

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

Interim Report on Operations  
at 31 March 2021

**Alkemy Group**

Parent Alkemy S.p.A.

Registered office in Milan, at Via San Gregorio 34

Share Capital Euro 587,589

VAT no.: 05619950966

Milan Company Registration no. 1835268



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

### **Board of Directors**

Alessandro Mattiacci	Chairman
Vittorio Massone	Deputy Chairman
Duccio Vitali	Chief Executive Officer
Massimo Canturi Riccardo Lorenzini	Director and General Manager Director
Giorgia Abeltino	Independent Director
Giulia Bianchi Frangipane	Independent Director
Andrea di Camillo	Independent Director
Serenella Sala	Independent Director

### **Board of Auditors**

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

### **Independent Auditors**

KPMG S.p.A.



## Highlights

Below is the key data on operations of the Alkemy Group in Q1 2021:

	Figures in thousands of euros	
	<b>31 Mar. 2021</b>	<b>31 Mar. 2020</b>
Net revenue	20,655	19,326
Gross operating profit (loss) (Adjusted EBITDA) <sup>1</sup>	1,979	313
Operating profit	1,475	(103)
Period profit	485	(588)
Average number of employees	557	536

	Figures in thousands of euros	
	<b>31 Mar. 2021</b>	<b>31 Mar. 2020</b>
Italy revenues	13,972	13,468
Export revenues	6,683	5,858
Net revenue	20,655	19,326

	Figures in thousands of euros	
	<b>31 Mar. 2021</b>	<b>31 Dec. 2020</b>
Net invested capital	44,285	43,774
Net financial position	(12,390)	(12,378)
Equity	31,895	31,396

<sup>1</sup> 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.

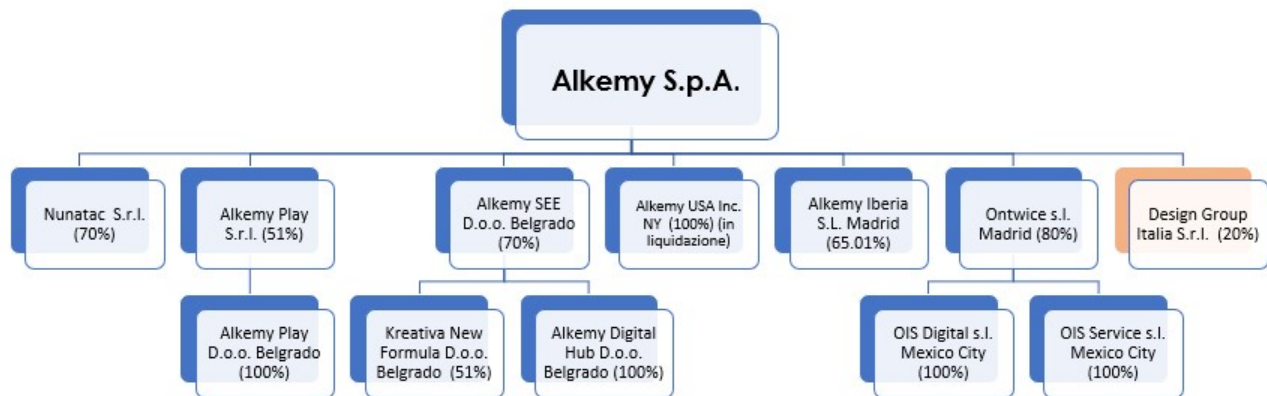
From when it was listed, in just two years, Alkemy has doubled its turnover and in December 2019, it finalised the switch to Borsa Italiana’s main market, in the STAR segment dedicated to medium enterprises that undertake to meet standards of excellence in terms of transparency, corporate governance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



## Group structure

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

Below is the Alkemy Group structure as at 31 March 2021.



## 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 on 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.

### **Results of operations in Q1 2021**

In Q1 2021, all Italian and foreign companies of the Group continued 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.

It is also specified that following the capacity to adjust of the Group's operating structure and the resilience and consistency of the business contracted and carried out, during the period, no use was made of temporary lay-off funds or other instruments to support workers, making full use of the available workforce.

Given this complex and uncertain context, as better detailed below, the general business performance proved very positive; the Alkemy Group closed the first quarter of the year with a 6.9% increase in turnover compared to 31 March 2020 and with a consistent increase in margins, reaching a consolidated adjusted EBITDA for the period of 1,979 thousand euros (313 thousand euros in the comparative period), and significant operating cash flow generation of approximately +1.9 million euros (-0.4 million euros in the comparative period)





## Key financial figures

The Group's reclassified income statement for Q1 2021, compared with the figures booked at 31 March 2020, is as follows:

	Figures in thousands of euros	
	31 Mar. 2021	31 Mar. 2020
<b>Net revenue</b>	<b>20,655</b>	<b>19,326</b>
Costs for services, goods and other operating costs	10,667	11,885
Personnel expense	8,009	7,128
<b>Gross operating profit (loss) (Adjusted EBITDA)</b>	<b>1,979</b>	<b>313</b>
Amortisation, depreciation and impairment	504	416
<b>Operating profit</b>	<b>1,475</b>	<b>(103)</b>
Expense on (income from) equity investments	79	10
Financial income (expense)	131	413
Non-recurring expense (income)	424	-
<b>Pre-tax profit</b>	<b>841</b>	<b>(526)</b>
Income taxes	356	62
<b>Period profit</b>	<b>485</b>	<b>(588)</b>
Other items recognised in equity	-	(100)
<b>Comprehensive period result</b>	<b>485</b>	<b>(688)</b>
Equity attributable to non-controlling interests	(3)	(14)
Profit (loss) attributable to the owners of the parent	488	(674)

The Group's consolidated economic position for Q1 2021 shows total net revenues of 20,655 thousand euros, as compared with 19,326 thousand euros during the previous year, up 1,329 thousand euros (+6.9%), attributable to the foreign sector for 825 thousand euros and to the Italy sector for 504 thousand euros.

Revenues generated in Italy, which account for 67.6% of consolidated revenues (69.7% in the same period of 2020), amounted to 13,972 thousand euros (13,468 thousand euros in the comparative period), for an increase of 3.7%. Domestic companies' results for the first quarter were in line with expectations as a result of the general resilience of the Italian key accounts and their active contracts, which were not affected by the general situation of a partial lockdown. Abroad, revenues come to 6,683 thousand euros compared to 5,858 thousand euros on the same period of 2020 (+14.1%). The increase in revenues recorded in particular by the Spanish companies more than compensated for the drop suffered by the Mexican subsidiary (-308 thousand euros compared to the same period of 2020, or -9.4%), which, following the COVID-19, significantly suffered the slow-down to the tourism-hotel industry in which its key account operates.

Operating costs went from 19,013 thousand euros in 1Q 2020 to 18,676 thousand euros in 1Q 2021, with a reduction of 337 thousand euros on the previous period (-1.8%) and a lower incidence on revenues of 7.96%.

Costs for services, of 10,667 thousand euros in 2021 (11,885 thousand euros as at 31 March 2020) dropped by 10.2% on the same period of the previous year. This result is due by way of priority to the multiple efficiency-enhancing and reorganisation actions taken that have led to the insourcing of certain activities previously outsourced (above all in the technology area), as reflected in the increase in recurring personnel expense discussed below. Finally, some costs have been saved



following the spread of work from a remote position, in connection with meal vouchers and travel costs.

The cost of labour, net of non-recurring costs of 414 thousand euros, amounted to 8,009 thousand euros in 1Q 2021, compared to 7,128 thousand euros in 1Q 2020, up 12.4%, with an incidence on revenues of 38.8%, compared to 36.9% in the comparative period.

The average number of employees is 557, up from 536 in 1Q 2020 (+3.9%).

Gross operating profit (loss) (Adjusted EBITDA) is equal to 1,979 thousand euros, up 1,666 thousand euros compared to 313 thousand euros in 1Q 2020. Adjusted EBITDA Margin in the quarter is equal to 9.6%, up considerably compared to 1.6% in the comparative period.

Gross operating profit, gross of non-recurring expense and income, is 1,475 thousand euros, improving by 1,578 thousand euros, compared to -103 thousand euros on 31 March 2020.

Financial income and expense for the period amount to 131 thousand euros, compared to 413 thousand euros in the comparative period. The decrease is mainly due to the lower incidence of the items related to exchange rate adjustments attributable mostly to the Mexican companies.

The period pre-tax profit comes to 841 thousand euros, up 1,367 thousand euros on the loss of -526 thousand euros booked in the comparative period.

The net profit for the period comes to 485 thousand euros, up 1,073 thousand euros on the loss of -588 thousand euros of 1Q 2020.

### Reclassified statement of financial position

Below is the Group's reclassified statement of financial position as at 31 March 2021, compared with that at 31 December 2020:

	Figures in thousands of euros	
	31 Mar. 2021	31 Dec. 2020
<b>Non-current assets</b>	<b>42,120</b>	<b>40,877</b>
Short-term period assets	32,402	35,251
Short-term period liabilities	(24,821)	(26,961)
<b>Net working capital</b>	<b>7,581</b>	<b>8,290</b>
Post-employment benefits	(5,108)	(5,087)
Provision for risks, charges and deferred tax	(308)	(306)
<b>Net invested capital</b>	<b>44,285</b>	<b>43,774</b>
<b>Equity</b>	<b>31,895</b>	<b>31,396</b>
Non-current financial liabilities	17,210	16,969
Current own funds	(4,820)	(4,591)
<b>Net financial position</b>	<b>12,390</b>	<b>12,378</b>
<b>Total sources of finance</b>	<b>44,285</b>	<b>43,774</b>

As concerns equity and financial data, at 31 March 2021, net invested capital came to 44,285 thousand euros, vs 43,774 thousand euros at 31 December 2020; it basically comprised:



- 42,120 thousand euros, fixed assets (40,877 thousand euros at 31 December 2020) of which 31,754 thousand euros for goodwill and 4,555 thousand euros for rights of use, consequent to the application of IFRS 16 (leasing);
- 7,581 thousand euros, net working capital (8,290 thousand euros at 31 December 2020);
- 5,108 thousand euros, severance indemnity (5,087 thousand euros at 31 December 2020).

Equity (31,895 thousand euros) rose during Q1 2021 by 499 thousand euros on 31 December 2020 (+1.6%), mainly due to the period comprehensive net profit (485 thousand euros) and the increase in the stock option reserve relative to the cost of the plans for the period (15 thousand euros).

The net financial position (negative) is 12,390 thousand euros (negative for 12,378 thousand euros at 31 December 2020) and its change with respect to the previous year is detailed in the next paragraph.

### Main financial figures

The table below details the net financial position as at 31 March 2021 compared with that at 31 December 2020:

	Figures in thousands of euros	
	31 Mar. 2021	31 Dec. 2020
Bank deposits	19,592	18,835
Cash on hand	2	5
<b>Cash and cash equivalents</b>	<b>19,594</b>	<b>18,840</b>
<b>Current financial assets</b>	<b>82</b>	<b>82</b>
Bank loans and borrowings	(10,772)	(11,353)
Put option liabilities	(2,776)	(3,115)
Loans and borrowings from other financial backers	(69)	(86)
Lease liabilities from application of IFRS 16	(3,593)	(2,415)
<b>Non current financial liabilities</b>	<b>(17,210)</b>	<b>(16,969)</b>
Bank loans and borrowings	(4,478)	(4,616)
Put option liabilities	(9,317)	(8,923)
Loans and borrowings from other financial backers	(17)	(16)
Lease liabilities from application of IFRS 16	(1,044)	(776)
<b>Current financial liabilities</b>	<b>(14,856)</b>	<b>(14,331)</b>
<b>Net financial position</b>	<b>(12,390)</b>	<b>(12,378)</b>

The Group's net financial position as at 31 March 2021 is negative for 12,390 thousand euros (negative for 12,378 thousand euros at 31 December 2020), with a period reduction of 12 thousand euros. This change, detailed and explained in the Statement of Cash Flows given over the next few pages, is mainly due to:

- +754 thousand euros for the increase in liquid funds;
- +719 thousand euros for the decrease in outstanding bank loans, as a result of the repayment of instalments under the amortisation plans.
- -1,446 thousand euros for the increase in financial payables for the application of IFRS 16, mainly due to the signing of the new rental agreement for the property in Rome (via del commercio).



## Significant subsequent events

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

On 6 April 2021, the binding agreement was finalised, signed by Alkemy SPA on 11 March 2021 for the acquisition 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 purchase was made through the payment of 1,401 thousand euros (5.6 times the 2020 accounting EBITDA). The total value of the transaction (Equity Value) is estimated at approximately 2.750 thousand euros.

Since April 2021, a new Group organisation has been activated 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. During 2Q 2021 some final operational and process steps are being defined and implemented, which are expected to be completed by the end of the first half of the year.

The Alkemy S.p.A. financial statements as at 31 December 2020, which were approved by the Company's Board of Directors last 22 March, were submitted to the Shareholders' Meeting on 26 April 2021; they resolved in their favour, ruling that the profit should be carried forward. The same meeting also confirmed the appointment of director Massimo Canturi, who had been co-opted on 23 July 2020 by the administrative body of Alkemy S.p.A., as its member. Following his appointment, a Board of Directors' meeting held on the same date confirmed the powers and position of General Manager conferred on Massimo Canturi by Board resolution of 11 September 2020.

On 23 April 2021, the shareholders' meetings of the two Mexican subsidiaries appointed Luca Nan, an Italian manager with extensive experience in South American markets, as their new Chief Executive Officer, entrusted by the Parent Company with consolidating the business in Mexico and developing Alkemy's business model in that region, taking advantage of the expected post-COVID\_19 recovery. The increased focus on this area is confirmed by the decision of the shareholders' meeting of Ontwice s.l. (Madrid) taken last 7 May, to proceed with the demerger of the Mexican subsidiaries that, upon completion of the transaction, will be wholly owned by a new legal entity (Alkemy South America s.l. based in Madrid), which will act as the holding company for the South American operations.

The Shareholders' Meeting of 26 April 2021 also changed the 2020-2023 Long Term Incentive Plan to bring it into line with the strategic objectives of the business plan adopted by the Company for 2021/2023 and, therefore, with the long-term interests that the Company thus intends to pursue.



The Shareholders' Meeting of Alkemy S.p.A. also resolved to purchase and dispose of ordinary shares of the Company for the purposes and under the conditions approved by the Board of Directors on 22 March 2021, i.e. the purchase of treasury shares for a maximum period of eighteen months, for the purpose of: (i) using the treasury shares as an investment, for an efficient use of the liquid funds generated by the Company's core business and (ii) being able to use the treasury shares to assign to the beneficiaries of potential incentive plans resolved by the competent corporate bodies in favour of the Company's employees and director; and (iii) allowing for the use of the treasury shares under the scope of transactions linked to core management, i.e. projects consistent with the growth and expansion lines the Company intends to pursue in connection with which the share exchange opportunities shall take concrete form with the main aim of perfecting the corporate integration with potential strategic partners. A first tranche of buybacks is expected to be launched after the approval of this interim report.

## **Outlook**

As at the date on which this interim report at 31 March 2021 is approved, all Italian and foreign companies of the Group, in line with the previous year, continue their work still from a remote position, also in accordance 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. Management continues to constantly monitor the developments of COVID-19, 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. Similarly, as a preventive measure, the next steps needed to promptly bring all staff back to work at the office, should conditions make this possible, have already been defined, with expected benefits both in operational terms and in terms of efficiency.

The evolution of operations expected in 2021 will mainly depend on the completion of the ongoing vaccination plan, able to 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.

In light of the positive trend in results achieved in the final months of 2020 and confirmed in 1Q 2021, considering the current size of the order/contract portfolio and the generally favourable business progress, barring any further unforeseeable negative events related to the pandemic, management's expectation of a resumption of organic growth is confirmed, both in terms of revenues and above all in terms of margins. In fact, further benefits are expected to be obtained from both the rationalisation work carried out in the previous year and the effectiveness and efficiency deriving from the new organisation in Italy, which has now become operational. It 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, such as XCC S.r.l., and Design Group Italia S.r.l.. It is recalled that the latter, which has an annual turnover of over 6 million euros, by the end of H1 2021, will be joining the Alkemy consolidation, following the exercise of the contracted put&call options.





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

Consolidated financial statements  
as at 31 March 2021 and comments



## Financial statements

### Consolidated income statement

		Figures in thousands of euros	
	Notes	31 Mar. 2021	31 Mar. 2020
Revenue from sales and services	1	20,474	19,116
Other revenue and income	2	181	210
<b>Total operating revenue and income</b>		<b>20,655</b>	<b>19,326</b>
Costs for services, goods and other operating costs	3	(10,677)	(11,885)
- of which non-recurring		(10)	-
Personnel expense	4	(8,423)	(7,128)
- of which non-recurring		(414)	-
<b>Total costs and other operating costs</b>		<b>(19,100)</b>	<b>(19,013)</b>
<b>Gross operating profit</b>		<b>1,555</b>	<b>313</b>
Depreciation	5	(445)	(413)
Provisions and impairment	6	(59)	(3)
<b>Operating profit</b>		<b>1,051</b>	<b>(103)</b>
Net gains (losses on) equity investments	7	(79)	(10)
Financial income	8	65	417
Financial expense	9	(196)	(830)
<b>Pre-tax profit (loss)</b>		<b>841</b>	<b>(526)</b>
Income taxes	10	(356)	(62)
<b>Profit/(loss) for the period</b>		<b>485</b>	<b>(588)</b>
<b>Attributable to:</b>			
- Owners of the parent		488	(574)
- Non-controlling interests		(3)	(14)





## Consolidated statement of comprehensive income

	Figures in thousands of euros	
	31 Mar. 2021	31 Mar. 2020
<b>Profit/(loss) for the period</b>	<b>485</b>	<b>(588)</b>
<b>Items that are or may be reclassified subsequently to profit or loss:</b>		
Foreign operations - foreign currency translation differences	-	(100)
<b>Total items that are or may be reclassified subsequently to profit or loss</b>	<b>-</b>	<b>(100)</b>
<b>Total other profit/(loss) net of the tax effect</b>	<b>-</b>	<b>(100)</b>
<b>Total comprehensive income/(expense)</b>	<b>485</b>	<b>(688)</b>
<b>Attributable to:</b>		
- Owners of the parent	488	(674)
- Non-controlling interests	(3)	(14)



## Statement of financial position

	Figures in thousands of euros	
<b>Assets</b>	<b>31 Mar. 2021</b>	<b>31 Dec. 2020</b>
<b>Non-current assets</b>		
Property, plant and equipment	865	855
Right-of-use assets	4,555	3,122
Goodwill	31,754	31,755
Intangible assets with a finite useful life	615	650
Equity investments	1,095	1,174
Non-current financial assets	1,617	1,646
Deferred tax assets	1,384	1,470
Other non-current receivables and assets	235	205
<b>Total non-current assets</b>	<b>42,120</b>	<b>40,877</b>
<b>Current assets</b>		
Trade receivables	28,411	31,044
Current financial assets	82	82
Tax assets	1,140	1,441
Other current assets	2,851	2,766
Cash and cash equivalents	19,594	18,840
<b>Total current assets</b>	<b>52,078</b>	<b>54,173</b>
<b>Total assets</b>	<b>94,198</b>	<b>95,050</b>



## Statement of financial position

	Figures in thousands of euros	
<b>Liabilities and Shareholders' Equity</b>	<b>30 Mar. 2021</b>	<b>31 Dec. 2020</b>
<b>Equity</b>		
Share capital	588	588
Reserves	30,569	28,762
Profit/(loss) for the period	488	1,792
<b>Equity attributable to owners of the parent</b>	<b>31,645</b>	<b>31,142</b>
<b>Equity attributable to non-controlling interests</b>	<b>250</b>	<b>254</b>
<b>Total net equity</b>	<b>31,895</b>	<b>31,396</b>
<b>Non-current liabilities</b>		
Financial liabilities	10,841	11,439
Lease liabilities from right of use	3,593	2,415
Put option liabilities	2,776	3,115
Employee benefits	5,108	5,087
Provisions for risks and charges	222	222
Deferred tax liabilities	86	84
<b>Total non-current liabilities</b>	<b>22,626</b>	<b>22,362</b>
<b>Current liabilities</b>		
Financial liabilities	4,495	4,632
Lease liabilities from right of use	1,044	776
Put option liabilities	9,317	8,923
Trade payables	13,926	14,688
Tax liabilities	1,687	1,688
Other liabilities	9,208	10,585
<b>Total current liabilities</b>	<b>39,677</b>	<b>41,292</b>
<b>Total liabilities</b>	<b>62,303</b>	<b>63,654</b>
<b>Total liabilities and equity</b>	<b>94,198</b>	<b>95,050</b>



## Consolidated statement of cash flows

	Figures in thousands of euros	
	31 Mar. 2021	31 Mar. 2020
<b>Cash flow from operating activities</b>		
Profit/(loss) for the period	485	(588)
Financial income	(65)	(417)
Expense on (income from) equity investments	79	10
Financial expense	196	830
Income taxes	356	62
Depreciation	445	413
Provisions and impairment	59	3
Cost for share-based payments	136	178
Decrease (increase) in inventories	-	31
Decrease (increase) in trade receivables	2,581	1,951
Increase (decrease) in trade payables	(762)	(1,127)
Decrease (increase) in other assets	183	263
Increase (decrease) in other liabilities	(1,733)	(1,903)
Financial expenses paid	(51)	(96)
Income tax paid	(17)	-
<b>Net cash from (used in) operating activities</b>	<b>1,892</b>	<b>(390)</b>
<b>Investments</b>		
(Investments) divestments of tangible and intangible assets	(135)	(103)
Decrease (increase) in financial assets	56	37
<b>Net cash used in investing activities</b>	<b>(79)</b>	<b>(66)</b>
<b>Cash flows from financing activities</b>		
Increase (decrease) in financial liabilities	(762)	2,386
Change in financial liabilities pursuant to IFRS 16	(270)	(230)
Dividends paid to non-controlling interests	-	(162)
Payment of put option liabilities	-	(90)
Other changes in the financing	(27)	-
<b>Net cash flow used in financing activities</b>	<b>(1,059)</b>	<b>1,904</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>754</b>	<b>1,448</b>
<b>Opening net liquid funds</b>	<b>18,840</b>	<b>9,581</b>
<b>Closing net liquid funds</b>	<b>19,594</b>	<b>11,029</b>

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



## Statement of changes in equity

	Figures in thousands of euros								
	Share capital	Treasury shares	Legal reserve	Other reserves	Retained earnings	Profit/(loss) for the year	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total net equity
<b>Balance at 31 December 2019</b>	<b>588</b>	<b>(912)</b>	<b>202</b>	<b>29,927</b>	<b>2,057</b>	<b>(139)</b>	<b>31,723</b>	<b>174</b>	<b>31,897</b>
Allocation of the profit for the year	-	-	-	-	(139)	139	-	-	-
Stock options	-	-	-	57	-	-	57	-	57
Other movements	-	-	-	1	-	-	1	-	1
Other comprehensive profit (loss)	-	-	-	(100)	-	-	(100)	-	(100)
Profit/(loss) for the period	-	-	-	-	-	(574)	(574)	(14)	(588)
<b>Balance at 31 March 2020</b>	<b>588</b>	<b>(912)</b>	<b>202</b>	<b>29,885</b>	<b>1,918</b>	<b>(574)</b>	<b>31,107</b>	<b>160</b>	<b>31,267</b>

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



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

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

The Alkemy Group Interim Report on Operations as at 31 March 2021 has been prepared as STAR issuer, in accordance with the provisions of Borsa Italiana Notice no. 7587 of 21 April 2016 "STAR Issuers: information on interim management statements"; the related contents are consistent with that established by Art. 154-ter, paragraph 5 of Italian Legislative Decree no. 58, dated 24 February 1998.

The interim report on operations is prepared on the basis of the booking and measurement criteria envisaged by the International Financial Reporting Standards (IFRSs) adopted by the European Union. The accounting standards adopted for the preparation of this Interim Report on Operations are the same as adopted for the preparation of the Group's annual Consolidated financial statements for the year ended at 31 December 2020, apart from the new standards in force from 1 January 2021, which had no significant impact on the period.

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

The Interim Report on Operations is approved by Alkemy's Board of Directors on 14 May 2021 and on that same date, the same body authorises its publication.



## Consolidated income statement

### 1. Revenue from sales and services

Revenue from sales and services comes to 20,474 thousand euros (19,116 thousand euros as at 31 March 2020) and can be broken down as follows:

	Figures in thousands of euros	
	31 Mar. 2021	31 Mar. 2020
Sales of services	20,474	19,111
Sales of products	-	5
<b>Total revenue from sales and services</b>	<b>20,474</b>	<b>19,116</b>

The turnover generated in 1Q 2021 is up 1,358 thousand euros compared to the same period of the previous year and reflects both the good performance of domestic companies and the increase in revenues of foreign companies, which were most affected by the effects of the COVID-19 pandemic during 2020.

Please note that physical product sales have now been completed following the repositioning of e-commerce assets, which have focussed on strategic and operative consultancy since 2Q 2020.

### 2. Other revenue and income

Other revenue and income totals 181 thousand euros (210 thousand euros at 31 March 2020), as follows:

	Figures in thousands of euros	
	31 Mar. 2021	31 Mar. 2020
Government grants	78	162
Tax asset pursuant to Decree Law no. 145/2013	20	12
Other revenue	83	36
<b>Total other revenue and income</b>	<b>181</b>	<b>210</b>

The reduction in the item is mainly due to the lesser government grants relative mostly to the research and development carried out by the Parent Company, which went from 162 thousand during the previous period, to 78 thousand euros at the end of 1Q 2021.

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



Services, goods and other operating costs comes to 10,677 thousand euros (11,885 thousand euros at 31 March 2020), as detailed hereto:

	Figures in thousands of euros	
	31 Mar. 2021	31 Mar. 2020
Services	10,598	11,673
Purchase of raw materials	31	81
Change in inventories	-	28
Lease costs	9	49
Other operating costs	39	54
<b>Total</b>	<b>10,677</b>	<b>11,885</b>

### Services

Costs for services come to 10,598 thousand euros (11,673 thousand euros as at 31 March 2020) and are detailed below:

	Figures in thousands of euros	
	31 Mar. 2021	31 Mar. 2020
Services for customers	9,841	10,680
Consultancy and legal expenses	118	116
Maintenance services	86	72
Other consultancy	84	83
Insurance	57	51
Administrative services	57	75
Postal, telephone and data transmission services	55	33
Meal vouchers	48	93
Travel and transfer expenses	40	139
Audit fees	34	59
Payslip processing	32	36
Commercial services	23	15
Condominium and supervisory expenses	23	22
Marketing services	22	29
Cleaning expenses	18	22
Board Statutory Auditors' fees	16	16
Collaborators' fees	13	44
Non-recurring service costs	10	-
Banking services	9	15
Utilities	8	13
Logistics services	-	56
Other services	4	4
<b>Total services</b>	<b>10,598</b>	<b>11,673</b>

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





of professionals dedicated to specific orders.

#### **Other operating costs**

Other operating costs come to 39 thousand euros (54 thousand euros as at 31 March 2020) and mainly regard costs from previous years, as well as, to a lesser extent, sanctions, stamp duty and membership rates and fees.

#### **4. Personnel expense**

Personnel expense comes to 8,423 thousand euros (7,128 thousand euros at 31 March 2020) and consist of the following:

	Figures in thousands of euros	
	<b>31 Mar. 2021</b>	<b>31 Mar. 2020</b>
Wages and salaries	5,768	4,934
Non-recurring wages and salaries	414	-
Directors' fees	358	347
Social security expenses	1,451	1,403
Costs for defined benefit plans	274	262
Cost for share-based payments	136	178
Other personnel expense	22	4
<b>Total personnel expense</b>	<b>8,423</b>	<b>7,128</b>

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

The cost of labour was 8,423 thousand euros in Q1 2021 vs 7,128 thousand euros in Q1 2020, up 18.2%. It should be noted that 414 thousand euros of non-recurring personnel expense were incurred in the quarter (zero in the comparative period), which are related to the reorganisation carried out.

The average number of employees is 557 compared to 536 in 1Q 2020, while the point-in-time number is 561 compared to 548 as at 31 March 2020.

#### **5. Depreciation**

Amortisation/depreciation comes to 445 thousand euros (413 thousand euros at 31 March 2020) and consists of:

- 283 thousand euros (232 thousand euros at 31 March 2020) relate to the application of standard IFRS 16;
- 89 thousand euros (101 thousand euros at 31 March 2020) for the amortisation of intangible fixed assets.
- 73 thousand euros (80 thousand euros at 31 March 2020) for the depreciation of property, plant and equipment.

#### **6. Provisions and impairment**

Provisions recorded come to 59 thousand euros (3 thousand euros at 31 March 2020) and refer to the



impairment of trade receivables.

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

Net losses on equity investments amount to -79 thousand euros (-10 thousand euros at 31 March 2020) and refer to the equity-accounted associate Design Group Italia S.r.l.

## 8. Financial income

Financial income came to 65 thousand euros (417 thousand euros as at 31 March 2020) and refers to the effects of exchange gains, mostly attributable to the subsidiary Ontwice Interactive Services S.A. Mexico City, which also accounts for most of the exchange losses of 59 thousand euros, included in the item financial expenses, as detailed in the following item. The decrease in exchange gains and losses compared to the previous period relates to the sales and purchases made in USD by the Mexican subsidiary and reflects the revaluation of the Mexican currency against the dollar compared to the early months of 2020, which saw the USD/MXN exchange rate rise by more than 20%.

## 9. Financial expense

Financial expense comes to 196 thousand euros (830 thousand euros at 31 March 2020) and is detailed below:

	Figures in thousands of euros	
	31 Mar. 2021	31 Mar. 2020
Exchange losses	59	598
Interest from put option liabilities	56	132
Interest expense on loans	49	45
Interest on leases	22	23
Interest expense on employee benefits (IAS 19)	4	7
Interest expense on current accounts	1	2
Other financial expense	5	23
<b>Total financial expense - third parties</b>	<b>196</b>	<b>830</b>

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

## 10. Income taxes

Tax comes to 356 thousand euros (62 thousand as at 31 March 2020) and is detailed as follows:



	Figures in thousands of euros	
	31 Mar. 2021	31 Mar. 2020
Current income tax	220	93
Current IRAP tax	46	45
Change in deferred tax assets	89	(75)
Change in deferred tax liabilities	1	(1)
<b>Total taxes</b>	<b>356</b>	<b>62</b>

## Net financial position

In accordance with the requirements laid down by CONSOB communication of 28 July 2006 and in compliance with the ESMA update in regard to the consistent implementation of Commission Regulation implementing the Prospectus Directive, below is the Group's Net financial position as at 31 March 2021 vs 31 December 2020:

	Figures in thousands of euros	
	31 March 2021	31 December 2020
A Cash	2	5
B Other cash and cash equivalents	19,592	18,835
C Securities held for trading	-	-
<b>D Cash and cash equivalents (A+B+C)</b>	<b>19,594</b>	<b>18,840</b>
E Current loans	82	82
F Current bank loans and borrowings	-	-
G Current portion of non-current debt	4,478	4,616
H Other current financial liabilities	10,378	9,715
<b>I Current financial debt (F+G+H)</b>	<b>14,856</b>	<b>14,331</b>
<b>J Net current financial debt (I-E-D)</b>	<b>(4,820)</b>	<b>(4,591)</b>
K Non-current bank loans and borrowings	10,772	11,353
L Bonds issued	-	-
M Other non-current financial liabilities	6,438	5,616
<b>N Non-current financial debt (K+L+M)</b>	<b>17,210</b>	<b>16,969</b>
<b>O Net Financial Debt (J+N)</b>	<b>12,390</b>	<b>12,378</b>

Milan, 14 May 2021

for the Board of Directors

the Chief Executive Officer

Duccio Vitali

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



The Manager appointed to prepare the company's accounting documents, Claudio Benasso, declares, in accordance with paragraph two, Article 154-bis of the Consolidated Law on Finance (TUF), that the accounting information contained in this Alkemy Group interim report as at 31 March 2021, coincides with the documentary evidence, ledgers and accounting records.

Milan, 14 May 2021

signed Claudio Benasso

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