with the resolution passed by the shareholders' meeting of the Company on 24 April 2020;

Below is a schedule showing the classification of reserves according to availability:

Figures in thousands of euros

	Amount	Possible use	Available portion	Summary of uses in the last three years:	
				to cover losses	for other reasons
Share capital	**588**				
Equity-related reserves:					
Reserve for treasury shares	(1,093)	-	-		
Income-related reserves:					
Legal reserve	202	B	202		
Share premium reserve	30,966	A, B, C	30,966		
Retained earning	4,963	A, B, C	4,963		
Other reserves:					
IAS 19 Reserve	(199)	-	-		
Stock option reserve	229	-	-		
FTA reserve	301	-	-		
Non-distributable portion			1,118		
Residual distributable portion			34,840		
Profit for the year	**823**				
Total	**36,781**			**-**	**-**

A: capital increase; B: loss coverage; C: shareholder distribution; D: other statutory restrictions

28. Financial liabilities

Current and non-current financial liabilities come to 15,924 thousand euros (11,204 thousand euros as at 31 December 2019) and are broken down below according to due dates:

- 11,353 thousand euros (8,821 thousand euros as at 31 December 2019) refer to non-current financial liabilities;
- 4,571 thousand euros (2,382 thousand euros as at 31 December 2019) refer to current financial liabilities.

There are financial liabilities due after 5 years, for the amount of 323 thousand euros.

The increase in financial liabilities of 4,720 thousand euros, net of reimbursements paid during the year for 1,925 thousand euros, mainly relates to new loans disbursed during the year, in particular:

- 3,500 thousand euros, the loan obtained from Banca Intesa Sanpaolo on 17 July 2020 with a term of 60 months, including a pre-amortisation period of 24 months, with repayment of principal in twelve quarterly instalments, the first due on 17/10/2022;
- 2,000 thousand euros, the medium-term loan agreement entered into with Banco BPM to facilitate the Group's financial operations, with a term of 24 months, with repayment in quarterly instalments ending on 16 September 2022;
- 500 thousand euros, the medium/long-term loan stipulated by the Parent company in February 2020 to facilitate the Group's financial operations, with CREDEM, for a term of 36 months, with repayment in quarterly instalments with the last one falling due in February 2023;
- 619 thousand euros for four two long-term loans correlated to subsidised finance projects, obtained by the Parent company from Mediocredito Centrale at special rates and conditions.

Financial liabilities are illustrated below:

- 6,099 thousand euros (6,954 thousand euros as at 31 December 2019) relative to a medium/long-term bank loan obtained from Mediocredito Italiano in 2019 for 7,000 thousand euros. Repayment is on a straight-line basis every six months, starting 31 December 2020 with each instalment being for 875 thousand euros. The interest rate applied is the 6M Euribor, increased by a spread of 1.5 points. At disbursement, an up-front fee was withheld of 35 thousand euros. The contract envisages respect of two financial covenants on a consolidated level, specifically: (i) leverage ratio, i.e. net financial position/EBITDA <2, to be calculated annually starting 31 December 2020; and (ii) the ratio of net financial position and shareholder's equity <1, to be calculated annually starting 31 December 2019. Please note that in December 2020, as a preventive measure, exoneration was requested and granted by the bank for this year, from compliance with the leverage ratio benchmark, which was then found to be almost in line with the contractual provision (2.1). The second parameter is instead fully respected;
- 3,499 thousand euros relative to the medium/long-term bank loan with Intesa Sanpaolo, as described above;
- 1,999 thousand euros relate to the additional BPM loan stipulated in 2020 and described above;
- 895 thousand euros (287 thousand euros at 31 December 2019) refer to the seven loans from Mediocredito Centrale correlated to subsidised finance projects;
- 875 thousand euros (996 thousand euros at 31 December 2019) refer to an additional Intesa Sanpaolo loan stipulated in 2019 with a term of 30 months, with repayment in five straight-line six-monthly instalments due in 2024. The contract envisages respect of two financial covenants, specifically: (i) leverage ratio, i.e. net financial position/EBITDA <2, to be calculated annually starting 31 December 2020; and (ii) the ratio of net financial position and shareholder's equity <1, to be calculated annually starting 31 December 2019. Please note

that in December 2020, as a preventive measure, exoneration was requested and granted by the bank for this year, from compliance with the leverage ratio benchmark, which was then found to be almost in line with the contractual provision (2.1). The second parameter is instead fully respected;

- 857 thousand euros (995 thousand euros at 31 December 2019) refer to a loan obtained from Banco BPM in 2019 to facilitate the Group's financial operations, with a term of 42 months, plus 9 month grace period, with repayment in quarterly instalments ending on 29 December 2023;
- 808 thousand euros (1,001 thousand euros at 31 December 2019) refer to a loan obtained in 2019 from Intesa Sanpaolo for research and development. The contract envisages respect of two financial covenants, specifically: (i) leverage ratio, i.e. net financial position/EBITDA <2, to be calculated annually starting 31 December 2020; and (ii) the ratio of net financial position and shareholder's equity <1, to be calculated annually starting 31 December 2019. Please note that in December 2020, as a preventive measure, exoneration was requested and granted by the bank for this year, from compliance with the leverage ratio benchmark, which was then found to be almost in line with the contractual provision (2.1). The second parameter is instead fully respected;
- 451 thousand euros relate to the additional Credem loan stipulated in 2020 and described above;
- 251 thousand euros (624 thousand euros as at 31 December 2019) refer to the medium/long-term bank loan with Banca Intesa Sanpaolo S.p.A., entered into by the Parent in 2016 to purchase the subsidiary BizUp S.r.l. Repayment is on a straight-line basis once a quarter, starting 30 June 2017 with each instalment being for 125 thousand euros. The interest rate applied is the 3M Euribor, increased by a spread of 1.5 points;
- 134 thousand euros (235 thousand euros as at 31 December 2019) refer to the medium/long-term bank loan entered into in July 2017 with Credito Emiliano S.p.A. and deriving from the merger of Alkemy Tech S.r.l. The 36-month loan has a fixed interest rate of 0.7% and repayment in equal monthly instalments starting February 2018;
- 56 thousand euros (112 thousand euros as at 31 December 2019) refer to the medium/long-term bank loan with Credito Emiliano S.p.A., entered into by the Company in August 2017. The 36-month loan has a fixed interest rate of 0.7% and repayment in equal monthly instalments starting September 2017.

Please note that in February 2021, as already mentioned in the Report on Operations, for the medium-term loans stipulated in 2019 and 2020, the Company subscribed four cap options (at a fixed price, already paid) to hedge the risk of future rises in the interest rates, in connection with an equal number of loans accounting for approximately 87% of the bank debt recorded as at 31 December 2020.

29. Net financial position

As requested by Consob Communication no. DEM/6064293 of 28 July 2006, the table below provides a disclosure on the Net financial position, determined in compliance with the criteria indicated in the CESR (Committee of European Securities Regulators) Recommendation of 10 February 2005 "The consistent implementation of Commission Regulation implementing the Prospectus Directive" and recalled by Consob.

			Figures in thousands of euros
		31 Dec. 2020	**31 Dec. 2019**
A	Cash	4	6
B	Other cash and cash equivalents	12,920	3,922
C	Securities held for trading	-	-
D	**Cash and cash equivalents (A+B+C)**	**12,924**	**3,928**
E	Current loans	-	-
F	Current bank loans and borrowings	-	-
G	Current portion of non-current debt	4,571	2,382
H	Other current financial liabilities	673	581
I	**Current financial debt (F+G+H)**	**5,244**	**2,963**
J	**Net current financial debt (I-E-D)**	**(7,680)**	**(965)**
K	Non-current bank loans and borrowings	11,353	8,821
L	Bonds issued	-	-
M	Other non-current financial liabilities	2,274	2,553
N	**Non-current financial debt (K+L+M)**	**13,627**	**11,374**
O	**Net Financial Debt (J+N)**	**5,947**	**10,409**

30. Lease liabilities from right of use

Current and non-current financial liabilities from right-of-use assets total 2,947 thousand euros (3,134 thousand euros as at 31 December 2019) and are broken down below according to due dates:

- 2,274 thousand euros (2,553 thousand euros as at 31 December 2019) refer to non-current financial liabilities;
- 673 thousand euros (581 thousand euros as at 31 December 2019) refer to current financial liabilities.

Please note that there are financial liabilities due beyond 5 years, for the amount of 266 thousand euros.

31. Employee benefits

Employee benefits come to 2,849 thousand euros (2,170 thousand euros as at 31 December 2019) and refer entirely to the post-employment benefits of employees.

The change during the year was instead as follows:

	Figures in thousands of euros
Balance at 31 December 2018	**1,809**
Accruals	732
Actuarial (gains)/losses	161
Utilisation of the year	(532)
Balance at 31 December 2019	**2,170**
Contribution from merger	330
Accruals	740
Actuarial (gains)/losses	89
Utilisation of the year	(480)
Balance at 31 December 2020	**2,849**

In accordance with IAS 19, this provision is recognised as a defined benefits plan and measured using the projected unit credit method, in accordance with the following actuarial assumptions:

Actuarial assumptions	**31 Dec. 2020**	**31 Dec. 2019**
Discount rate	0.34%	0.77%
Remuneration increase rate	2.00%	2.00%
Increase in the cost of living	1.00%	1.00%

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

32. Provisions for risks and charges

The provision for risks and charges comes to 28 thousand euros (80 thousand euros at 31 December 2019).
The change is +15 thousand euros due to the contribution made by the merger of the subsidiary BizUp S.r.l. and -67 thousand euros to the reclassification to the provision for doubtful debt for the impairment of the equity investment in Alkemy USA Inc. applied in 2019.

33. Deferred tax liabilities

Deferred tax liabilities come to 48 thousand euros (67 thousand euros as at 31 December 2019) and refer to temporary differences between the carrying amount of assets and liabilities taken for the preparation of the financial statements and the respective tax figures.

Current liabilities

34. Trade payables

Trade payables come to 9,705 thousand euros (11,284 thousand euros as at 31 December 2019).

Below is a breakdown of trade payables by geographical segment

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Italy	6,802	9,516
EU	2,825	1,424
Non-EU countries	78	344
Total trade payables	**9,705**	**11,284**

35. Tax liabilities

Tax payables come to 454 thousand euros (808 thousand euros as at 31 December 2019).
It includes liabilities for tax that is both certain and quantified, in relation to VAT and payables in connection with withholdings applied at source, as tax substitute; the breakdown is as follows:

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Withholdings	394	412
VAT	47	396
Current tax liabilities	13	-
Total tax liabilities	**454**	**808**

Please note that together with the subsidiaries Nunatac and Alkemy Play S.r.l., the Company has opted for the national tax consolidation scheme.

36. Other liabilities

Other current liabilities come to 5,598 thousand euros (3,967 thousand euros as at 31 December 2019), detailed as follows:

	Figures in thousands of euros	
	31 Dec. 2020	**31 Dec. 2019**
Social security charges	951	875
Due to employees	2,945	1,808
Accrued expenses and deferred income	1,567	1,152
Other liabilities	135	132
Total other liabilities	**5,598**	**3,967**

Due to employees includes the amounts due to employees, directors and collaborators; the item includes salaries for December and accruals for 2020 not yet paid, in relation to bonuses, holidays, permits and 14th month salaries.
The related increase, for a total of 1,137 thousand euros, mainly relates (i) for 639 thousand euros to payables to employees for remuneration and holidays, (ii) for 353 thousand euros to the execution

of the "2020-2023 Long-Term Incentive Plan" and (iii) for 138 thousand euros to the increase in payables to directors.

Accrued expenses and deferred income are recognised on an accruals basis. At 31 December 2020, there were no accruals or deferrals with a residual term of more than five years.

Other payables came to 135 thousand euros (132 thousand euros at 31 December 2019).

37. Guarantees given and other commitments

Guarantees given

As at 31 December 2020, there are three insurance sureties of the Company issued in the favour of two customers, to guarantee the correct fulfilment, by the Company, of its contractual obligations for 532 thousand euros.

38. Related party transactions

Related party transactions are part of the company's routine business and were settled at arm's length.

The tables below show the amounts of commercial and financial transactions implemented in FY 2020 by and between the Parent Company and its subsidiaries, associates and other related parties.

Commercial transactions between the Parent and the subsidiaries

The Company has carried out the following related party transactions:

Commercial transactions				Figures in thousands of euros
	Assets	**Liabilities**	**Revenue**	**Costs**
Alkemy Play S.r.l.	170	(16)	374	(137)
Alkemy USA Inc.	62	(12)	-	-
Alkemy SEE Doo	94	-	-	(12)
Ontwice S.l. Madrid	-	-	-	(104)
Alkemy Iberia S.l.	298	-	295	-
Nunatac S.r.l.	85	(152)	262	(363)
Total	**709**	**(180)**	**931**	**(616)**

Trade receivables due from Alkemy USA Inc. have been written off.

As permitted by Articles 117 to 128 of the Consolidated Law on Income Tax, the Parent opted for the national tax consolidation scheme with the subsidiaries Nunatac S.r.l. and Alkemy Play S.r.l. In this respect, the Parent also has an amount due from subsidiaries for the tax consolidation scheme, in the amount of 19 thousand euros.

Financial transactions between the Parent Company and the subsidiaries

Financial transactions with subsidiaries are interest-bearing, carried out at arm's length and regulated by written agreements signed by the parties. The table below shows the financial transactions carried out between the Company and its subsidiaries in FY 2020, indicating interest accrued (income):

Financial transactions				Figures in thousands of euros
	Assets	**Liabilities**	**Revenue**	**Costs**
Alkemy Play S.r.l.	321	-	7	-
Alkemy SEE Doo	180	-	4	-
Ontwice S.l. Madrid	-	-	2	-
Alkemy USA Inc.	190	-	-	-
Alkemy Iberia S.l.	50	-	1	-
Total	**741**	**-**	**14**	**-**

The financial receivables due from Alkemy USA are impaired for 164 thousand euros.

Commercial relations between the Parent company and the associates and other related parties

				Figures in thousands of euros
	Assets	**Liabilities**	**Revenue**	**Costs**
Codermine S.r.l.	-	(188)	-	(453)
O2E S.r.l.	-	-	-	(67)
Jakala S.p.A.	5	-	-	-
Design Group Italia I.D. S.r.l.	236	(242)	205	(458)
Total	**241**	**(430)**	**205**	**(978)**

An IT consulting contract has been stipulated with the related company Codermine S.r.l., which in 2020 resulted in costs of 453 thousand euros, with a trade payable at 31 December 2020 of 188 thousand euros.

Commercial relations are entertained with the associate Design Group Italia I.D. S.r.l., which in 2020 gave rise to costs for 458 thousand euros, a trade payable at 31 December 2020 of 242 thousand euros and revenues for 205 thousand euros, with a trade receivable at 31 December 2020 of 236 thousand euros.

Fees to directors, auditors and key management personnel

The fees paid in 2020 to the Parent's Board of Directors totalled 1,293 thousand euros (1,045 thousand euros in 2019), whilst those due to the Board of Auditors came to 70 thousand euros (77 thousand euros in 2019). The fees due to the Board of Directors also includes the remuneration of the Chief Executive Officer for the role of key manager.

The fees due to the other four key managers in force as at 31 December 2020 came to 841 thousand euros (1,078 thousand euros of business cost) as compared with 536 thousand euros in 2019 (772 thousand euros of business cost).

Finally, please note that 2019 included (i) an additional strategic manager, who in 2020 no longer holds that position and the cost of which to the business last year was 125 thousand euros (181 thousand euros cost) (ii) two strategic managers discontinued in 2019, the cost of which came to 408 thousand euros, including 108 thousand in additional non-recurring expenses.

39. Potential liabilities and main disputes

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

In 2014, the Company was served an amicable notice by the Revenue Agency relative to the 2011 tax period, on the offsetting of an asset for investment in research and development for 21 thousand euros. The Company has broken the amount demanded down into instalments and has completed payment thereof. At the same time, Alkemy S.p.A. has submitted a supplementary return for the tax period under review, along with a claim for the reimbursement of the amount paid to date, as it believes that the amount in question is, indeed, due.

In 2018, the Company was notified a writ of summons by a customer, with a demand for compensation for damage. Following the first hearing held on 09 May 2019, the Court asked the parties to seek an amicable settlement to the dispute; the opposing party refused this, however, and has pursued proceedings. On 30 October 2019, the Court rejected the opposing party's additional demands, scheduling the hearing for the conclusions for 11 November 2020. At this hearing, which was held with written discussion due to COVID, after having incorporated the additional conclusions of the parties, the judge withheld the case for decision, setting a deadline for the deposit of defence briefs as 11.1.2021 for the final statement and 30/01/2021 for the statement of defence. As a consequence of the results of the final defence deposits, the court judgement will be issued and can be reasonably expected by the end of H1 2021. The Company's lawyers believe that the risk of losing these proceedings is remote.

40. Subsequent events

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

Starting January 2021, a new Group organisation is being implemented in Italy, operating by function (rather than competence), with the aim of ensuring a better focus on key accounts, with the establishment of a dedicated sales structure ("go-to-market") and a delivery structure, whose priority aim is to execute projects/services offered commercially, as well as to develop innovative business proposals of greater added value, consistently with Alkemy's positioning. The new organisation is expected to start operating by the end of the first half of 2021.

On 11 March 2021, the Company stipulated a binding agreement for the purchase of 51% of the share capital of eXperience Cloud Computing S.r.l. ("XCC"), an Italian company specialised in Cloud Computing solutions in CRM, Gold Consulting Partner of SalesForce, qualified to implement and develop integrated, multi-channel digital business solutions, from the CRM Cloud through to Marketing Automation, for B2B, B2C, Commerce and Retail. The transaction is expected to be completed by mid-April 2021. The total equity value of the transaction is estimated at appraisal 2.750 million euros, 51% of the capital will be acquired on the basis of a valuation of XCC of 5.6 times the 2020 booked EBITDA and the price will be paid in cash.

As at the date on which these financial statements are approved, the Company continues to work almost entirely from a remote position, also in line with the instructions given by the various local government bodies on the prevention of the spread of the pandemic, which differ in the various regions in which the Company has its offices. 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.

41. Allocation of the profit for the year

We believe we have thus provided you with suitable information on the Company's performance and would therefore propose allocating the FY 2020 result of Alkemy S.p.A. of 822,894 euros entirely to the reserve for profits carried forward.

Milan, 22 March 2021

for the Board of Directors
the Chief Executive Officer
Duccio Vitali

Alkemy S.p.A.

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

The table below, prepared in accordance with Art. 149-*duodecies* of the CONSOB Issuers' Regulation, shows the fees for FY 2020 for auditing and other non-auditing services provided by the independent auditing firm appointed or by entities belonging and not belonging to its network.

Figures in thousands of euros

Service provider	Note	Fees for FY 2020
Auditing and certification services		
KPMG S.p.A.		75
Deloitte & Touche S.p.A.	**[1]**	16
Other services		
KPMG S.p.A.	**[2]**	9
Deloitte & Touche S.p.A.	**[3]**	40
Total		**140**

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

[2] Includes the signing of Income, IRAP and 770 forms and certification of tax credit

[3] Includes (i) methodological support in connection with impairment testing and the fair value measurement of put options and (ii) methodological support with formalising the risk assessment process

Annex 1

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

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

Figures expressed in euros

	31 Dec. 2020	of which with related parties	31 Dec. 2019	of which with related parties
Revenue from sales and services	42,937,091	1,137,010	36,728,689	738,678
Other revenue and income	850,741		2,807,272	
Total operating revenue and income	**43,787,832**	**1,137,010**	**39,535,961**	**738,678**
Costs for services, goods and other operating costs	(26,018,048)	(1,596,980)	(25,802,313)	(2,577,821)
- of which non-recurring	-		(1,192,349)	
Personnel expense	(17,309,601)	(2,371,082)	(16,054,337)	(2,406,000)
- of which non-recurring	(223,825)		(222,283)	(108,000)
Total costs and other operating costs	**(43,327,649)**	**(3,968,062)**	**(41,856,650)**	**(4,983,821)**
Gross operating profit	**460,183**	**(2,831,051)**	**(2,320,689)**	**(4,245,143)**
Depreciation	(1,312,488)		(1,167,525)	
Provisions and impairment	(711,528)		(251,286)	
Operating profit	**(1,563,833)**	**(2,831,051)**	**(3,739,500)**	**(4,245,143)**
Net gains (losses on) equity investments	1,874,521	1,874,521	1,469,632	1,469,632
Net gains (losses on) options	136,148		1,742,424	
Other financial income	18,427	13,548	27,740	18,360
Other financial expense	(339,772)		(217,239)	
Pre-tax profit (loss)	**125,491**	**(942,983)**	**(716,943)**	**(2,757,151)**
Income taxes	697,403		840,749	
Profit (loss) for the year	**822,894**	**(942,983)**	**123,806**	**(2,757,151)**

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

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

				Figures expressed in euros
	31 Dec. 2020	**of which with related parties**	**31 Dec. 2019**	**of which with related parties**
Assets				
Non-current assets				
Property, plant and equipment	644,900		715,100	
Right-of-use assets	2,896,621		3,109,452	
Goodwill	11,500,045		4,616,639	
Intangible assets with a finite useful life	460,086		538,503	
Equity investments	16,991,055		22,627,294	
Non-current financial assets	1,057,544	740,937	3,550,760	800,614
Deferred tax assets	1,151,689		919,752	
Other non-current receivables and assets	187,563		114,416	
Total non-current assets	**34,889,503**	**740,937**	**36,191,916**	**800,614**
Current assets				
Inventories	-		57,611	
Trade receivables	20,124,546	949,170	20,087,995	626,038
Current financial assets	2,405,510		-	
Tax assets	446,355		2,232,107	
Other current assets	3,545,056	1,116,905	5,901,738	1,305,645
Cash and cash equivalents	12,924,264		3,928,215	
Total current assets	**39,445,731**	**2,066,075**	**32,207,666**	**1,931,683**
Total assets	**74,335,234**	**2,807,012**	**68,399,582**	**2,732,297**

				Figures expressed in euros
Liabilities and Shareholders' Equity	**31 Dec. 2020**	**of which with related parties**	**31 Dec. 2019**	**of which with related parties**
Equity				
Share capital	587,589		587,589	
Reserves	35,370,137		34,975,086	
Profit/(loss) for the year	822,894		123,806	
Total net equity	**36,780,620**	**-**	**35,686,481**	**-**
Non-current liabilities				
Financial liabilities	11,353,183		8,821,481	
Lease liabilities from right of use	2,274,064		2,552,751	
Employee benefits	2,849,455		2,169,541	
Provisions for risks and charges	27,987		80,353	
Deferred tax liabilities	47,763		66,695	
Total non-current liabilities	**16,552,452**	**-**	**13,690,821**	**-**
Current liabilities				
Financial liabilities	4,570,816		2,382,413	
Lease liabilities from right of use	673,403		581,333	
Trade payables	9,705,482	610,647	11,283,838	1,650,159
Tax liabilities	454,025		808,057	
Other liabilities	5,598,436	226,657	3,966,639	
Total current liabilities	**21,002,162**	**837,304**	**19,022,280**	**1,650,159**
Total liabilities and equity	**74,335,234**	**837,304**	**68,399,582**	**1,650,159**

ATTESTATION OF THE FINANCIAL STATEMENTS IN ACCORDANCE WITH ART. 81-*TER* OF THE CONSOB REGULATION 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND INTEGRATED

1. We the undersigned, Duccio Vitali, Chief Executive Officer and Claudio Benasso, the manager appointed to prepare the company's accounting documents of Alkemy S.p.A., having also taken into account the provisions of Art. 154-bis, paragraphs 3 and 4, of the Italian Legislative Decree no. 58 dated 24 February 1998, hereby certify:
- the adequacy, considering the company's characteristics, and
- the effective application

of the administrative and accounting procedures for the preparation of the annual financial statements, during FY 2020.

2. It is further certified that the financial statements:
- are consistent with the underlying books and accounting records;
- have been prepared in accordance with the Accounting Standards recognised by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and the Council of 19 July 2002;
- are able to give a true and fair view of the issuer's economic, equity and financial position.

3. Finally, it is certified that the Report on Operations contains a reliable analysis of the business outlook and management result, the financial position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Milan, 22 March 2021

Chief Executive Officer

Duccio Vitali

Manager appointed to prepare the company's accounting documents

Claudio Benasso

Report of the Board of Auditors to the Financial statements as at 31 December 2020.

"To the Shareholders of Alkemy S.p.A.

1. *Introduction*

*During the year ended at 31 December 2020, the Board of Auditors of Alkemy S.p.a. (hereinafter also referred to as the "**Company**" or "**Alkemy**") went about its supervisory duties in compliance with the law, observing the standards of conduct of the Board of Auditors as recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (Italian National Board of Registered and Expert Accountants) and the communications given by Consob in relation to corporate control and the work of the Board of Auditors, as well as with the indications given in the Code of Corporate Governance.*

The supervisory duties of the Board of Auditors are regulated by Art. 2403 of the Italian Civil Code, by Italian Legislative Decree no. 58/1998 and by Italian Legislative Decree no. 39/2010. The Board has examined the changes made to Italian Legislative Decree no. 39/2010 with Italian Legislative Decree no. 135/2016, in implementation of Directive 2014/56/EU, which amends Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts and European Regulation 537/2014.

As regards financial information, the Board of Auditors has ascertained that the financial statements have been prepared in accordance with the provisions of Art. 4, paragraph 1 of Italian Legislative Decree no. 38 of 28/02/2005, according to the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Commission.

The Board of Auditors has also verified compliance with the provisions of Italian Legislative Decree no. 254/2016 on the non-financial statement, monitoring the adequacy of the production, reporting and measurement processes and the representation of results and information.

This Report provides an account of the supervisory activities carried out in FY 2020 to date, as required by Consob Communication no. DEM/1025564 of 06 April 2001, as subsequently amended and supplemented.

The Board of Auditors in office was appointed by the Shareholders' Meeting on 25 June 2019, in compliance with current provisions of the law and regulations and the Articles of Association; its term ends with the Shareholders' Meeting convened to approve the financial statements as at 31 December 2021.

In 2020, the Board of Auditors, in its role as Internal Control and Accounts Auditing Committee, in accordance with Art. 19, 1st paragraph of Italian Legislative Decree no. 39/2010, as amended by Italian Legislative Decree no. 135/2016, performed the specific duties *of information, monitoring, control and audits envisaged therein, fulfilling all duties and tasks indicated by said legislation.*

The Board of Auditors offered an opinion each time it was asked to do so by the Board of Directors, also in compliance with provisions that, for some decisions, require the prior consultation of the Board of Auditors.

The Board of Auditors reserves the right to send Consob, by the deadline envisaged - as per Consob Communication no. DEM/1025564 of 6.4.2001 - the "Summary sheet of controls carried out by the board of auditors" in 2020.

*The appointment to perform the statutory audit in accordance with Italian Legislative Decree no. 58/1998 and Italian Legislative Decree no. 39/2010 is carried out by KPMG S.p.A. (hereinafter also the "**Independent Auditing Firm**"), as resolved by the Shareholders' Meeting held on 25 June 2019 for the term of nine years (2019-2027).*

2. *Monitoring of observance of the law and the articles of association*

Article 153 of Italian Legislative Decree no. 58 of 24 February 1998 envisages the obligation for the Board of Auditors to report to the Shareholders' Meeting convened to approve the financial statements, on the supervisory activities carried out and on any omissions or reprehensible events noted; it also has the faculty to make proposals on the financial statements, their approval and the matters coming under its purview.

In compliance, therefore, with the provisions of law and regulations and the recommendations envisaged and in accordance with the provisions of Art. 2429, paragraph 2 of the Italian Civil Code, we would hereby report to you as follows on the work carried out and the conclusions we have drawn.

We have monitored compliance with the law, the Articles of Association and the provisions of Consob, in particular through the information collected from our attendance of the meetings of the Board of Directors and the Committees. Insofar as we are aware, the Company would appear to have operated in compliance with said rules and would appear to have respected the information obligations.

The Board of Auditors has ascertained the conformity with the law, the Articles of Association and standards of correct administration in the transactions implemented by the company, making sure that they were not clearly imprudent or risky, or indeed in conflict with the resolutions passed by the Shareholders' Meeting, or such as to risk the integrity of the corporate assets; transactions in which Directors have an interest or with other related parties were subjected to the transparency procedures envisaged by applicable provisions.

The Board of Auditors has acquired the information instrumental to going about the supervisory tasks attributed it, by means of: attending meetings of the Board of Directors and

the Board Committees, meeting with the Company's management team, meeting with the independent auditor, analysing information flows acquired from the competent corporate structures and additional control activities.
The Board has gone about its supervisory duties, as described below, meeting from time to time also in order to meet with the Independent Auditing Firm and the various corporate departments of Alkemy S.p.A., and attending meetings of the Board of Directors and Committees.
In 2020, the Board of Auditors met 11 times and attended 12 meetings of the Board of Directors and 1 of the Shareholders' Meetings. In 2020, the Board of Auditors also attended 11 meetings of the "Remuneration Committee" established by resolution passed by the Board of Directors on 15 June 2019.
*In its meeting of 02 October 2019, the Board of Directors established the Control, Risks and Sustainability Committee ("**CRSC**"), in accordance with Art. 7 of the Code of Corporate Governance. With effect starting on the first day of listing on the MTA (therefore starting 17 December 2019), the Control, Risks and Sustainability Committee also acts as Related Party Transactions Committee, in lieu of the committee appointed by resolution passed on 25 June 2019. To date, the Board has attended 8 meetings of the CRSC held in 2020.*

3. *Supervision of standards of correct administration and transactions of greatest economic relevance*

We have monitored compliance with standards of correct administration and in the transactions of greatest economic relevance and have no particular comments to make in this regard.
We have attended the meetings of the Board of Directors, during which Directors were periodically informed by the Chief Executive Officer on the performance of Alkemy's corporate operations and those of its investees and subsidiaries, also in comparison with the budget economic data, and have received prompt, timely information, including about decisions to be made, with reference to the most significant transactions implemented by the Company and its Subsidiaries.
The Board of Auditors has acknowledged the Alkemy Group's long-term plan for 2021-2023, approved by the Board of Auditors on 11 December 2020,, its annual budget, the draft separate financial statements and the consolidated financial statements, noting no atypical or unusual transactions implemented with third parties or related parties, including Group companies.
We believe that the flow of information directed towards the Board has allowed it to properly assess the Company's operating performance and the risks and opportunities of the resolutions resolved.

According to the information made available to us, we can reasonably consider that these transactions are compliant with the law and the Articles of Association, not evidently imprudent or risky or in conflict of interests nor indeed such as to risk the corporate assets.
Information is given on the main intra-group and related party transactions implemented in FY 2020, together with a description of their characteristics and the related economic effects, in the notes commenting on the separate financial statements of Alkemy S.p.a. and the Group's consolidated financial statements.
The Board of Auditors has monitored compliance with the Shareholders' Meeting resolution on the purchase of treasury shares, pointing out that in order to execute the purchase plan, during FY 2020, Alkemy purchased 30,000 treasury shares for an equivalent value of 178,784 euros; the number of treasury shares held as at 31-12-2020 totals 112,536, for an equivalent value of 1,092,787 euros, booked as an item of shareholders' equity.
In this regard, and insofar as coming under its purview, the Board of Auditors has performed specific analyses aimed at examining the main significant events indicated by the Company in its Report on Operations relative to FY 2020, without noting any critical issues worthy of bringing to the attention of the Shareholders' Meeting.

4. *Supervision of the adequacy of the organisational structure*

Including through information collected by the company's senior management and meetings with the representatives of the Independent Auditing Firm, during which no critical issues arose, the Board of Auditors monitored the adequacy of the Company's organisational structure for the aspects coming under its purview.
The Board recalls in particular the contents of the analysis carried out during the meetings of the CRSC held on 3.3.2020 and 17.3.2020, during which the Chief Financial Officer explained the organisational, administrative and accounting structure of the Company and the strategic subsidiaries, where:

- *the organisational structure can be defined as the set of directives and procedures established to guarantee that the decision-making power is assigned and exercised at an appropriate level of competence and that an organisational structure is defined as "adequate" when it has the following characteristics: (i) it is based on the separation and juxtaposition of responsibilities in tasks and duties; (ii) it has a clear definition of the delegations and powers of each function; and (iii) it is able to guarantee the conduct of the corporate functions;*
- *the administrative and accounting structure is considered adequate if it allows for the complete, timely and reliable accounting and representation of management events, the*

production of valid information useful to help with management choices and the production of reliable data with which to prepare the financial statements.

On this occasion, the Board explained and assessed:

(i) the main elements of the management control system adopted by the Company;

(ii) the organisational structure assigned to the Finance and Control Administration Department, currently in place in Alkemy and in the group companies, highlighting the accounting systems used.

taking into account the fact that on 24 March 2020, the Company's Board of Directors approved the Administrative and Accounting Control Model and related procedures, prepared with the assistance of Deloitte S.p.A. to support the Manager appointed to prepare the company's accounting documents fulfil the obligations as per Italian Law no. 262/2005.

Particularly as regards the strategic subsidiaries based outside the EU, we note that:

(i) by communication dated 25/03/2021, KPMG confirmed that Alkemy S.p.A.'s subsidiaries, regulated by laws of non-European Union Member States, and which are considered to be of significant relevance in accordance with the provisions of Art. 15, paragraph 2 of the Market Regulation, and notably: (i) Ontwice Interactive Services de Mexico S.A.; and (ii) OIS Marketing Digital S.A. supply (through KPMG Mexico, auditor of said companies), have supplied all the information necessary to audit the annual and interim financial statements as at 30 June, in order to consolidate them into the consolidated financial statements of the Alkemy Group. KPMG Mexico provides KPMG S.p.A., the main auditor of Alkemy S.p.A., with all the information and data required in accordance with Auditing Standard ISA 600, on the basis of specific auditing instructions. These instructions establish that the main auditor shall be sent a report comprising an interoffice report and a highlights completion memorandum, summarising the auditing procedures implemented and the conclusions drawn, with reference to all significant risks identified. The work of KPMG S.p.A. also entails continuous exchanges of information with the secondary auditor, through periodic conference calls and the sending of any supporting documentation. KPMG confirms that to date there has been a regular flow of information from the non-EU subsidiaries. The audit activities relative to the financial statements as at 31.12.2020 are currently in progress. We have nothing material to report in respect of the accounting data;

(ii) the board of auditors certifies, in accordance with section IA.1.1, Article 1.05 of the Stock Market Regulation Instructions, that the companies established and regulated by the laws of non European Union Member States, controlled by the Issuer (and which are classed as significant in accordance with the provisions of Article 15, paragraph 2 of the Market Regulation) provide the Issuer's auditor with the information necessary to audit the

Issuer's annual and interim accounts and also have an administrative-accounting system that is able to ensure that the Issuer's management and auditor regularly receive the economic, equity and financial data necessary to prepare the consolidated financial statements;

(iii) the Board of Auditors certifies that during the meetings, the auditor KPMG confirmed that it had received no reports of critical issues in regard to the organisational, administrative and accounting structure and the information flows from the non-EU subsidiaries.

5. *Supervision of the adequacy of the internal control system*

The Board of Directors is responsible for the internal control (and compliance) system and, with the support of the CRSC, it therefore establishes the rules and periodically checks the adequacy and effective function of the system. The Director responsible for the internal control and risk management system is required to design and manage the system.

*It is specified that, on the proposal of the Chief Executive Officer Duccio Vitali, as the director responsible for the internal control and risk management system, and upon obtaining the favourable opinion of the CRSC and the board of auditors, by resolution passed by the board of directors on 13 February 2020, the Company appointed an independent third party consultant as the Company's Internal Audit Department Manager (the "**Head of Internal Audit**"), with the tasks of: (a) verifying that the Internal Control and Risk Management System is functional and adequate; (b) verifying, both continuously and in connection with specific needs and in respect of best practices, the operation and suitability of the Internal Control and Risk Management System through an audit plan, approved by the Board of Directors and based on a structured process of analysis and prioritisation of the main risks; (c) preparing the periodic reports containing suitable information about his work, the manner in which risk management is carried out and compliance with the plans defined to limit risks and assess the suitability of the Internal Control and Risk Management System; (d) promptly preparing reports on particularly important events; € transmitting the reports pursuant to the previous points to the Chairmen of the Board of Auditors, the Control, Risks and Sustainability Committee and the Board of Directors as well as the Director in charge of the Internal Control and Risk Management System; (f) verifying, under the scope of the audit plan, the reliability of the information systems, including the accounting records systems;*

In 2020, on the appointment of the Company, Deloitte S.p.A. carried out the risk assessment with a view to implementing the audit plan, taking a risk-based approach. The risk assessment was performed on the basis of the industry best practices, analysing the risk areas already identified by the Company under the scope of the procedures adopted in accordance with the

Organisational Model 231/2001 and the internal control system pursuant to 262/2005, as well as the measures relating to corporate health and safety, in addition to the additional risk areas typical of companies comparable with Alkemy in terms of operating segment and dimension.

Upon completion of the appointment, on 24 June 2020, Deloitte presented the Control, Risks and Sustainability Committee with its risk assessment document (the "Risk Assessment"), which highlighted 73 risks, of which, in terms of residual risk, 11 with MEDIUM rating (need for monitoring) and 62 with LOW rating (threshold of indifference) given that the value scale has 4 levels: LOW, MEDIUM, HIGH and CRITICAL.

It is also noted that on 23 July 2020, on the proposal of the CRSC, the Board of Directors approved the 2020 Internal Audit Plan prepared by the Head of Internal Audit according to best practices and that envisaged by the "International Standards for the Professional Practice of Internal Auditing", on the basis of the Risk Assessment and with the aim of integrating the ICRMS with suitable Internal Audit activities, concentrating the work on those areas that, due to the number and criticality of the risks managed, may have a significant impact on the corporate objectives.

In order to have prompt information available on the Internal Control and Risk Management System, reference is made to the FY 2020 Report on Corporate Governance and Ownership Structures.

The Board has then organised autonomous meetings with said subjects and with the Supervisory Body and has monitored the effective and timely exchange of information between the various corporate bodies and committees.

With reference to the control system that oversees the correctness and completeness of the financial disclosure, the Chief Financial Officer has explained the design of the controls of relevant processes and their function, verified with the help of a specialised consultancy firm. As regards to the individual subsidiaries, the auditor KPMG has confirmed the effectiveness of these controls in 2020, performed by local auditors belonging to the KPMG network, liaising closely.

On 10 July 2019, the Board of Directors approved the procedure for the management, processing and communication of relevant and inside information of Alkemy S.p.A., prepared following the provisions of Regulation (EU) no. 596/2014 ("MAR"), aimed at establishing a common regulatory framework on the abuse of inside information, the unlawful disclosure of inside information and market manipulation, as well as measures to prevent market abuse.

The company has adopted the "Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001" and the "Code of Ethics and Conduct", over time making the necessary updates in relation to the progressive extension of the scope of application of Italian Legislative Decree no. 231/2001.

*As an integral part of this control system, the Supervisory Body oversees the pursuit of the administrative processes necessary to monitor the predicate offences pursuant to Italian Legislative Decree no. 231/2001, aimed at preventing the possibility of relevant crimes being committed in accordance with the decree and, consequently, the Issuer's administrative liability (the "**Model 231**"). The latest update of the Alkemy Model and the Code of Ethics was approved by the Board of Directors on 11 December 2020 in order to incorporate the latest evolutions of the reference legislation.*

The Board of Auditors entertains continuous relations with the Supervisory Body, also thanks to the presence of a Board member in the Body, and has received the Report on the SB's work. According to the periodic reports provided by the board committees, the Supervisory Body and the corporate departments, as the Board of Auditors has noted no critical issues, it believes that the internal control system is adequately monitored and the corporate departments respond promptly to the corrective action identified.

6. ***Supervision of the adequacy of the administrative-accounting system and the statutory audit of accounts***

The Board of Auditors has monitored compliance with standards of correct administration by attending the meetings of the Board of Directors and the board committees, as well as meeting with the Manager appointed to prepare the company's accounting documents.

We have assessed and monitored the adequacy of the administrative-accounting system and its reliability in terms of providing a correct representation of management events, through obtaining information from the Manager appointed to prepare the company's accounting documents and the Independent Auditing Firm and by examining the corporate documents.

During the meeting held on 17 March 2021, the company appointed to audit the financial statements as at 31.12.2020 confirmed that it had received no reports or observations on the Company's administrative-accounting system, apart from as regards the IT system, for which some aspects for improvement had been noted, as described in the Additional Report to the 2020 financial statements, issued by KPMG.

We have monitored the financial disclosure process, making sure that the Board of Directors has approved the draft 2020 financial statements, the proposed allocation of the FY 2020 result and the related press releases, publishing them in accordance with the terms and conditions laid down by current legislation.

During the year, the Company updated its system of accounting standards and procedures and shared it with its subsidiaries; the accounting standards the Company has declared it uses in preparing the separate and consolidated financial statements appear to be consistent with the rules governing the preparation of such documents.

Together with the Chief Executive Officer, the Chief Financial Officer organised the issue on 22 March 2021 of the Certifications required by Art. 154-bis, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24.2.1998, relative to the adequacy - in relation to the business characteristics - and the effective application of the administrative-accounting procedures for preparing the separate and consolidated financial statements in FY 2020.
As prescribed by Italian Law no. 262 of 28.12.2005, the Chief Financial Officer has prepared this opinion on the basis of the activities carried out in support of these certificates, issued at the foot of the financial statements and presented during the CRSC meeting held on 17 March 2021.
The Board of Auditors has analysed the methodological structure adopted by the Independent Auditing Firm and acquired the necessary information during the course of works, interacting constantly with it in respect of the approach taken to the audit of the various significant areas of the financial statements, receiving updates on the progress made on the auditing appointment and the main aspects drawn to the attention of the Independent Auditing Firm.
To this end, the Board of Auditors has met and exchanged information with the representatives of the independent auditing firm appointed to perform the statutory audit of the accounts, so as to gain information useful to its supervision of the reliability and adequacy of the administrative-accounting system, the quarterly accounting audit processes and the organisation of the separate and consolidated financial statements auditing process, as well as the relevant results.
The meetings held did not reveal any significant events and/or circumstances worthy of note.
The Board of Auditors has examined the following reports prepared by the independent auditor KPMG S.p.A., whose activities form the overall framework of the control duties introduced by the rules in relation to the financial reporting process:

- *the audit reports, issued on 31 March 2021 pursuant to Art. 14 of Italian Legislative Decree no. 39/2010 and Art. 10 of Regulation (EU) no. 537/2014);*
- *the additional report, issued on 31 March 2021, in accordance with Art. 11 of said Regulation to the Board of Auditors, as the internal control and audit committee;*
- *the annual confirmation of independence, given on 31 March 2021, in accordance with Art. 6, paragraph 2), letter a) of the Regulation and in accordance with paragraph 17 of ISA Italia 260.*

Said audit reports on the separate and consolidated financial statements show that the annual and consolidated financial statements offer a truthful, correct representation of Alkemy spa and the Group’s equity and financial position as at 31 December 2020 and of the economic result and cash flows for the year ended as at that date, in compliance with the International Financial

Reporting Standards adopted by the European Union and with the provisions issued in implementation of Art. 9 of Italian Legislative Decree no. 38/05.
The audit reports on the separate and consolidated financial statements show the key aspects of the audit, which, according to the professional opinion of the Independent Auditing Firm, were most significant in the audit for the year under review.
More specifically:

- *as regards the separate financial statements, the assessment of the recoverability of goodwill and the value of equity investments held in subsidiaries;*
- *as regards the consolidated financial statements, the assessment of the recoverability of goodwill and the assessment of the payables deriving from put options.*

The Independent Auditing Firm does not give a separate opinion on said key aspects, for which the reports explain the related audit procedures implemented, as they were covered by the audit of the accounts and the preparation of the opinion overall. The above key aspects were subject to detailed analysis and update during the periodic meetings held by the Board of Auditors with the Independent Auditing Firm.
The Board of Auditors will inform the Company's administrative body on the results of the statutory audit, to this end sending the additional report pursuant to Art. 11 of European Regulation 537/2014, complete with any observations, in accordance with Art. 19 of Italian Legislative Decree no. 39/2010, as updated by Italian Legislative Decree no. 135/2016, in implementation of Directive 2014/56/EU, which amends Directive 2006/43/EC and European Regulation 537/2014.
The independent auditing firm also believes that the Report on Operations and the information on the Report on Corporate Governance and Ownership Structures, indicated in Art. 123-bis, paragraph 4 of the Consolidated Law on Finance are consistent with the financial statements of Alkemy S.p.a. and the consolidated financial statements of the Alkemy S.p.a. Group as at 31 December 2020.
Finally, in compliance with that recommended by the joint document of the Bank of Italy-Consob-ISVAP no. 4 of 03 March 2010, the impairment test procedure, regulated by IAS 36,
*the Board of Auditors notes that on 06/11/2020, the Company appointed Deloitte & Touche S.p.A., leading independent consultancy firm in Italy, to assist its management team with performing analyses to verify the potential recovery of goodwill, preparing a summary report (hereinafter the "**Report**"), which is expressed in the document called "Alkemy S.p.A. "Impairment Test. Draft version dated 11 March 2021 ", giving an opinion on the valuation - for the purpose of impairment testing - of the three cash generating units (or "**CGUs**") of the Group, representing the segments in which the company operates, in order to verify the sustainability of the goodwill values entered on the Consolidated Financial Statements for FY*

2020 and aimed at providing Alkemy's Board of Directors with indications as part of the impairment testing to be carried out in accordance with the provisions of said International Accounting Standard IAS no. 36.

Please note that the CGUs of Alkemy identified by the management are as follows:

1. *Italy CGU: comprising the companies: i) Alkemy Play s.r.l.; ii) Nunatac s.r.l.; and iii) the parent Alkemy S.p.A.*
2. *Spain/Mexico CGU: comprising the: i) Ontwice Group (in turn comprising OIS s.l. – Madrid , OIS Digital s.l. and OIS Service s.l. of Mexico City)*
3. *Serbia CGU: comprising the companies: i) Kreativa New Formula D.o.o; and ii) Alkemy S.e.e.*

The Report specifically indicates the methodological criteria adopted, any difficulties in valuation encountered, the results obtained and their analysis and the information considered sufficient to allow Alkemy's Board of Directors to formulate its resolutions on the value of the Alkemy CGUs.

More specifically, the valuations given in the Report:

a. *are based on the forecasts contained in the Group's economic-financial plans for the three-year period 2021-2023, as approved by Alkemy's Board of Directors on 12 December 2020 (the "**Plan**"). The Plan shows the impact of the application of accounting standard IFRS 16 in relation to leasing, currently in progress on a consolidated level only, without attributing this value to the individual legal entities. As in order to perform impairment testing, the income statements were used of the individual companies, to incorporate the effect of the application of said accounting standard into each of these, the costs incurred for leasing have been reclassified, extracting them from operating costs to include them in amortisation/depreciation;*
b. *do not consider any additional economic and financial effects deriving from the prolongation of the pandemic, as it was defined by the World Health Organisation ("WHO") on 11 March 2020, linked to the coronavirus (COVID-19), insofar as these effects - in view of how this phenomenon is evolving in Italy and worldwide - may be material but cannot currently be estimated.*

Considering the above, the Report expresses the following valuation:

1. *Italy CGU: enterprise value of approximately 42.8 euros/m, compared with a net invested capital value of the CGU of approximately 33.4 euros/m, of which approximately 18.3 euros/m is goodwill;*
2. *Spain/Mexico CGU: enterprise value of approximately 29.1 euros/m, compared with a net invested capital value of the CGU of approximately 16.4 euros/m, of which approximately 12.7 euros/m is goodwill;*

3. *Serbia CGU: enterprise value of approximately 1.4 euros/m, compared with a net invested capital value of the CGU of approximately 0.4 euros/m, of which approximately 0.97 euros/m is goodwill.*

In this regard, neither the Control, Risks and Sustainability Committee nor KPMG, on the basis of their respective autonomous analyses carried out, expressed any critical issues or significantly different valuations from those given above.

In light of the foregoing, it is considered that the methodology used for impairment testing was appropriate to providing the Alkemy Board of Directors with the necessary indications in its impairment testing, so as to prepare the financial statements as at 31.12.2020.

During the year, the Board of Auditors met with the managers of the independent auditing firm, in accordance with Art. 150, paragraph 3 of Italian Legislative Decree no. 58/1998, during which appropriate exchanges of information took place and no other facts or situations emerged, worthy of note. The Board of Auditors: (i) has analysed the work carried out by the independent auditing firm and, in particular, the methodological structure, the approach taken to auditing the various significant areas of the financial statements and the planning of the audit itself; and (ii) has shared information with the independent auditing firm on the problems relating to business risks, thereby successfully noting the adequacy of the response planned by the auditor with the structural and risk profiles of the Company and Group.

During FY 2020, in accordance with Art. 19 of Italian Legislative Decree no. 39/2010, the Board of Auditors verified and monitored the independence of the independent auditing firm, in accordance with Articles 10, 10-bis, 10-ter, 10-quater and 17 of said Decree and with Art. 6 of Regulation (EU) 537/2014 of 16 April 2014. This particularly applies in respect of the adequacy of the provision of services other than audit services, to the audited entity.

As it has itself declared, KPMG S.p.A. has received, together with the companies belonging to its network, appointments from Alkemy S.p.A. and its subsidiaries, as detailed in the summary given in the Additional Report issued by KPMG.

Taking into account:

a) *the declaration on independence pursuant to Art. 6, paragraph 2, letter a) of Regulation (EU) no. 537 of 16 April 2014, issued by KPMG spa and the report on transparency it has produced in accordance with Art. 18, paragraph 1 of Italian Legislative Decree no. 39/2010;*
b) *the appointments conferred upon it and on the companies belonging to its network by Alkemy S.p.a. and the Group companies;*

the Board of Auditors believes that conditions are met to attest to the independence of the independent auditing firm KPMG spa.

The Board of Auditors, in going about its duties as "Internal Control and Accounts Auditing Committee", as assumed under Art. 19 of Italian Legislative Decree no. 39/2010, in turn as amended by Italian Legislative Decree no. 135/2016, has monitored:

a) the process relating to financial and non-financial information;

b) the effectiveness of internal control, internal audit and risk management systems;

c) the statutory audit of the annual and consolidated accounts;

d) the transparency report and additional report prepared by the independent auditing firm in compliance with the criteria pursuant to Reg. 537/2014, noting that the information acquired does not suggest any critical aspects in connection with the independence of the independent auditing firm;

e) the aspects relating to the independence of the independent auditing firm, with particular reference to the services provided by the latter to the audited entity, other than the auditing of the accounts;

f) the correct application of the provisions of Regulation EU 537/2014 in connection with the provision by the auditor of non-audit services.

It is acknowledged that the Company has prepared the consolidated non-financial statement, in compliance with the provisions of Articles 3 and 4 of the same Decree and that the Company has availed itself of the exoneration from the obligation to draft an individual non-financial statement, as envisaged by Art. 6, paragraph 1 of Italian Legislative Decree no. 254/2016, having prepared the consolidated statement pursuant to Art. 4 of the same Decree, approved by the Board of Directors on 22 March 2021.

The Board has also acknowledged the report issued on 31 March 2021, issuing:

a) the report by the designated Auditor on the conformity of the information supplied with the provisions of said Italian Legislative Decree;

b) the indication by the Auditor appointed to perform the statutory audit of the financial statements, in a specific section of the audit report, of the approval by the administrative body.

On the basis of the information acquired, the Board of Auditors certifies that, during its examination of the Non-Financial Statement, no elements of non-conformities and/or breach of the related regulatory provisions, were drawn to its attention.

During the supervisory activities carried out by the Board of Auditors in the above-described manner, on the basis of the information and data acquired, no events emerged such as to suggest failure to comply with the law and deed of incorporation or to justify any report to the Supervisory Authorities or mention in this Report.

7. ***Proposals on the financial statements and their approval and on the matters under the purview of the Board of Auditors***

On 11 September 2020, the Board of Directors prepared the report relative to the first half of FY 2020, publishing it in accordance with the terms and conditions laid down by current legislation.

On 22 March 2021, the Alkemy S.p.a. Board of Directors, insofar as is relevant to this report, approved the following points:

1. *proposed amendment to the 2020/2023 LTIP. Related and consequent resolutions;*
2. *disclosure on the new Code of Corporate Governance and start of gap analysis. Related and consequent resolutions;*
3. *impairment testing of the value of goodwill and valuation of the put/call options. Related and consequent resolutions;*
4. *approval of the draft financial statements for the year ended 31 December 2020, of the consolidated financial statements as at 31 December 2020 and the Directors' Report on Operations. Related and consequent resolutions;*
5. *approval of the non-financial statement prepared pursuant to Legislative Decree no. 254/2016. Related and consequent resolutions;*
6. *corporate governance determinations: (i) acknowledgement of the risk mapping of the Company and strategic subsidiaries and assessment of the adequacy of the internal control and risk management system (ICRMS); (ii) assessment of the adequacy of the organisational, administrative and accounting structure of the Company and strategic subsidiaries; (iii) assessment of the adequacy of the powers and resources made available to the Manager appointed to prepare the company's accounting documents; verification of compliance with accounting and administrative procedures; (iv) annual report by the Control and Risks Committee on the work carried out during FY 2020 and the 2021 budget; (v) annual report by the Remuneration Committee on the work carried out during FY 2020 and the 2021 budget; (vi) acknowledgement of the self-assessment performed by the Board of Auditors; (vii) considerations on the letter dated 22 December 2020 from the Chairman of the Corporate Governance Committee. Related and consequent resolutions;*
7. *examination of the periodic report by the Head of the Internal Audit Department and the audit results for H2 2020; approval of the Audit Plan and budget for FY 2021;*
8. *Determinations regarding relations with an employee. Related and consequent resolutions;*
9. *Supervisory Body: (i) Examination of the annual report as at 31 December 2020 prepared by the Company's Supervisory Body and the plan of activities to be carried out in FY*

2021; (ii) revocation of a member of the Supervisory Body and proposed appointment of a new member in his stead; related and consequent resolutions;

10. *Report on Corporate Governance and Ownership Structure pursuant to art. 123-bis of the Consolidated Law on Finance. Related and consequent resolutions;*
11. *Report on the remuneration policy and fees paid in accordance with Art. 123-ter of the Consolidated Law on Finance, prepared as per the layout pursuant to Annex 3A, Scheme 7-bis and 7-ter of the Issuers' Regulation. Related and consequent resolutions;*
12. *Proposed purchase and disposal of treasury shares in accordance with Articles 2357 et seq. of the Italian Civil Code. Related and consequent resolutions;*
13. *Convening of the Ordinary Shareholders' Meeting. Related and consequent resolutions;*
14. *Explanatory reports on the items on the agenda of the Ordinary Shareholders' Meeting. Related and consequent resolutions;*
15. *approval of the press release.*

The related documents were delivered to the Board of Auditors by the legal deadline.

The financial statements as at 31.12.2020 show a period profit of Euro 822,894 and shareholders' equity of Euro 36,780,681.

The consolidated financial statements as at 31.12.2020 show a Group period profit of 1,822 thousand euros and Group shareholders' equity of 31,936 thousand euros.

Information on the economic operating performance is given in said Company's financial statements.

The Board of Auditors stresses that it received the Reports to the separate and consolidated financial statements of Alkemy S.p.a. prepared by KPMG spa by the legal deadline and the related Certifications by the Chief Financial Officer and Chief Executive Officer dated 17 March 2021.

The Board also acknowledges that the Company has prepared the Non-Financial Statement in implementation of Italian Legislative Decree no. 254/2016 and Consob Regulation of 18 January 2018, which will be deposited at the registered office together with all the other documents specified above, so as to be made available to Shareholders.

Having acknowledged the positive opinion given in the independent auditors' report by KPMG S.p.A., the Board believes that the financial statements of Alkemy S.p.A. as at 31 December 2020 can be approved by yourselves, together with the proposal outlined by the Board of Directors for the allocation of the period profit.

The consolidated financial statements includes not only the financial statements of Alkemy S.p.a. but also those of the Companies it controls, duly rectified and restated to make them homogeneous with the standards adopted by the Parent in preparing the financial statements *and compliant with the IFRS. The control of the Board of Auditors did not cover these financial statements. Insofar as may be relevant, the determination of the consolidation area, the choice of consolidation standards applied to the equity investments and the procedures adopted, all reflect the provisions of the law. The Report on Operations provides an adequate presentation of the group's economic, equity and financial position as well as its operating performance in 2020 and contains a suitable disclosure on transactions implemented between group companies and on significant events that occurred after the end of the year.*

In light of the foregoing, the information supplied by the independent auditing firm and the opinion without findings it has issued in accordance with the law, the Board of Auditors has nothing particular to report in regard to the Consolidated Financial Statements of Alkemy S.p.A. as at 31 December 2020.

8. *Procedure for the concrete implementation of the rules of corporate governance*

We have monitored the implementation and adjustment to comply with the codes of conduct - the Code of Corporate Governance and the Code of Ethics - to which the Company has declared it adheres.

The Company adheres to the Code of Corporate Governance, incorporating the document prepared by the Corporate Governance Committee of Listed Companies almost entirely. In this context, the Board of Directors has appointed the Remuneration Committee and the Control, Risks and Sustainability Committee, which performs the duties assigned them. Please note that the CRSC is also assigned the duties of Related Party Transactions Committee.

The Company has begun making adjustments with a view to incorporating, including through the recent suggestions made by the Corporate Governance Committee for Listed Companies, the indications concerning the recognition of a variable component of the comprehensive remuneration of the Company's directors and key management personnel.

In compliance with the instructions given by Borsa Italiana, the Board of Directors has prepared the "Report on Corporate Governance and Ownership Structures" and the "Remuneration Report", respectively in accordance with Articles 123-bis and 123-ter of the Consolidated Law on Finance, both issued with favourable opinion by the Remuneration Committee on 17-03-2021. The Board has verified that these Reports were prepared in compliance with reference standards and that the "Report on Corporate Governance and Ownership Structures" indicates the aspects of the Code of Corporate Governance - as specified above - which have not been implemented in the Company's Governance System.

Reference is made to this Report for information on the members and duties of the board committees as well as on the Company's corporate governance, with respect to which the Board of Auditors expresses a positive opinion.

Indeed, we acknowledge that at the time of appointment, in taking into account the declarations made by the parties concerned and the information available, the Board of Directors verified the substantive requirement of independence envisaged by application criterion 3.C.1 of the Code of Corporate Governance and by Article 148, paragraph 3 of Italian Legislative Decree no. 58 of 24.02.1998 in respect of the Directors.
The Board of Directors has passed the resolutions on the matters of competence, as prescribed by the Articles of Association and some internal procedures.

9. *Supervision of transactions with subsidiaries*

Below is a list of the main equity and economic balances of transactions with associates conducted by the parent company Alkemy spa:

Commercial transactions	*(Group)*		*Figures in thousands of euros*	
	Assets	**Liabilities**	**Revenue**	**Costs**
Alkemy Play Srl	*170*	*(16)*	*374*	*(137)*
Alkemy USA Inc.	*62*	*(12)*	*0*	*0*
Alkemy SEE Doo	*94*	*0*	*0*	*(12)*
Ontwice Madrid	*0*	*0*	*0*	*(104)*
Alkemy Iberia Sl	*298*	*0*	*295*	*0*
Nunatac Srl	*85*	*(152)*	*262*	*(363)*
Total	***709***	***(180)***	***931***	***(616)***

				Figures in thousands of euros
	Assets	**Liabilities**	**Revenue**	**Costs**
Codermine S.r.l.	-	*(188)*	-	*(4453)*
O2E S.r.l.	-			*(67)*
Design group Italia	*236*	*(242)*	*205*	*(458)*
Jakala Holding S.p.A.	*5*			
Total	***241***	***(430)***	***205***	***(978)***

The Board of Auditors can declare that, on the basis of the information received, the controls performed and the instructions given by the Company to the subsidiaries in accordance with Art. 114, paragraph 2 of said Italian Legislative Decree no. 58/1998 in relation to financial disclosure obligations and other operating areas, are adequate.

10. ***Supervision of related party transactions***

The Board of Auditors has monitored the compliance with provisions of law and regulations of the Related Party Transactions Procedure, its effective implementation and concrete operation. In accordance with Art. 2391-bis of the Italian Civil Code, insofar as the Board of Auditors has been able to verify, the related party transactions examined were all implemented on the basis of rules assuring transparency and compliance with the general principles set out by Consob and rules of corporate governance.

The information supplied by the Board of Directors, also with specific reference to intra-group transactions and transactions with other related parties, is considered adequate in respect of reference legislation. More specifically, said transactions are considered relevant to the pursuit of the company object, of a fair amount and in line with the company's interests.

In the specific paragraph at the end of the Notes to the financial statements, the Board of Directors provided full information on transactions implemented with Group companies and related parties, explaining the relevant economic and financial effects, albeit using a different format to that given in CONSOB communication no. DEM/6064293 of 28 July 2006.

11. ***Omissions and reprehensible events noted. Opinions given and initiatives taken.***

To date, the Board of Auditors has not received any reports pursuant to Art. 2408 of the Italian Civil Code nor any complaints by shareholders or third parties.

During its supervision, the Board of Auditors noted no omissions, reprehensible events or irregularities.

The Alkemy S.p.a. Supervisory Body did not describe any reports made, even in anonymous form.

During the course of our supervision, no omissions, reprehensible events or irregularities were noted.

The Board of Auditors has offered an opinion each time it was asked to do so by the Board of Directors, also in compliance with provisions that, for some decisions, require it to be consulted in advance.

* * *

This report has been approved unanimously by the Board of Auditors.

Milan, 31 March 2021.

The Board of Auditors

Mauro Bontempelli (Chairman)

Daniela Elvira Bruno

Gabriele Gualeni