

Alkemy S.p.A.

Interim Financial Report
at 30 September 2021

Alkemy Group

Parent Alkemy S.p.A.

Registered office in Milan, at Via San Gregorio 34

Share Capital Euro 595,534.32

VAT no.: 05619950966

Milan Company Registration no. 1835268





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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 Abelfino	Independent Director
Giulia Bianchi Frangipane	Independent Director
Andrea di Camillo	Independent Director
Serenella Sala	Independent Director

Board of Statutory Auditors

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

Independent Auditors

KPMG S.p.A.



Highlights

Below are the key data on operations of the Alkemy Group in the first nine months of 2021:

	Figures in thousands of euros	
	30 Sep. 2021	30 Sep. 2020
Net revenue	67,497	52,653
Gross operating profit (loss) (Adjusted gross operating profit) ¹	7,358	3,881
Adjusted operating profit	5,671	2,204
Profit for the period	2,621	813
Average number of employees	613	524

	Figures in thousands of euros	
	30 Sep. 2021	30 Sep. 2020
Italy revenue	45,308	38,537
Export revenue	22,189	14,116
Net revenue	67,497	52,653

	Figures in thousands of euros	
	30 Sep. 2021	31 Dec. 2020
Net invested capital	55,940	43,774
Net financial debt	(21,880)	(12,378)
Equity	34,060	31,396

¹ Adjusted gross operating profit is the value determined by deducting the Costs for services, goods and other operating costs and Personnel expense, with the exclusion of non-recurring costs, from revenue.



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 ninth year, boasting an ever more extensive alchemy of integrated competences in the areas of Consulting, Communication, Performance, Technology, Data & Analytics and Design, which form a professional community numbering 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 10 offices: in addition to the Milan headquarters, it also operates in Turin, Rome, Cagliari and Rende (Cosenza), Madrid, Belgrade, Mexico City, New York and Reykjavik.

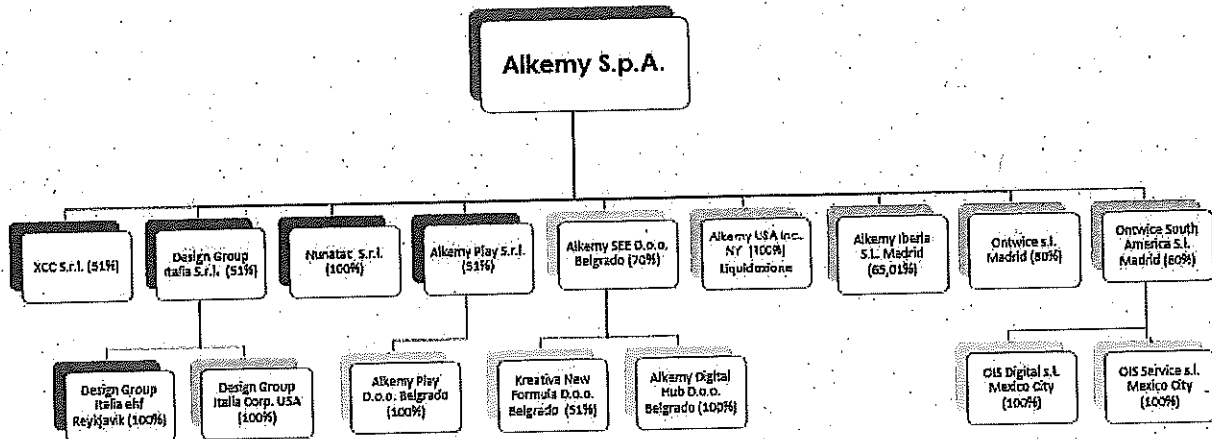
December 2017 saw Alkemy debut on the Borsa Italiana AIM Italia market to gather the capital necessary to finance the growth and expansion of the corporate competences, leaving control over the business with the managers and consequently guaranteeing independence and the possibility of perpetrating the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

From when it was listed, in just two years, Alkemy 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 a leader on the digital transformation market, growing both organically and through external lines with acquisitions of other companies. Below is the Alkemy Group structure at 30 September 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 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:

Starting April 2021, with completion scheduled during the third quarter, a new Group organisation has started operating in Italy, structured 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"), supported by a pre-sales/business development unit and a delivery structure, whose priority aim is to execute projects/services offered commercially, through competence centres representing and applying the various disciplines practised within the Group, specifically:

- > **Consulting:** It analyses, designs and quantitatively assesses (business case and business plan) innovative solutions aiming to transform the customer's business model thanks to the use of the digital and omnichannel leverages, liaising closely with the CEOs and Executive Managers to define innovative, alternative strategies to achieve significant results in the long-term.
- > **Performance Marketing:** with the aim of speeding up on-line performance, it offers Alkemy customers the know-how and most innovative tools to promote its on-line brands and products. It thus manages all planning and procurement activities for its customers on the main digital media, search engines and social media, determining the investments needed to strengthen and improve consumer perception of the brands and products and speeding



up sales on proprietary and third party e-commerce channels, thereby overcoming conventional marketing approaches;

- > **Tech:** this is Alkemy's technological soul and it is specialised in the design, development and operation of technologies for the digital evolution of the B2B and B2C channels; front-end solutions, CRM, CMS, Portals, Apps, etc. The business unit consolidates and strengthens Alkemy's mission, reinforcing technological competences and the capacity to oversee one of the areas enjoying greatest growth and development: that of Digital Transformation;
- > **Data & analytics:** it offers concrete support to businesses in order to improve their business performance through the analysis of data available (both that of CRM or of other internal systems, and data coming from all actions on the digital world) and the implementation of analytics models. The techniques used for data analysis range from traditional statistical analysis through to Advanced Analytics & Machine Learning, Real Time Next Best Action, Digital Customer Intelligence, Campaign Plan Optimisation, Data Environment Design, Implementation and Management
- > **Brand Experience:** it plans, designs and realises the enterprises' brand experience, in a fully integrated manner, putting the end consumer right at the heart through digital and physical touchpoints and more "traditional" forms of communication, with the ultimate aim of generating value both for the customer itself and the end consumer. Developing and transforming the touchpoints into a unique experience, which communicates consistently a strong, innovative, distinctive brand, Alkemy offers its services as an essential partner; it assists the customer in preparing and structuring brand strategies and creativity, advertising campaigns, products or services for commercial businesses and, in general, communication with consumers; including through the management of the corporate digitisation process using a BPO (Business Process Outsourcing) model for the digital processes.
- > **Product & Space Design:** on a "design thinking" base, it is devoted to designing services, physical and digital products that impact everyday lives and the physical spaces/environments in which people and brands interact and can share significant experiences; it takes an omni-channel approach, focussing on creating value through innovating the experience. Analysing customers' businesses, including their processes, culture and resources, it aims to foster additional commercial opportunities and innovate the end customer experience.

Performance during the first nine months of 2021

On 6 April 2021, the binding agreement was completed, signed by Alkemy S.p.A. on 11 March 2021 for the acquisition of 51% of the quota capital of eXperience Cloud Consulting S.r.l. ("XCC"), an Italian company specialised in Cloud Computing solutions, Gold Consulting Partner of Salesforce. The purchase was made by means of paying 1.4 million euros (5.6 times the 2020 booked gross operating profit), through the use of own funds. The total equity value of the transaction is estimated at approximately 2.75 million euros.

Starting April 2021, as mentioned previously, the new Group organisation is in place in Italy, operating by functions. The process was completed during the third quarter and the positive effects are already visible in the improved results achieved so far.



On 23 April 2021, the shareholders' meetings of the two Mexican subsidiaries appointed Luca Nan, an Italian manager with considerable experience on the South American markets, as new CEO. He has been tasked by the Parent with consolidating business in Mexico and developing the Alkemy business model in that region. The greater focus on that area is confirmed by the resolution passed last 7 May by the shareholders' meeting of Ontwice Interactive Service s.l. (Madrid) to proceed with its spin-off, which was then completed last 9 September, through the conferral of two Mexican investee companies to the new entity, Alkemy South America s.l. with registered office in Madrid, which holds the capital of both the South American companies.

The Alkemy S.p.A. financial statements at 31 December 2020, which were approved by the Company's Board of Directors last 22 March, were approved by the Shareholders' Meeting on 26 April 2021, which also ruled that the profit should be carried forward.

The Shareholders' Meeting held on 26 April 2021 also approved the amendment of the Long Term Incentive Plan 2020/2023, with effect from 1 January 2021, in order to bring it into line with the strategic objectives of the business plan adopted by the Company for the same period. It also resolved to confer and 18-month mandate on the Board of Directors to proceed with the purchase and disposal of Company treasury shares for the purpose and under the terms approved by the administrative body on 22 March 2021.

On 11 June 2021, Alkemy S.p.A. acquired a further 31% of the quota capital of Design Group Italia (DGI) for the price of 1.3 million euros, paid through own funds; consequently, the Company now holds a comprehensive stake of 51%, giving it control over the share capital. This transaction follows the agreement stipulated with three founding members on 16 July 2019, which envisaged, amongst others, also put&call options by virtue of which Alkemy was to acquire the entire capital of the company; the residual minority share of 49% still held by the founding members and management can then be purchased in 2023.

On 8 July 2021, the Company acquired 30% of the residual quota capital of the subsidiary Nunatac S.r.l. from the two founding members and two managers, thereby becoming its sole shareholder. The Company paid a price of approximately 4.9 million euros, using its own funds to do so. This transaction follows the exercise of the put&call options on the minority shares included in the agreement for purchasing 70% of Nunatac S.r.l., signed on 15 May 2018.

Starting last 1 July, the Company launched another buyback tranche, which was concluded last 29 July, with the purchase of a total of 22,000 treasury shares or 0.39% of the share capital.

Last 30 September, the share capital of Alkemy S.p.A. was increased up to a nominal amount of Euro 595,534.32 following the payment into the Company's treasury of a total of Euro 891,237.50; attributed for Euro 7,945.32 to share capital and Euro 883,292.18 to premium; a total of 75,850 new ordinary shares (without nominal value) were therefore issued. This share capital increase was subscribed by 27 employees of 4 group companies assigned two stock option plans (2018-2020 and 2019-2020), having reached maturity following approval of the financial statements at 31 December 2020.

During Q3 2021, all Italian and foreign companies of the Group also continued their work mainly from remote, 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 oversee the developments of the pandemic events, in order to be ready to react promptly, taking all action necessary to limit any possible further impact on worker health and safety and business.

In this complex context, which is still evolving, the general performance of business was very positive; the Alkemy Group closed the first nine months of the year with 28.2% growth in turnover on 30 September 2021, with a significant rise in margins that can be seen in the period adjusted consolidated EBITDA of 7,358 thousand euros (3,881 thousand euros in the comparative period) and important operative cash generation of approximately +6.6 million euros, partly below that of the corresponding period of the previous year (+7.5 million euros).

Key income statement figures

The Group's reclassified income statement for the first nine months of 2021, compared with the figures recognised at 30 September 2020, is as follows:

	Figures in thousands of euros	
	30 Sep. 2021	30 Sep. 2020
Net revenue	67,497	52,653
Services, goods and other operating costs	32,930	27,837
Personnel expense	27,209	20,935
Gross operating profit (loss) (Adjusted gross operating profit)	7,358	3,881
Amortisation, depreciation and impairment losses	1,687	1,677
Adjusted operating profit	5,671	2,204
Loss (gain) on equity investments	308	(55)
Financial income (expense)	352	809
Non-recurring expense (income)	958	46
Pre-tax profit	4,053	1,404
Income taxes	1,432	591
Profit for the period	2,621	813
Other items recognised in equity	25	(118)
Comprehensive income	2,646	695
Comprehensive income attributable to non-controlling investors	15	(2)
Comprehensive income attributable to the owners of the parent	2,631	697

The Group's financial performance for the first nine months of 2021 shows total net revenue of 67,497 thousand euros, as compared with 52,653 thousand euros for the previous period, up 14,844 thousand euros (+28.2%), due to the foreign sector for 8,073 thousand euros and for 6,771 thousand euros to the Italy sector.

Revenue recorded in Italy, which accounts for 67.1% of consolidated revenue (73.2% in the same period of 2020), totals 45,308 thousand euros (38,537 thousand euros in the corresponding period of the previous year), up 17.6% only partly due to the inorganic growth consequent to the acquisition



of the majority share of Design Group Italia S.r.l. (DGI) and eXperience-Cloud Consulting S.r.l. (XCC), whose consolidated period revenues came to 4,111 thousand euros. The profit/loss for the first nine months of the year of the Italian group companies in fact exceeded expectations, following the general resilience of the key Italian accounts and related active contracts, which benefited from the general post lock-down recovery of the economy and production. Abroad, revenue reached 22,189 thousand euros, as compared with the 14,116 thousand euros of the same period of 2020 (+57.2%), in particular thanks to the positive results achieved by the Spanish and Mexican subsidiaries.

Operating costs (net of non-recurring items) went from 48,772 thousand euros during the first nine months 2020 to 60,139 thousand euros in the first nine months 2021, up 11,367 thousand euros (+23.31%), less than proportional to the growth in revenue achieved. More specifically, costs for services, goods and other operating costs (net of non-recurring items), which came to 32,930 thousand euros in the first nine months of 2021 (27,837 thousand euros in the first nine months 2020), rose by 18.3% on the same period of the previous year and personnel expense (net of non-recurring items), of 27,209 thousand euros in the first nine months of 2021 (20,935 thousand euros in the first nine months of 2020) rose by 30% on the same period of the previous year. The incidence of operating costs on revenue therefore decreased by 3.53 percentage points: this result is primarily due to the efficiency-enhancing actions taken that has led to the insourcing of certain activities previously outsourced, above all in the technology area.

The increase in revenue and careful management of operating costs have led to a better adjusted gross operating profit of 7,358 thousand euros, up 89.59% on the 3,881 thousand euros of the first nine months of 2020. The adjusted EBITDA Margin² for the first nine months of 2021 came to 10.9%, up 3.53 percentage points on the corresponding period of the previous year (7.4%).

Operating profit, net of non-recurring items, comes to 5,671 thousand euros, more than double the result of the first nine months of 2020 (2,204 thousand euros).

Period financial income and expense comes to 352 thousand euros as compared with 809 thousand euros for the corresponding period of the previous year.

The period result is positive for 2,621 thousand euros, as compared with 813 thousand euros for the corresponding period of the previous year.

² The adjusted EBITDA Margin is calculated by comparing the adjusted gross operating profit to total revenue and income.



Reclassified statement of financial position

Below is the Group's reclassified statement of financial position at 30 September 2021, compared with that at 31 December 2020:

	Figures in thousands of euros	
	30 Sep. 2021	31 Dec. 2020
Non-current assets	52,500	40,877
Current assets	32,859	35,251
Current liabilities	(22,905)	(26,961)
Net working capital	9,954	8,290
Post-employment benefits	(6,204)	(5,087)
Provision for risks, charges and deferred tax liabilities	(310)	(306)
Net invested capital	55,940	43,774
Equity	34,060	31,396
Non-current financial debt	24,355	16,969
Current financial debt (position)	(2,475)	(4,591)
Net financial debt	21,880	12,378
Total sources of finance	55,940	43,774

The reclassified statement of financial position data at 30 September 2021 indicate net invested capital of 55,940 thousand euros, to be compared with 43,774 thousand euros at 31 December 2020, which consists of:

- 52,500 thousand euros in non-current assets (40,877 thousand euros at 31 December 2020) of which 41,251 thousand euros for goodwill and 5,794 thousand euros for right-of-use assets (at the end of the previous year, they respectively came to 31,755 thousand euros and 3,122 thousand euros);
- 9,954 thousand euros of net working capital (8,290 thousand euros at 31 December 2020, +20.1%);
- 6,204 thousand euros of severance indemnity (5,087 thousand euros at 31 December 2020, +22%).

In the first nine months of 2021, equity of 34,060 thousand euros increased by 2,664 thousand euros on 31 December 2020 (+8.5%), mainly due to:

- +2,646 thousand euros for the comprehensive income for the period;
- +891 thousand euros for the increase in the current stock option plan;
- +760 thousand euros for the increase in the long-term incentive plan reserve;
- -759 thousand euros for the repurchase of treasury shares;
- -708 thousand euros for the dividends resolved in favour of Spanish non-controlling investors;
- -353 thousand euros for the reduction in relation to the fair value measurement of put option liabilities, exercised after period end.

The net financial debt is 21,880 thousand euros (debt of 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 debt at 30 September 2021 compared with that at 31 December 2020:

	Figures in thousands of euros	
	30 Sep. 2021	31 Dec. 2020
Bank deposits	15,720	18,835
Cash on hand	5	5
Cash	15,725	18,840
Non-current financial assets	391	-
Current financial assets	82	82
Bank loans and borrowings	(12,757)	(11,353)
Put option liabilities	(7,170)	(3,115)
Loans and borrowings from other financial backers	(389)	(86)
Lease liabilities from application of IFRS 16	(4,430)	(2,415)
Non current financial liabilities	(24,746)	(16,969)
Bank loans and borrowings	(4,198)	(4,616)
Put option liabilities	(7,626)	(8,923)
Loans and borrowings from other financial backers	(17)	(16)
Lease liabilities from application of IFRS 16	(1,491)	(776)
Current financial liabilities	(13,332)	(14,331)
Net financial debt	(21,880)	(12,378)

The Group's net financial position at 30 September 2021 amounts to 21,880 thousand euros (12,378 thousand euros at 31 December 2020), with an increase of 9,502 thousand euros. This change, detailed and explained in the Statement of Cash Flows given over the next few pages, is mainly due to:

- -3,115 thousand euros for the decrease in cash and cash equivalents;
- -2,758 thousand euros for the increase in put option liabilities, due to the combined (i) recording of new put liabilities for the companies DGI S.r.l. and XCC S.r.l. for -7,166 thousand euros, (ii) fair value measurement of the liabilities due for options exercised after period close for -353 thousand euros, (iii) interest accrued during the period for -154 thousand euros and (iv) July exercise of the option on the company Nunatac S.r.l. for +4,915 thousand euros;
- -2,730 thousand euros for the increase in lease liabilities due to the application of IFRS 16, mainly as a result of (i) the stipulation of two new lease contracts for properties situated respectively in Milan and Rome, (ii) the extension of the term of additional contracts relative to the Milan site and (iii) the extension of the consolidation scope, following, in particular, the acquisition of the majority share of DGI S.r.l..
- -986 thousand euros for the increase in current bank loans and borrowings, due to the combined (i) stipulation of a new loan contract with Unicredit for a total of -3,500 thousand euros, (ii) extension of the consolidation scope following, in particular, the acquisition of the majority of DGI S.r.l. (-552 thousand euros) and (iii) repayment of the instalments envisaged in the repayment plans (+3,192 thousand euros).



Significant subsequent events

Useful information on the following significant events that took place after period end is provided.

On 6 October 2021, in Madrid, Alkemy S.p.A. exercised the call option over 20% of the residual capital of the Spanish subsidiary Ontwice Interactive Service s.a. and over the 20% of the residual capital of the subsidiary Alkemy South America (sole quotaholder of the Group's two Mexican companies), thereby ending up with all the capital of all said foreign companies. The price paid to the 4 Spanish founding members was respectively 3,292 thousand euros and 1,294 thousand euros, calculated, in both cases, on the basis of the EBITDA achieved in 2020 by said companies for a multiple of 7, plus an earnout (respectively 466 thousand euros and 174 thousand euros).

On 4 November 2021, in exchange for the payment of 150 thousand euros, the parent of the Balkans area, Alkemy South East Europa D.o.o. agreed with the local minority investor to exercise the call option early over 49% of the capital of the subsidiary Kreativa New Formula D.o.o. with registered office in Belgrade; this transaction had been contracted to take place in 2 tranches, of which the first over 15% of the capital in 2021 and the second over 34% of the residual capital in 2023.

Outlook

At the date of approval of this Interim Financial Report at 30 September 2021, the vast majority of all Italian and foreign companies of the Group continue their work remotely, in compliance 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 impact on worker health and safety and business.

The evolution of operations forecast for the last quarter of 2021 will again depend, albeit to a limited extent, on exogenous factors correlated with the completion of the vaccination plan, the third doses and the country's economic recovery. General expectations see government support linked to the national resilience and recovery plan (PNRR) as the key to boosting the economy as a whole, the employment market and investments in digitising businesses, with positive prospects for the Group in the years to come. Taking into account the results achieved in the first nine months of 2021, the progress made on the business over the following weeks and the contract portfolio currently held, save for any further worsening brought about by the pandemic, the Group confirms that it expects to resume organic growth of revenues and to maintain comprehensive margins in line with those seen in the first nine months of 2021.



Alkemy S.p.A.

Consolidated financial statements
at 30 September 2021 and comments

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Financial statements

Consolidated income statement

		Figures in thousands of euros	
	Notes	30 Sep. 2021	30 Sep. 2020
Revenue from sales and services	1	66,506	51,994
Other revenue and income	2	991	659
Total revenue and income		67,497	52,653
Services, goods and other operating costs	3	(32,944)	(27,837)
- of which non-recurring		(14)	0
Personnel expense	4	(28,153)	(20,981)
- of which non-recurring		(944)	(46)
Total costs and other operating costs		(61,097)	(48,818)
Gross operating profit		6,400	3,835
Amortisation/depreciation	5	(1,636)	(1,292)
Provisions and impairment losses	6	(51)	(385)
Operating profit		4,713	2,158
Net gains (losses) on equity investments	7	(308)	55
Financial income	8	234	453
Financial expense	9	(586)	(1,262)
Pre-tax profit (loss)		4,053	1,404
Income taxes	10	(1,432)	(591)
Profit/(loss) for the period		2,621	813
Attributable to:			
- Owners of the parent		2,606	815
- Non-controlling investors		15	(2)



Consolidated statement of comprehensive income

	Figures in thousands of euros	
	30 Sep. 2021	30 Sep. 2020
Profit/(loss) for the period	2,621	813
Items that will be reclassified to profit or loss:		
Foreign operations - foreign currency translation differences	25	(118)
Total items that will be reclassified to profit or loss	25	(118)
Total other comprehensive income (expense)	25	(118)
Comprehensive income/(expense)	2,646	695
Attributable to:		
- Owners of the parent	2,631	697
- Non-controlling investors	15	(2)



Statement of financial position

	Figures in thousands of euros	
Assets	30 Sep. 2021	31 Dec. 2020
Non-current assets		
Property, plant and equipment	1,401	855
Right-of-use assets	5,794	3,122
Goodwill	41,251	31,755
Intangible assets with a finite useful life	758	650
Equity investments	5	1,174
Non-current financial assets	2,240	1,646
Deferred tax assets	1,197	1,470
Other non-current receivables and assets	245	205
Total non-current assets	52,891	40,877
Current assets		
Trade receivables	28,167	31,044
Current financial assets	82	82
Tax assets	1,684	1,441
Other current assets	3,008	2,766
Cash	15,725	18,840
Total current assets	48,666	54,173
Total assets	101,557	95,050



	Figures in thousands of euros	
Liabilities and Shareholders' Equity	30 Sep. 2021	31 Dec. 2020
Equity		
Share capital	596	588
Reserves	30,528	28,762
Profit/(loss) for the period	2,606	1,792
Equity attributable to owners of the parent	33,730	31,142
Equity attributable to non-controlling investors	330	254
Total equity	34,060	31,396
Non-current liabilities		
Financial liabilities	13,146	11,439
Lease liabilities	4,430	2,415
Put option liabilities	7,170	3,115
Employee benefits	6,204	5,087
Provisions for risks and charges	222	222
Deferred tax liabilities	88	84
Total non-current liabilities	31,260	22,362
Current liabilities		
Financial liabilities	4,215	4,632
Lease liabilities	1,491	776
Put option liabilities	7,626	8,923
Trade payables	12,284	14,688
Tax liabilities	2,057	1,688
Other liabilities	8,564	10,585
Total current liabilities	36,237	41,292
Total liabilities	67,497	63,654
Total liabilities and equity	101,557	95,050



Consolidated statement of cash flows

	Figures in thousands of euros	
	30 Sep. 2021	30 Sep. 2020
Cash flow from operating activities		
Profit/(loss) for the period	2,621	813
Financial income	(234)	(453)
Loss (gain) on equity investments	308	(55)
Financial expense	586	1,262
Income taxes	1,432	591
Amortisation/depreciation	1,636	1,292
Provisions and impairment losses	51	385
Cost for share-based payments	593	525
Decrease (increase) in inventories	-	30
Decrease (increase) in trade receivables	6,295	8,616
Increase (decrease) in trade payables	(2,599)	(5,702)
Decrease (increase) in other assets	(408)	3,726
Increase (decrease) in other liabilities	(3,142)	(3,163)
Interest paid	(171)	(195)
Income tax paid	(413)	(158)
Net cash flows from operating activities	6,555	7,514
Cash flows from investing activities		
(Investments) divestments of property, plant and equipment and intangible assets	(1,052)	(152)
Decrease (increase) in financial assets	(167)	(113)
Change in the consolidation scope net of cash and cash equivalents	(1,949)	-
Net cash flows used in investing activities	(3,168)	(265)
Cash flows from (used in) financing activities		
Change in financial liabilities	313	5,625
Change in financial liabilities pursuant to IFRS 16	(973)	(715)
Change in treasury shares	(759)	-
Dividends paid to non-controlling investors	(1,023)	(667)
Share capital increases	8	-
Other changes in equity	883	-
Exercise of put options	(4,916)	(90)
Other changes	(36)	-
Net cash flows from (used in) financing activities	(6,503)	4,153
Net increase/(decrease) in cash and cash equivalents	(3,115)	11,402
Opening net cash and cash equivalents	18,840	9,581
Closing net cash and cash equivalents	15,725	20,983

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 period	Equity attributable to owners of the parent	Equity attributable to non-controlling investors	Total equity
Balance at 31 December 2019	588	(912)	202	29,927	2,057	(139)	31,723	174	31,897
Allocation of profit for the period	-	-	-	-	(139)	139	-	-	-
Stock options	-	-	-	157	-	-	157	-	157
Change in put option liabilities	-	-	-	-	2,151	-	2,151	111	2,262
Dividends to non-controlling investors	-	-	-	-	(951)	-	(951)	-	(951)
Other movements	-	-	-	-	(36)	-	(36)	49	13
Other comprehensive profit (loss)	-	-	-	(118)	-	-	(118)	-	(118)
Profit for the period	-	-	-	-	-	815	815	(2)	813
Balance at 30 September 2020	588	(912)	203	29,965	3,082	815	33,741	332	34,073

	Figures in thousands of euros								
	Share capital	Treasury shares	Legal reserve	Other reserves	Retained earnings	Profit/(loss) for the period	Equity attributable to owners of the parent	Equity attributable to non-controlling investors	Total equity
Balance at 31 December 2020	588	(1,093)	202	29,414	235	1,792	31,142	254	31,396
Allocation of profit for the period	-	-	-	-	1,792	(1,792)	-	-	-
Repurchase of treasury shares	-	(759)	-	-	-	-	(759)	-	(759)
Assignment of treasury shares	-	109	-	-	-	-	109	-	109
Stock options	8	-	-	961	-	-	969	-	969
Change in put option liabilities	-	-	-	-	(414)	-	(414)	61	(353)
Change in long-term incentive plan reserves	-	-	-	790	(30)	-	760	-	760
Dividends to non-controlling investors	-	-	-	-	(708)	-	(708)	-	(708)
Other comprehensive profit (loss)	-	-	-	25	-	-	25	-	25
Profit for the period	-	-	-	-	-	2,606	2,606	15	2,621
Balance at 30 September 2021	596	(1,743)	202	31,194	875	2,606	33,730	330	34,060



Notes to the consolidated financial statements

Basis of presentation and consolidation standards

The Alkemy Group Interim Financial Report at 30 September 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 Financial Report 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 Financial Report 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 Financial Report has not been reviewed by the Independent Auditing Firm.

The Interim Financial Report is approved by Alkemy's Board of Directors on 12 November 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 66,506 thousand euros (51,994 thousand euros at 30 September 2020) and can be broken down as follows:

	Figures in thousands of euros	
	30 Sep. 2021	30 Sep. 2020
Sales of services	66,506	51,992
Sales of products	-	2
Total revenue from sales and services	66,506	51,994

The growth in turnover booked in the first nine months of 2021 comes to 14,512 thousand euros, as compared with the same period of the previous year and this is due to the combination of (i) the recovery of the foreign companies' business, having been worst struck by the effects of the COVID-19 pandemic during the previous period, for a total of 7,955 thousand euros, (ii) the inorganic growth following the acquisition of the majority share of Design Group Italia S.r.l. and eXperience Cloud Consulting S.r.l. for a total of 3,998 thousand euros and (iii) the general resilience of the key Italian accounts and related active contracts, which did not suffer the generalised partial lock-down, for a total of 2,559 thousand euros.

2. Other revenue and income

Other revenue and income totals 991 thousand euros (659 thousand euros at 30 September 2020), as follows:

	Figures in thousands of euros	
	30 Sep. 2021	30 Sep. 2020
Revenue for capitalised costs	370	-
Tax asset	361	173
Government grants	158	360
Other revenue	102	126
Total other revenue and income	991	659

Revenue for capitalised costs came to 370 thousand euros and mainly relate to the internal implementation of software and platforms relative to the pursuit of the Group's commercial activities.

The tax asset is mainly accrued (i) for 306 thousand euros on investments made by Nunatac S.r.l. in 4.0 training pursuant to Art. 1, paragraph 78-81 of Italian Law no. 145 of 30.12.2018 and (ii) for 46 thousand euros on investments in research and development made by the Parent pursuant to Decree Law no. 145/2013.

Government grants refer to research and development activities carried out by the Parent on projects that obtained an approval decree and grant related to income.



3. Services, goods and other operating costs

Services, goods and other operating costs comes to 32,944 thousand euros (27,837 thousand euros at 30 September 2020), as detailed below:

	Figures in thousands of euros	
	30 Sep. 2021	30 Sep. 2020
Services	32,635	27,427
Purchase of raw materials	121	190
Change in inventories	-	28
Lease costs	43	48
Other operating costs	145	144
Total	32,944	27,837

Services

Costs for services come to 32,635 thousand euros (27,427 thousand euros at 30 September 2020) and are detailed below:

	Figures in thousands of euros	
	30 Sep. 2021	30 Sep. 2020
Services for customers	29,688	25,140
Consultancy and legal expenses	441	394
Other consultancy	392	189
Administrative services	273	187
Maintenance services	267	198
Travel and transfer expenses	198	172
Meal vouchers	186	158
Insurance	181	153
Postal, telephone and data transmission services	165	118
Audit fees	148	121
Payslip processing	101	104
Marketing services	98	71
Condominium and supervisory expenses	81	62
Commercial services	73	15
Cleaning expenses	73	58
Collaborators' fees	57	67
Statutory Auditors' fees	47	52
Utilities	37	32
Banking services	35	42
Costs for non-recurring services	14	-
Logistics services	-	64
Other services	80	30
Total services	32,635	27,427



"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 145 thousand euros (144 thousand euros at 30 September 2020) and mainly regard membership fees, as well as, to a lesser extent, costs from previous years, sanctions, stamp duty and levies.

4. Personnel expense

Personnel expense comes to 28,153 thousand euros (20,981 thousand euros at 30 September 2020) and consist of the following:

	Figures in thousands of euros	
	30 Sep. 2021	30 Sep. 2020
Wages and salaries	19,373	14,490
Non-recurring wages and salaries	944	46
Directors' fees	1,352	1,051
Social security expenses	4,907	4,058
Costs for defined benefit plans	929	784
Cost for share-based payments	594	525
Other personnel expense	54	27
Total personnel expense	28,153	20,981

This item includes all costs incurred during the period, directly or indirectly relating to employees and collaborators, as well as directors' fees for 1,352 thousand euros.

At 30 September 2021, "Non-recurring wages and salaries" includes all costs incurred for incentives to take redundancy, paid during the period.

The average number of employees during the period was 613, as compared with 524 in the same period of the previous year.

708 employees were on the workforce at 30 September 2021, as compared with 519 in the same period of the previous year.

The cost of share-based payments includes the cost relative to the new long-term incentive plan for three strategic managers, as well as the Chairman, Chief Executive Officer and General Manager of the Parent.



5. Amortisation/depreciation

Amortisation/depreciation comes to 1,636 thousand euros (1,292 thousand euros at 30 September 2020) and consists of:

- 1,031 thousand euros (739 thousand euros at 30 September 2020) relating to the application of standard IFRS 16;
- 314 thousand euros (316 thousand euros at 30 September 2020) for the amortisation of intangible assets.
- 291 thousand euros (237 thousand euros at 30 September 2020) for the depreciation of property, plant and equipment.

6. Provisions and impairment losses

Provisions recorded come to 51 thousand euros (385 thousand euros at 30 September 2020) and refer to the impairment of trade receivables.

7. Net gains (losses) on equity investments

Net losses on equity investments amount to 308 thousand euros (net gains of 55 thousand euros in the first nine months of 2020) and refer to:

- -235 thousand euros to the adjustment to fair value of the equity investment in Design Group Italia held before acquiring the majority share, as envisaged by IFRS 3;
- -73 thousand euros to the equity measurement of the same investment, prepared at 31 May 2021, to include the results of the Company, which was already an associate before its full consolidation.

8. Financial income

Financial income comes to 234 thousand euros (453 thousand euros at 30 September 2020) and refers mainly to exchange gains, for the most part relative to the subsidiary Ontwice Interactive Services S.A. Mexico City, which also give rise to most of the exchange losses for 165 thousand euros, included in financial expense and as detailed below. The decrease in exchange gains and losses compared with the previous period relates to the sales and purchases made in USD by the Mexican subsidiary and reflects the appreciation of the Mexican currency against the dollar as compared with the early months of 2020, during which the USD/MXN exchange rate had risen by more than 20%.



9. Financial expense

Financial expense comes to 586 thousand euros (1,262 thousand euros at 30 September 2020) and is detailed below:

	Figures in thousands of euros	
	30 Sep. 2021	30 Sep. 2020
Exchange losses	165	594
Interest from put option liabilities	154	399
Interest expense on loans	145	140
Interest on leases	87	87
Interest expense on employee benefits (IAS 19)	14	22
Interest expense on current accounts	-	2
Other financial expense	21	18
Total financial expense	586	1,262

The reduction in the item is mainly due to the reduction in exchange losses, as described in the previous paragraph.

10. Income taxes

Taxes come to 1,432 thousand euros (591 thousand euros as at 30 September 2020) and are detailed as follows:

	Figures in thousands of euros	
	30 Sep. 2021	30 Sep. 2020
Current income tax	933	397
Current IRAP tax	159	146
Change in deferred tax assets	377	61
Change in deferred tax liabilities	3	10
Previous years' tax	(40)	(23)
Total taxes	1,432	591



Net financial debt

In accordance with the requirements laid down by CONSOB communication of 28 July 2006 and in compliance with the ESMA update in regard to the "Guidance on disclosure obligations in accordance with the Prospectus Regulation" and with CONSOB's "Attention Note 5/21" dated 29 April 2021, below is the Group's Net financial position at 30 September 2021:

	Figures in thousands of euros	
	30 Sep. 2021	31 Dec. 2020
A Cash	15,725	18,840
B Cash equivalents	391	-
C Other current financial assets	82	82
D Cash and cash equivalents (A + B + C)	16,198	18,922
E Current financial liabilities (including debt instruments but excluding the current portion of non-current financial liabilities)	9,134	9,715
F Current portion of non-current financial liabilities	4,198	4,616
G Current financial debt (E + F)	13,332	14,331
H Net current financial debt (G - D)	(2,866)	(4,591)
I Non-current financial liabilities (excluding the current portion and debt instruments)	24,746	16,969
J Debt instruments	-	-
K Trade payables and other non-current liabilities	-	-
L Non-current financial debt (I + J + K)	24,746	16,969
M Total financial debt (H + L)	21,880	12,378

Milan, 12 November 2021

for the Board of Directors
the Chief Executive Officer
Duccio Vitali



Attestation 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, attests, 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 at 30 September 2021, coincides with the documentary evidence, ledgers and accounting records.

Milan, 12 November 2021

signed Claudio Benasso

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