(Translation from the Italian original which remains the definitive version)

Alkemy S.p.A.

2021 Annual Financial Report

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

Contents

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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	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 Statutory 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,

2021 was an important year for Alkemy, during which important results and goals were achieved.

Alkemy has renewed its innate drive on organic growth (+17%) that has always characterised its path.

At the dawn of its tenth birthday, Alkemy thus exceeded € 95 million in turnover and more than 700 employees.

Operating profit showed constant improvement, exceeding 11% and further approaching our medium-term target of 15%.

On 18 May 2012, Alkemy was established to help the top management of Italian medium and large enterprises evolve and improve their business model, exploiting the opportunities offered up by digital and technological innovation. To achieve this important, ambitious objective, Alkemy has changed shape on more than one occasion, whilst always remaining itself.

In the early years of our history, we structured the aggregation of skills and talents, also thanks to 8 acquisitions completed successfully, working with untiring devotion to achieving excellence in all services we offer our customers, from consultancy to data, digital marketing and technology, including creativity and design.

In 2016, growth began abroad, expanding our presence first in the Balkans and then in Spain and Mexico where today, in our offices of Belgrade, Madrid and Mexico City, more than 200 people work, accounting for more than 30% of our turnover.

Established with just 23 employees in an office in central Milan, the young Alkemy then continued to grow until obtaining a strong leadership position in the digital transition in southern Europe with a considerable oversight in Latin America too.

In 2017, we started our route towards listing, which saw us launch onto the AIM market on 5 December 2017 and, two years later, in December 2019, onto the STAR segment of Borsa Italiana.

With this step, Alkemy thus affirmed its vocation to being a pure "public company", the only one in Italy in the world of added value services for businesses.

In the last two years, we finally embarked on the industrialisation of our business model, thereby taking a major step, perhaps the most important and decisive of all for any company, from start-up to scale-up.

To be a driver of innovation and evolution for our customers, Alkemy must, in fact, continue to evolve.

Alkemy now faces the incredible opportunity of operating on a market with unique characteristics: large (6 billion in Italy, 14 billion in all segments in which we operate), which is enjoying double digit growth and is still extremely fragmented.

Precisely in these last few months, we have been experiencing an exceptional moment in time, comparable in terms of extent perhaps only with the aftermath of WWII.

Thanks to the PNRR (Italian National Resilience and Recovery Plan), the next four years € 24 billion will be granted into this sector in support of the digital transition of private businesses, in addition to another € 16 billion destined to the public administration.

Alkemy has the position, corporate structure and the best focussed and consistent offer to capture the enormous growth that will follow.
The growth of our business is not, however, possible without our people who are our real strength, our most important asset and resource of all.
The implementation of our objectives requires talents from all walks of life and areas. But we want people who combine talent and competence with our values, good people, as we like to call them.
In evolving as an industrial reality, Alkemy seeks to stay true to its essence. Our ambition is to combine performance and competitiveness with a series of values that are essential to us.
This is our alchemy. The combination of these founding elements represents the uniqueness and the very role of Alkemy in the society.
We want to demonstrate that there is a different way of being a business, in which growth and profits give us the chance to increasingly confirm an ethical way of doing business.
This is our first sustainability challenge.
The first ten years of our history have seen a long growth and development path for Alkemy, which we are proud to have shared with you.
But it is now time to turn the page. Tomorrow marks the beginning of a new story.

Duccio Vitali,

Chief Executive Officer of Alkemy S.p.A.

Highlights

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

	Figures in thousands of euros	
	2021	**2020**
Net revenue	95,185	74,932
Adjusted Gross operating profit (EBITDA) [1]	10,535	6,195
Adjusted operating profit	7,640	3,369
Profit for the year	4,271	1,822
Average number of employees	655	531

	Figures in thousands of euros	
	2021	**2020**
Italy revenue	64,140	53,257
Export revenue	31,045	21,675
Net revenue	95,185	74,932

	Figures in thousands of euros	
	31 Dec. 2021	**31 Dec. 2020**
Net invested capital	57,891	43,774
Net financial debt	(21,192)	(12,378)
Equity	36,699	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 EURONEXT MILAN 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.

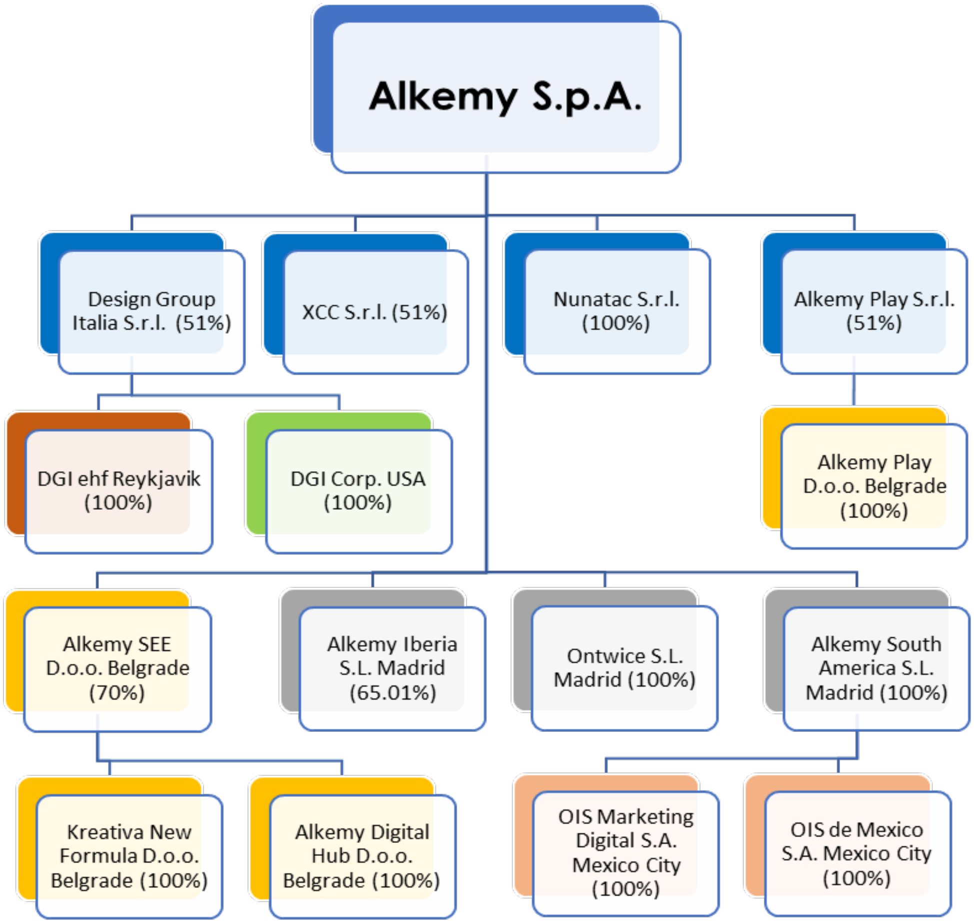
Alkemy currently numbers 10 offices: in addition to the Milan headquarters, it also operates in Turin, Rome, Cagliari and Rende (Cosenza), Madrid, Belgrade, Mexico City, New York and Reykjavik.

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.

At 31 December 2021, the Alkemy Group structure is as follows:



Nunatac S.r.l.: company 70% of which acquired during H1 2018 and the remaining 30% during 2021, 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 which 30% of capital is held by the Chief Executive Officer, a local entrepreneur; it operates in strategic consultancy and digital advisory services. The company wholly owns both **Kreativa New Formula D.o.o.** and **Alkemy Digital Hub D.o.o.**.

Alkemy Iberia S.L.: company based in Madrid, established in 2017 with 24.9% of capital held by the

Chief Executive Officer and 10% held by other 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 100% of the capital through put&call options; it is one of the leading digital agencies in Spain.

Alkemy South America S.L.: company established in 2021, based in Madrid that 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 and previously held by Ontwice Interactive Service S.l.

eXperience Cloud Consulting S.r.l. ("XCC"): company acquired in April 2021, 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 put&call options envisaged by contract, will allow the Parent to acquire the whole of the capital by the first half of 2026.

Design Group Italia ID S.r.l. ("DGI"): company operating in "innovation & design", in which the investment held has gone from 20% to 51% of the share capital, following exercise of the put option in June 2021. The put&call options envisaged by contract, will allow the Parent to acquire the entire capital in 2023. The Company controls two legal entities operating respectively in Iceland and the USA.

Business units

In response to the continuous evolutions of the market in 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, Service & 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.

Report on Operations

2021 performance

During 2021, all Italian and foreign Group companies continued their work almost entirely remotely, 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 regions and countries in which the Group has its offices and businesses. Completion of the vaccination campaign in Italy, to which most of the Group workers have adhered, in any case helped work to partially resume *in situ*. The Group's management continues to monitor the events related to the pandemic, in order to be able to intervene promptly to protect the health and safety of workers and the business.

Amidst this complex, still uncertain context, but in which we are in any case starting to see signs of a recovery, the general business performance, as better detailed below, was very much positive. The Alkemy Group closed the year with 27% growth in revenue and income over the previous year and with a considerable improvement seen in margins, resulting in an adjusted gross operating profit for the year of 10,535 thousand euros (6,195 thousand euros in 2020) and a good generation of cash from operating activities of approximately +7.4 million euros, which is in any case below the +9.6 million euros recorded in 2020. The increase in the Net Financial Position, from -12.4 million euros to -21.2 million euros is mainly due to items that do not relate to the core business and which are instead connected with the change in the Group scope. Finally, please note that, the Group's average number of employees increased by 23.4% (of which 10.2% organic and 13.2% inorganic) over the previous year (655 resources as compared with 531 in 2020), as confirmation of management's positive expectations in terms of the business performance in future periods.

Key income statement figures

The Group's reclassified income statement for 2021, compared with the figures of 2020, is as follows:

	Figures in thousands of euros	
	2021	**2020**
Net revenue	**95,185**	**74,932**
Services, goods and other operating costs	46,749	40,100
Personnel expense	37,901	28,637
Adjusted Gross operating profit	**10,535**	**6,195**
Amortisation, depreciation and impairment losses	2,895	2,826
Adjusted operating profit	**7,640**	**3,369**
Loss (gain) on equity investments	308	(96)
Net Financial income	543	697
Non-recurring expense	1,020	224
Pre-tax profit	**5,769**	**2,544**
Income taxes	1,498	722
Profitfor the year	**4,271**	**1,822**
Other items recognised in equity	145	(309)
Comprehensive income for the year	**4,416**	**1,513**
Comprehensive income attributable to non-controlling interests	8	30
Comprehensive income attributable to the owners of the parent	4,408	1,483

The Group's financial performance for 2021 shows total net revenue of 95,185 thousand euros, compared to 74,932 thousand euros for the previous year, up 20,253 thousand euros (+27%), due to the Italy segment for 10,883 thousand euros and for 9,370 thousand euros to the foreign sector.

Revenue recorded in Italy, which accounts for 67.4% of consolidated revenue (71.1% in 2020), totals 64,140 thousand euros (53,257 thousand euros in the previous year), up 20.4% 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 7,380 thousand euros. The profit for 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 31,045 thousand euros, compared to the 21,675 thousand euros of 2020 (+43.2%), in particular thanks to the positive results achieved by the Spanish and above all Mexican subsidiaries.

Operating costs (net of non-recurring items) went from 68,737 thousand euros in 2020 to 84,650 thousand euros in 2021, up 15,913 thousand euros (+23.2%), less than proportional to the growth in net revenue achieved. More specifically, services, goods and other operating costs (net of non-recurring items), which came to 46,749 thousand euros in 2021 (40,100 thousand euros in 2020), rose by 16.6% on the previous year and personnel expense (net of non-recurring items) of 37,901 thousand euros in 2021 (28,637 thousand euros in 2020) rose by 32.3% on the previous year. The incidence of operating costs on total revenue, therefore, decreased by 2.8%: this result is primarily due to the efficiency-enhancing actions taken that have led to the insourcing of certain activities, above all in the technology area.

The increase in net revenue and the careful management of operating costs have led to an improved adjusted gross operating profit of 10,535 thousand euros, up 70.1% on the 6,195 thousand euros of 2020. The 2021 adjusted gross operating profit Margin[2] came to 11.1%, up 2.8 percentage points on 2020 (8.3%).

Adjusted Operating profit, net of non-recurring items, came to 7,640 thousand euros, more than double the result of 2020 (3,369 thousand euros).

net financial income for the year comes to 543 thousand euros as compared with 697 thousand euros for the comparative year.

Non-recurring expense, which can be attributed entirely to the Parent, came to 1,020 thousand euros and mainly refer to extraordinary personnel costs.

The pre-tax profit comes to 5,769 thousand euros, up 3,225 thousand euros on the profit of 2,544 thousand euros for the previous year.

Profit for the year amounts to 4,271 thousand euros, as compared with 1,822 thousand euros for the previous year, up by more than 100% on 2020.

Key statement of financial position figures

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

	Figures in thousands of euros	
	31 Dec. 2021	**31 Dec. 2020**
Non-current assets	**53,077**	**40,877**
Current assets	40,199	35,251
Current liabilities	(28,784)	(26,961)
Net working capital	**11,415**	**8,290**
Post-employment benefits	(6,361)	(5,087)
Provision for risks, charges and deferred tax liabilities	(240)	(306)
Net invested capital	**57,891**	**43,774**
Equity	**36,699**	**31,396**
Non-current financial debt	21,853	16,969
Current financial (position)	(661)	(4,591)
Net financial debt	**21,192**	**12,378**
Total sources of finance	**57,891**	**43,774**

The reclassified statement of financial position figures at 31 December 2021 indicate net invested capital of 57,891 thousand euros, to be compared with 43,774 thousand euros at 31 December 2020, which consists of:

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

- 53,077 thousand euros of non-current assets (40,887 thousand euros at 31 December 2020) of which 41,249 thousand euros for goodwill and 5,332 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);
- 11,415 thousand euros of net working capital (8,290 thousand euros at 31 December 2020);
- 6,361 thousand euros of post-employment benefits (5,087 thousand euros at 31 December 2020).
- for Euro 240 thousand of the provisions for risks and deferred tax liabilities, to compared with Euro 306 thousand at 31 December 2020.

Equity of 36,699 thousand euros increased by 5,303 thousand euros on 31 December 2020 (+16.9%), mainly due to:

- +4,416 thousand euros for the comprehensive income for the year;
- +891 thousand euros for the increase in the current stock option plan;
- +962 thousand euros for the increase in the long-term incentive plan reserve;
- +350 thousand euros in relation to the change in fair value of put option liabilities;
- -759 thousand euros for the buy-back of treasury shares;
- -717 thousand euros for the dividends resolved in favour of Spanish non-controlling investors.

The net financial debt amounts to 21,192 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 31 December 2021 compared with that at 31 December 2020:

	Figures in thousands of euros	
	31 Dec. 2021	**31 Dec. 2020**
Bank deposits	10,453	18,835
Cash on hand	5	5
Cash and cash equivalents	**10,458**	**18,840**
Current financial assets	**84**	**82**
Bank loans and borrowings	(10,916)	(11,353)
Put option liabilities	(6,575)	(3,115)
Loans and borrowings from other financial backers	(353)	(86)
Lease liabilities from application of IFRS 16	(4,009)	(2,415)
Non-current financial liabilities	**(21,853)**	**(16,969)**
Bank loans and borrowings	(5,450)	(4,616)
Put option liabilities	(2,906)	(8,923)
Loans and borrowings from other financial backers	(52)	(16)
Lease liabilities from application of IFRS 16	(1,473)	(776)

Current financial liabilities	**(9,881)**	**(14,331)**
Net financial debt	**(21,192)**	**(12,378)**

The Group's net financial debt at 31 December 2021 amounts to 21,192 thousand euros (12,378 thousand euros at 31 December 2020), with an increase of 8,814 thousand euros. This change, detailed and explained in the Statement of Cash Flows given over the next few pages, is mainly due to:

- -8,382 thousand euros for the decrease in cash and cash equivalents;
- -2,291 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..
- -700 thousand euros for the increase in payables to banks and other lenders, mainly due to the combination of (i) the stipulation of two new loan contracts for a total of -3,596 thousand euros, (ii) the invoice advances performed by the Parent in December for a total of -882 thousand euros, (iii) the extension of the consolidation scope, following the acquisition in particular of the majority of DGI S.r.l., for Euro -944 thousand and (iv) the reimbursement of instalments envisaged by the bank loan amortisation plans (+4,732 thousand euros);
- +2,557 thousand euros as at for the decrease of put options liabilities , as a result of the combination of (i) the registration of new put liabilities connected with the companies DGI S.r.l. and XCC S.r.l. for +7,164 thousand euro as at, (ii) interest accrued for +280 thousand euros, (iii) the exercise of the option over 30% of the capital of the company Nunatac S.r.l., which took place in July for -4,915 thousand euros, (iv) the exercise of the option over 20% of the capital of the company Ontwice Interactive Services S.l. and 20% of the capital of the company Alkemy South America S.l., which holds the entire capital of the 2 Mexican subsidiaries, in October, for a total of Euro -4,586 thousand, (v) the fair value measurement of the option liabilities for -350 thousand euros and (vi) the exercise of the option over 49% of the capital of the company Kreativa New Formula D.o.o. in November, for -150 thousand euros.

For three of the loans in place, equal to 5,398 thousand euro at 31 December 2021, respect for financial covenants is envisaged, as detailed in explanatory note 27 to the consolidated financial statements and separate financial statements of 2021, to which reference should be made.

Significant events during the year

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 recognised 2020 gross operating profit), through the use of own funds. The total equity value of the transaction is estimated at approximately 3.56 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. separate 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 2020-2023 Long Term Incentive Plan, 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.

Last May, the Company launched a buyback tranche, which was concluded last 27 May, with the purchase of a total of 35,000 treasury shares or 0.62% of the share capital.

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, 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 program, 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.

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.L. and over the 20% of the residual capital of the subsidiary Alkemy South America (sole shareholder of the Group's two Mexican companies), thereby owning 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 gross operating profit achieved in 2020 by said operative 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.
On 13 December 2021, conclusion was notified of the liquidation of the inoperative American company Alkemy USA Inc.

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 in the rest of the continent. If we look at the European Union average, the levels of basic digital competence are "very low"; according to the DESI, Italy ranks 20th out of the 27 EU Member States, behind France, the English speaking countries and Northern Europe.

According to our own study, which measures the degree of digital literacy in the main companies listed on the Milan stock exchange, only 26% of companies can be said to be "full digital". Although this is very low, there has in any case been a significant improvement compared with the 2018 study, in which only 11% were full digital and this growth is at least partly due to the pandemic contingency. Again as a result of the recent pandemic, both the awareness by top management of major companies of just how inescapable the digital transformation really is and the attention paid by institutions to the need to adopt measures aimed at narrowing some major gaps in digital competences, have grown significantly. In 2020, Italy launched its very first National Digital Competences Strategy and a correlated Operative Plan that lists more than 100 specific actions and sets ambitious targets for 2025. The Italian recovery and resilience plan is the most extensive of the whole of the EU, for a total value of approximately 191.5 billion euros and 25.1% of that amount (approximately 48 billion euros) is allocated to the digital transition.

we need to wait for next year to see the first results of the implementation of the public investments, but what we have been experiencing in recent years is already showing us a significant boost in 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 85% 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, recovering in 2021), the extensive adoption of remote working (for at least 35% of workers, the "new normal" in 2021), the common use of communication platforms, both at work and in teaching, the increased use of home banking and the spread of social networks (more than 43 million Italians are active on social media every day (+23% on 2019).

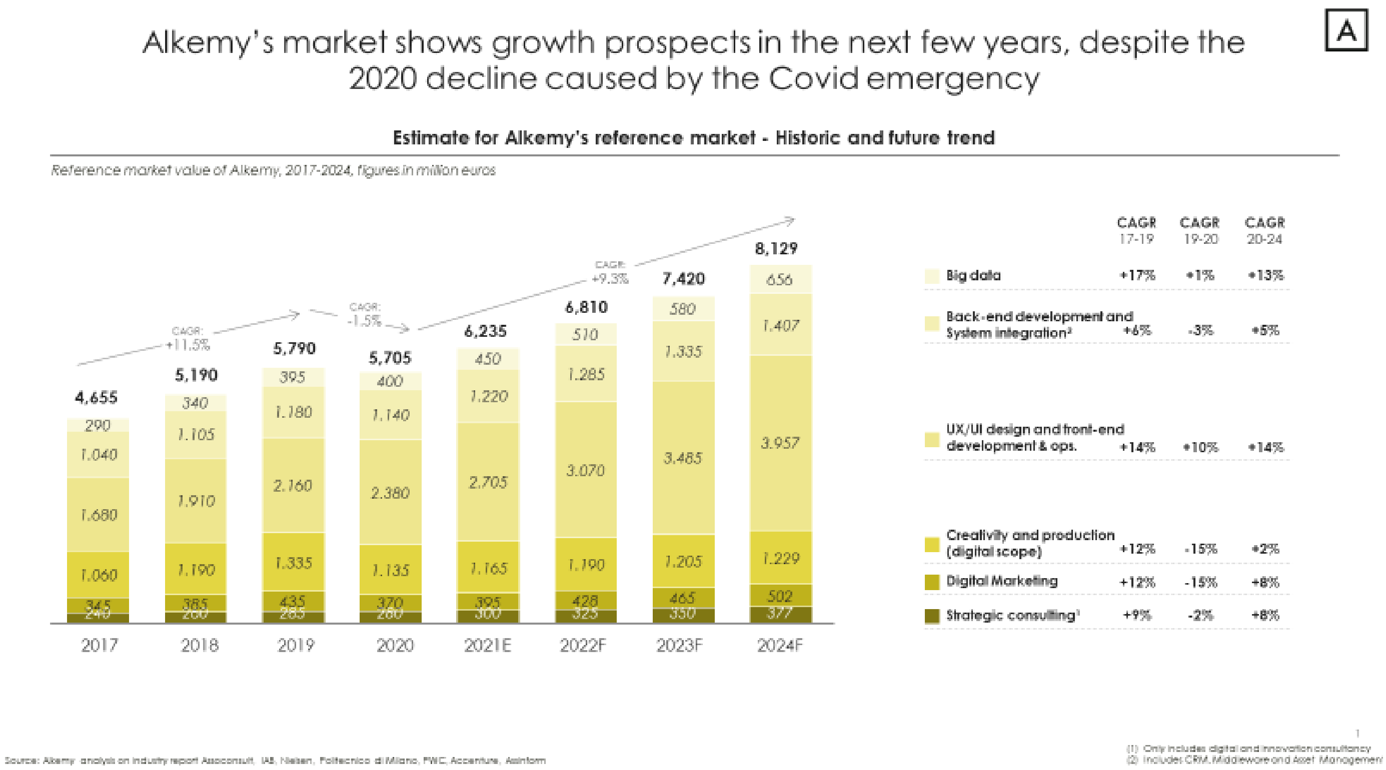
The growth rate expected to characterise Italy over the next few years could be even more significant thanks to the new habits that have been consolidated and the drive on investments in the digital transition, and this would allow for both a partial recovery of the gap with respect to other European 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), but also an opportunity encouraged by the PNRR 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, after almost two years, are now irreversible.

In 2021, Alkemy's reference Italian market was worth approximately 6.2 billion euros, up by +9.3%, which thereby easily recovers the downturn brought about by the health emergency in the two years 2019-2020. The annual growth expected for the period 2020-2024 is 9.3%.

Instead, as concerns the foreign 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 euros, with annual growth expected for the period 2020-2024 of 9.0%;
- Iberian peninsula: 5.0 billion euros, with annual growth expected for the period 2020-2024 of 10.5%;
- Mexico: 3.1 billion euros, with annual growth expected for the period 2020-2024 of 12.5%.

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



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 foreign 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:

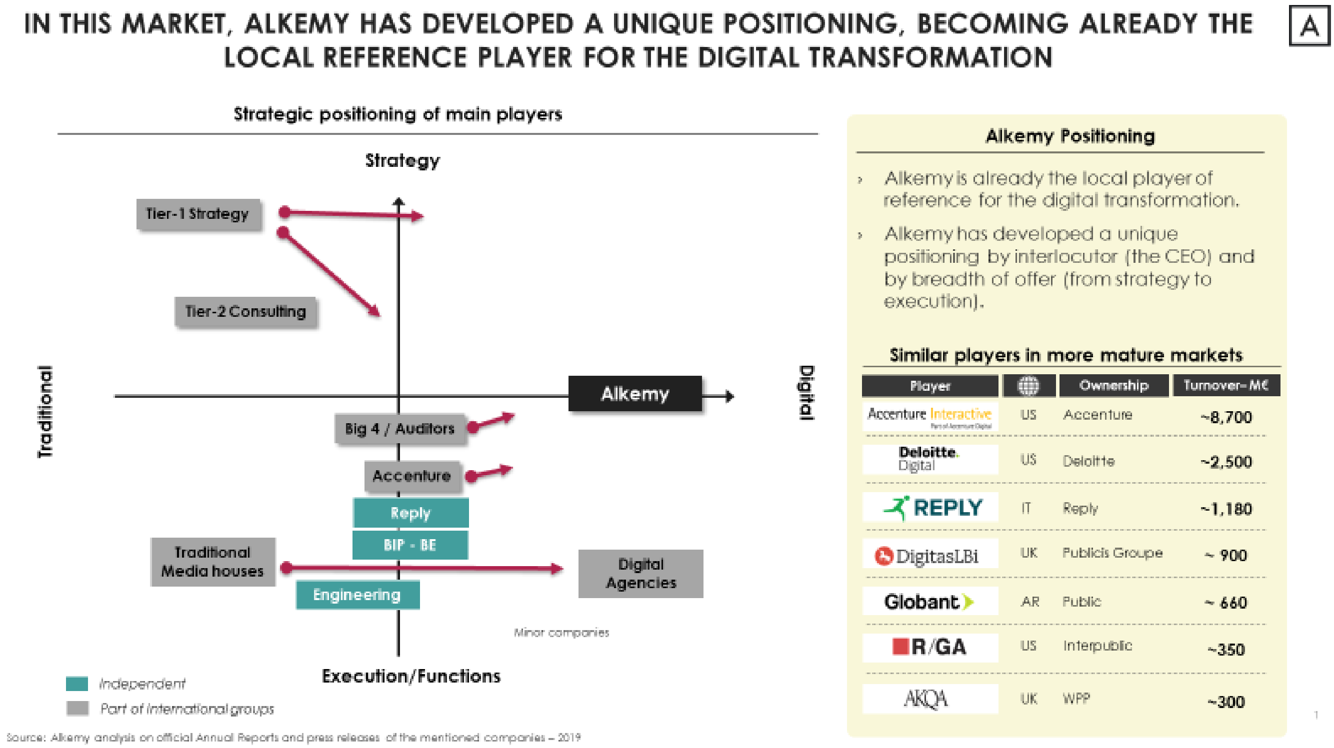
- "digital" structures of major multinational enterprises: these players have a primarily technological background and a large offer portfolio, in addition to significant capacity to implement strategies and operative processes thanks to their size. They are also enriching their creative and communication 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 foreign 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- mentioned major multinational enterprises, which, therefore, Alkemy's management believes, are the operators most similar to the Issuer and its main competitors. Other comparable independent players on the European scene are the Spanish Making Science and the French Artefact.

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 particular in Italy but also in the foreign markets covered.



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 Borsa Italiana Euronext Milan.

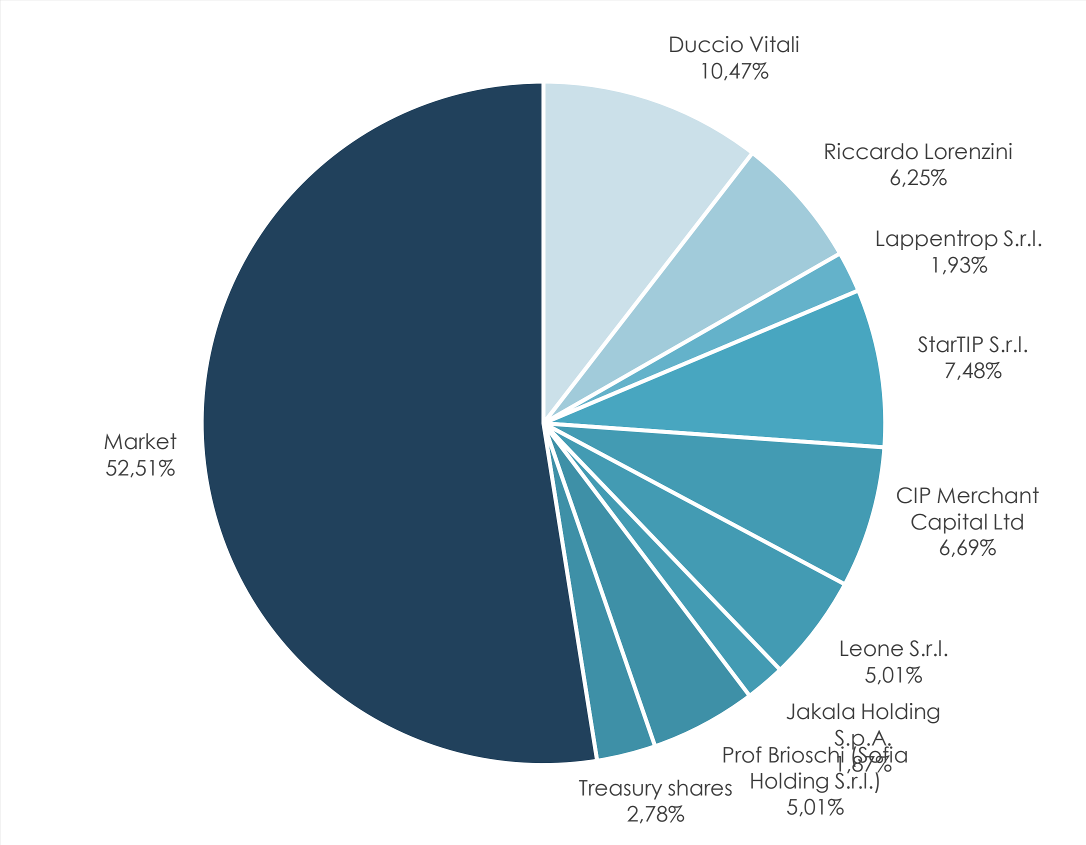
The STAR segment of Borsa Italiana is dedicated to medium enterprises with capitalisation of between 40 million and 1 billion euros, which undertake to respect requirements of excellence in terms of:

- 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 5,685,460 ordinary shares, conferring, at 31 December 2021, a total of 6,782,050 voting rights and, specifically:

(i) 4,588,870 ordinary shares, without loyalty shares, conferring 4,588,870 voting rights (ii) 1,096,590 ordinary shares, with loyalty shares, conferring 2,193,180 voting rights.

Ownership structure (significant shareholdings) at 22.03.2022



**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 30.12.2021: €22.70
Capitalisation at the date of admission: €63,489,127.5
Capitalisation at 30.12.2021: €129,059,942.0

Alkemy share performance

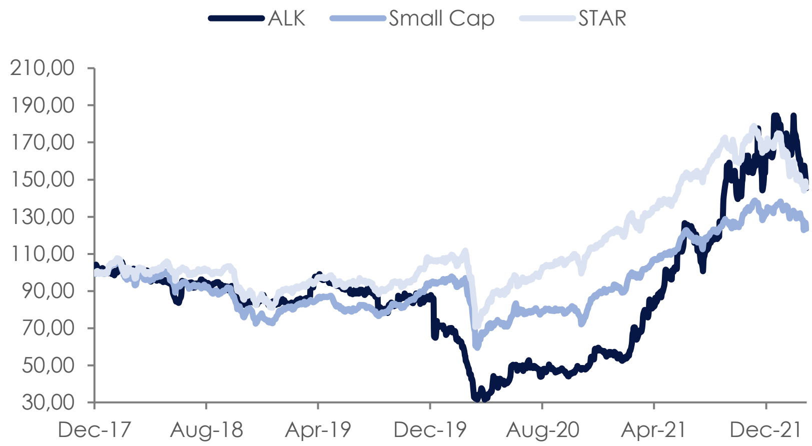
In 2021, thanks on the one hand to the progressive easing of the health emergency and the consequent social and economic uncertainty and positive business trends on the other, the Alkemy share recorded constant growth throughout the year.

January saw a relatively stable performance by the share, which reached the year's low of 6.50 euros on 25 January 2021. The publication of the preliminary 2020 results on 12 February 2021 contributed towards reassuring the market that Alkemy's business was well able to withstand the pandemic and drove a recovery in purchases. Q1 2021 in fact closed with growth of 42% since the start of the year.

Following publication of the 2020 results on 22 March 2021 and publication of the Q1 2021 results on 14 May 2021, the positive results achieved and the growing focus of investors on digital transformation led to further growth of the security. Alkemy close H1 2021 at 14.90 euros, up 112% since the start of the year.

During the second half of 2021, the Alkemy share continued to recover, thanks to the publication of the first half of the year results on 13 September 2021 and the third quarter on 12 November 2021, in which evidence was shown of a strong increase in the Group's organic growth and business margins. The Alkemy share closed the year at a price of 22.70 euros, taking the growth from the start of 2021 to 222%.

The graph below compares the performance of the Alkemy security with the Euronext Small Cap and the Euronext STAR index from the date of admission to trading to 31 December 2021.



A total of 5.349 million Alkemy shares were traded in 2021, a 167% increase on the 3.201 million shares exchanged in 2020. The value of exchanges in 2021 came to 83.208 million euros, up by 350% on 2020's 18.485 million euros.

The graph below shows the performance of the Alkemy security and the turnover of exchanges from the date of admission to trading to 31 December 2021 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 is 24.90 euros with an OUTPERFORM recommendation dating back to November 2021 (previously target price of 20.20 euros with an OUTPERFORM recommendation).

- Banca Imi: bases the valuation of the Alkemy share on the DCF model and peers analysis. The target price is 22.00 euros with an ADD recommendation dating back to November 2021 (previously target price of 20.00 euros with a HOLD recommendation).

- Mediobanca: bases the valuation of the Alkemy share on the DCF model and peer analysis. The target price is 26.50 euros with an OUTPERFORM recommendation dating back to January 2021 (previously target price of Euro 22.30 with an OUTPERFORM recommendation).

Description of the main risks and uncertainties to which the Group is exposed

In a context characterised by market instability and the rapid evolution of business and regulatory dynamics, a careful and effective management of risks and opportunities is essential in order to support an informed decision-making process that is consistent with the strategic objectives and guarantee business sustainability and the creation of value in the medium/long-term.

In performing its business, the Group is exposed to risks and uncertainties deriving from exogenous factors connected with the general or specific macroeconomic context of the operating segments in which it operates, as well as risks deriving from strategic choices and internal operating risks.

Such risks have been systematically identified and mitigated through the monitoring and timely oversight of risks as they arose.

Risk management is centralised in the Group, although individual managers are responsible for the identification, monitoring and mitigation of such, also in order to better measure the impact of each risk on business operations, reducing the onset and/or limiting the effects depending on the trigger. Under the scope of business risks, below are the principles governing the Group in application of Art. 2428 of the Italian Civil Code.

<u>Effects of the spread of infectious diseases</u>

The onset of a pandemic can risk both personal help and the strength of the health and social-economic systems of the countries involved, the duration of which depends, amongst others, on the effectiveness of the health measures taken internationally. In respect of COVID-19, the Alkemy Group's performance may suffer the variability of certain risk factors, including: market instability, inflation fallout, the economic recovery trend, customers' and suppliers' capacity to respect contracts and undertake new initiatives. In addition to assuring every possible effort to protect the health and safety of its people in complete compliance with reference standards, the Alkemy Group also activated specific action plans to limit the possible fallout brought about by pandemic-related risk factors. The action plans involve, amongst others: the timely reorganisation of the commercial strategy, management of relations with customers, the adoption of suitable financial solutions and an even more selective approach taken to expense items.

<u>Risk connected with competitiveness</u>

Reference is made to the information given in the paragraph entitled "Conduct by the competition" of this document.

Risks connected with demand/the macroeconomic cycle

The performance of the segment in which the Group operates is correlated with the performance of the general economic framework and, therefore, any negative outlook, inflation or recession periods may consequently reduce demand for the products and services supplied.

Climate risks

In this respect, it is noted that in view of the business model, the Group has no significant exposure to environmental risks in particular connected with climate change.

Russia-Ukraine military conflict

The Group does not operate directly in the countries involved in the Russia-Ukraine conflict. However, in this context, various types of risk become important, in particular those connected with:

- the development of the business of the Group's direct customers in these countries;
- macroeconomic and financial factors, such as the volatility of the price of energy commodities, volatility of the prices of raw materials general, volatility envisaged on the global financial markets, in exchange rates and in interest rates;
- cyber crime, e.g. direct attacks against the assets of companies operating *in situ* or in neighbouring countries, or the intensification of such with a potential impact on the interruption of service and critical infrastructures.

The Group has equipped itself with processes and procedures that support the identification, management and monitoring of events with potential significant impacts on resources and the business. These processes seek to maximise a timely and effective response.

Risk connected with financial operations

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.

Credit risk

With reference to the risk of potential losses deriving from failure by the various counterparties with which it operates to fulfil the commitments made, the Group has established a suitable provision for trade receivables in an amount appropriate to the type of its customers and statistical assessments. The particular concentration of the business on high credit standing customers, the number of such and the segment diversification guarantee another substantial lowering of the credit risk.

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 and bank overdrafts and loans.

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

Three loans (5,398 thousand euro at 31 December 2021) envisage the respect for two covenants and, in particular: (i) leverage ratio, i.e. net financial debt/gross operating profit < 3, to be calculated annually starting 31 December 2021; and (ii) the ratio of net financial debt and equity < 1, to be calculated annually starting 31 December 2019. The parameters were fully respected as at 31 December 2021.

Market risk

The market risk to which the Group is exposed consists of the risk of interest rates fluctuation 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.

Note that there are five "cap" options in place (at fixed rate, already paid), in connection with the medium-term loans stipulated in 2019, 2020 and 2021 to hedge the risk of future rises in interest rates, in connection with an equal number of loans that are worth approximately 81% of the bank debt for loans in place at 31 December 2021.

Translation Risks

The Group's operations in currencies other than the euro, as well as the development strategies on the international markets, expose the Group to the currency exchange risk.

The provision and management of this risk is left to the administrative management of Alkemy S.p.A..

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 currency 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 at the reporting date, the Alkemy Group policy is not to hedge said currency risk insofar as there are no significant 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.

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.

Throughout 2021, the Group met its current financial needs and partly those tied to extraordinary transactions by means of use of Own Funds and loans, as well as through the use at end December of short-term bank facilities. In any case, the Group has suitable bank facilities, aimed at managing any short-term financial needs.

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 non-current loans and borrowings (with 12 months of grace period) 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 growth, integration and consolidation of investments made and, therefore, to be able to repay the liability mainly with future income and cash flows the latter generated.

In accordance with Art. 2428, point 6-bis of the Italian Civil Code, it is acknowledged that the Group does not use financial instruments (derivatives and others) except for the mentioned put options over the minority shares in subsidiaries and 5 cap options to hedge the risk of a rise in interest rates for the majority of the medium-term loans stipulated in 2020 and 2021.

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

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

Investments

In 2021, the Group invested in non-current loans and borrowings and intangible assets for a total amount of 1,940 thousand euros (325 thousand euros in 2020), as follows:

- property, plant and equipment for 1,215 thousand euros (196 thousand euros in 2020), mainly relating to hardware purchases for internal use;
- intangible assets for 725 thousand euros (129 thousand euros during 2020), mainly relative to the implementation of the CRM software, essential for the Group's technological update and innovation process, which represents a key element of the business model adopted.

Financial performance of the Parent Alkemy S.p.A.

Below is the key data on the Parent's operations in 2021:

	Figures in thousands of euros	
	2021	**2020**
Net revenue	46,811	43,788
Adjusted Gross operating profit	2,262	684
Amortisation, depreciation and impairment losses	1,899	2,024
Adjusted operating profit (loss)	363	(1,340)
Net non-recurring expense	1,020	224
Net Financial (expense) and from options	(1,777)	(1,689)
Profit (loss) for the year	(147)	823
Net invested capital	55,338	42,151
Net financial debt	(17,381)	(5,370)
Equity	37,957	36,781
Average number of employees	271	277

Reclassified income statement

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

	Figures in thousands of euros	
	2021	**2020**
Net revenue	**46,811**	**43,788**
Services, goods and other operating costs	25,136	26,018
Personnel expense	19,413	17,086
Adjusted Gross operating profit	**2,262**	**684**
Amortisation, depreciation and impairment losses	1,899	2,024
Adjusted operating profit (loss)	**363**	**(1,340)**
Net gains on equity investments	2,162	1,875
Net gains (losses on) options	(1,777)	136
Other financial income	54	18
Other financial expense	(298)	(340)
Non-recurring income	(1,020)	(224)
Pre-tax profit (loss)	**(516)**	**125**
Income taxes	368	697
Profit (loss) for the year	**(147)**	**823**
Other items recognised in equity	70	(68)
Comprehensive income (expense) for the year	**(77)**	**755**

2021 revenue came to 46,811 thousand euros, with an increase of 3,023 thousand euros compared with the previous year (+6.9%), mainly due to the general holding out of the key customers and related active contracts, which benefited from the general post-lockdown recovery of the economy and production activities.

Operating costs, represented by costs for services, goods and other costs and personnel expense (net of non-recurring expenses) total 44,549 thousand euros, up 1,445 thousand euros on the previous year (+3.2%), less than proportional to revenue. This result is due by way of priority to the efficiency-enhancing action taken that has led to the insourcing of certain activities previously outsourced. The personnel expense in 2021 came to 19,413 thousand euros, in fact, up 2,327 thousand euros on the previous year (+13.6%).

Adjusted gross operating profit was 2,262 thousand euros (684 thousand euros in 2020), up 1,578 thousand euros, mainly due to the greater efficiency of operating costs achieved during the year.

Amortisation, depreciation and impairment losses came to 1,899 thousand euros, down 125 thousand euros on 2020 (-6.2%). This item includes:

- depreciation of property, plant and equipment (295 thousand euros) and amortisation of intangible assets (350 thousand euros) for a total of 645 thousand euros (+18.6% on 2020);
- amortisation and depreciation of right-use assets (IFRS 16) for offices, cars and hardware, for 962 thousand euros;
- the accrual to the loss allowance of 292 thousand euros, allocated mainly in view of potential future losses also connected with specific disputed loans at the reporting date.

Net gains on equity investments total 2,162 thousand euros (1,875 thousand euros in 2020) and include dividends approved in 2021 in relation to 2020, by two subsidiaries, as detailed below.

- Ontwice S.L. Madrid, 1,217 thousand euros;
- Nunatac S.r.l., 945 thousand euros.

Expenses on options booked during the year came to 1,777 thousand euros (as compared with gains of 136 thousand euros in 2020) and are mainly due to the effective use in 2021 of the same derivatives representing the rights to acquire residual shares in subsidiaries (DGI S.r.l., Nunatac S.r.l., the Ontwice Group) from the minority shareholders, as envisaged in the related investment contracts.

Non-recurring expenses booked during the year come to 1,020 thousand euros (224 thousand euros in 2020) and are mainly due to non-ordinary costs relating to staff and expenses connected with the M&As completed in 2021.

The Company therefore recorded a pre-tax loss of 516 thousand euros (profit of 125 thousand euros in 2020), which net of tax (for a benefit of 368 thousand euros as compared with 697 thousand in 2020) gave rise to net loss of 147 thousand euros , as compared with a profit of 823 thousand euros of the previous year. A more detailed analysis of the items is given in the information provided in the notes.

Reclassified statement of financial position

The Company's reclassified Statement of financial position at 31 December 2021, compared with that of the previous year is as follows:

	Figures in thousands of euros	
	31 Dec. 2021	**31 Dec. 2020**
Non-current assets	**47,328**	**34,313**
Current assets	28,123	26,521
Current liabilities	(17,330)	(15,758)
Net working capital	**10,793**	**10,763**
Post-employment benefits	(2,740)	(2,849)
Provisions for risks and charges	(43)	(76)
Net invested capital	**55,338**	**42,151**
Equity	**37,957**	**36,781**
Non-current net financial debt	12,967	13,050
Current financial debt (position)	4,414	(7,680)
Net financial debt	**17,381**	**5,370**
Total sources of finance	**55,338**	**42,151**

Non-current assets have gone from 34,313 thousand euros to 47,328 thousand euros, up 13,015 thousand euros on 2020. This change is mainly due to:

- +12,236 thousand euros for the purchase of the remaining shares in the subsidiaries Ontwice Interactive Service S.L., Nunatac S.r.l. and Alkemy South America S.L. and the new acquisitions, Design Group Italia ID S.r.l. and XCC S.r.l.;
- +1,326 thousand euros for the increase in the right-of-use relative in particular to the stipulation of two new lease contracts;
- +677 thousand euros for the net increase in property, plant and equipment and intangible assets with a finite useful life
- -1,113 thousand euros for the valuation and different maturity of the derivatives relative to the options.

Net working capital drops from 10,763 thousand euros at 31 December 2020 to 10,793 thousand euros in 2021, following the changes made to current assets and liabilities, as explained hereto.

Current assets, of 28,123 thousand euros (26,521 thousand euros in 2020) rise by 6% for 1,602 thousand euros, mainly due to:

- the increase in trade receivables for +2,110 thousand euros, in connection with the increased turnover;
- the increase in deferred expenses for +172 thousand euros;
- the update of the fair value of derivatives for -687 thousand euros.

Current liabilities rose by 1,572 thousand euros (+10%), going from 15,758 thousand euros at 31 December 2020 to 17,330 thousand euros at 31 December 2021. This increase is mainly due to the rise in deferred income (981 thousand euros) and trade payables (247 thousand euros) as well as VAT liabilities (213 thousand euros).

The increases impacting equity (+1176 thousand euros) are mainly due to:

- the increase of the Long Term Incentive Plan reserve of +962 thousand euros;
- the exercise of certain stock option plans during the year, which entailed an increase in share capital of 8 thousand euros and an increase in the share premium reserve for 883 thousand euros;
- the change in the stock option reserve due to the recognition of the cost relative to 2021 of the stock option plans in place for +81 thousand euros;
- the recognition of reserves for the treasury shares purchased during the year for -759 thousand euros;
- the comprehensive income for the year achieved (-77 thousand euros)

Net financial debt went from 5,370 thousand euros in 2020 to 17,381 thousand euros, with a 12,011 thousand euros decrease, as better specified in the next paragraph and the statement of cash flows.

It is also specified that the net financial position reported in the notes to the separate financial statements has been calculated according to the provisions of the latest ESMA guidelines of 04 March 2021, and that differ from the net financial position previously described and detailed below, as it does not consider financial receivables relative to loans to subsidiaries.

Main financial figures

The Company's net financial debt at 31 December 2021 amounts to -17,381 thousand euros and includes:

- the balance of cash and cash equivalents of 3,306 thousand euros;
- intragroup loans, granted to the subsidiaries of 900 thousand euros
- current bank loans and borrowing for a total of 15,873 thousand euros, obtained from various banks (2 during the year), detailed in the notes, of which 10,448 thousand euros non-current and 5,385 thousand euros current.
- lease liabilities of use for a total of 4,314 thousand euros, of which 3,379 thousand euros due after one year and 935 thousand euros due within the year.

The significant reduction in cash and equivalents seen during the year (9,618 thousand euros) is mainly due to the exercise of options for the purchase of the minority shares in the capital of Nunatac S.r.l., Design group Italia ID S.r.l., Ontwice S.L. and Alkemy South America S.L., as well as the purchase of the majority of XCC S.r.l. (for a total of 12,236 thousand euros), the envisaged reimbursement of instalments on bank loans in place (for a total of 4,537 thousand euros), partly offset by the new loans and advances on invoices received both from banks (for a total of 4,472 thousand euros) and from a subsidiary (for 1,400 thousand euros).

The table below details the net financial position at 31/12/2021 compared with that of the previous year.

	Figures in thousands of euros	
	31 Dec. 2021	**31 Dec. 2020**
Bank deposits	3,305	12,920
Cash on hand	1	4
Cash and cash equivalents	**3,306**	**12,924**
Loans	900	577
Loans	**900**	**577**
Bank loans and borrowings	(10,488)	(11,353)
Lease liabilities from application of IFRS 16	(3,379)	(2,274)
Non current financial liabilities	**(13,867)**	**(13,627)**
Bank loans and borrowings	(5,385)	(4,571)
Loans and borrowings from other financial backers	(1,400)	-
Lease liabilities from application of IFRS 16	(935)	(673)
Current financial liabilities	**(7,720)**	**(5,244)**
Net financial debt	**(17,381)**	**(5,370)**

Reconciliation of loss and equity of the Parent and the Group

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

	Figures in thousands of euros	
	2021 (loss)	**equity at 31 Dec. 2021**
Alkemy S.p.A. (Parent)	**(147)**	**37,957**
Contribution made by consolidated equity investments	5,312	10,444
Derecognition of carrying amount of equity investments	-	(9,933)
Derecognition of dividends distributed to the parent	(2,162)	-
Elimination of derivatives and options on capital pertaining to non-controlling interests	1,576	(1,461)
Write-down of equity investment in DGI	(308)	(308)
Loss and equity attributable to non-controlling interests	(8)	(323)
Consolidated Financial Statements of the Alkemy Group	**4,263**	**36,376**

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.

The 2021 "Annual Corporate Governance Report", approved by the Board of Directors, will be made available to Shareholders in accordance with the law. The Report will also be available on the Company's website (www.alkemy.com "Corporate Governance – Annual Reports" section).

The Report also contains the information envisaged by Art. 123-*bis* of the Consolidated Law on Finance, including that on ownership structures and compliance with the code of conduct to which the Company adheres.

It is also specified that the information pursuant to paragraphs 1 and 2 of Art. 123-*bis* of Italian Legislative Decree no. 58/1998 is given in the separate "Annual Corporate Governance Report", which, for certain information on remuneration, refers to the "Remuneration Report" prepared in accordance with Art. 123-*ter* of Italian Legislative Decree no. 58/1998. Both reports, approved by the Board of Directors, are published by the deadlines envisaged on the Company's website.

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

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

The tables below show the commercial and financial transactions carried out in 2021 by and between the Parent and its subsidiaries 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.	526	-	430	(6)
XCC S.r.l.	194	(52)	16	-
DGI S.r.l.	151	(450)	33	(239)
Ontwice S.L. Madrid	-	(28)	-	(64)
Alkemy SEE D.o.o.	181	-	84	-
Ontwice Mexico	40	-	119	-
Alkemy Iberia S.L.	732	-	1,226	(1)
Nunatac S.r.l.	72	(1,263)	176	(846)
Total	**1,894**	**(1,794)**	**2,083**	**(1,157)**

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 a liability due to subsidiaries for the tax consolidation scheme, in the amount of 135 thousand euros.

Financial transactions between the Parent 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 2020, indicating interest accrued (income):

Financial transactions			Figures in thousands of euros	
	Assets	**Liabilities**	**Revenue**	**Costs**
Alkemy Play S.r.l.	320	-	6	-
Alkemy SEE D.o.o.	330	-	3	-
Nunatac S.r.l.	-	(1,400)	-	(1)
XCC S.r.l.	200	-	2	-
Alkemy Iberia S.L.	50	-	1	-
Total	**900**	**(1,400)**	**13**	**(1)**

Research and development

During the year, the Group launched various initiatives in research and development (R&D), with the continuation of a project that had started in previous years, incurring costs for both personnel expense (296 thousand euros) and external consultancy (51 thousand euros), for a total of 347 thousand euros (1,531 thousand euros in 2020), down 1,184 thousand euros on the previous year. For this project, assisted by a Special Finance tender, the parent Alkemy S.p.A. recognised grants for 124 thousand euros (478 thousand euros in 2020).

On these activities, in 2021 the Parent accrued a tax credit of 60 thousand euros.

Treasury shares

The meeting of the Shareholders of Alkemy S.p.A. held on 26 April 2021 resolved to purchase and dispose of ordinary shares in the Company for the purposes and according to the terms approved by the Board of Directors on 22 March 2021, namely the purchase of treasury shares for up to eighteen months, in order to: (i) use the treasury shares as an investment, for an efficient use of the cash and cash equivalents generated by the Company's core business and (ii) be able to use the treasury shares to assign to the beneficiaries of potential incentive plans resolved by the competent corporate bodies in the favour of Company employees and directors; and (iii) allow 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.

During the year, the Company therefore acquired a total of 57,000 treasury shares (1% of the Company's share capital), for a total outlay of 759 thousand euros.

These purchases were made in compliance with current legislation, in particular with the provisions of Art. 132 of 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.

The Company has also assigned and transferred 11,268 shares, worth 93 thousand euros, to the Parent Company's Chairman and CEO, in execution of the "Long Term Incentive Plan", in connection with 50% of the shares accrued by them on the 2020 result.

At 31 December 2021, the Company held 158,268 treasury shares, accounting for 2.78% of the share capital (112,536 at 31 December 2020, equal to 2.01% of the share capital) for an equivalent value of 1,743 thousand euros, deriving from buy-back plans carried out by the Company.

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

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 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. Since listing on the MTA (today EURONEXT MILAN), no new stock option plan has been adopted, considering it most appropriate and motivating to offer only top management long-term share-based incentive plans.

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

1. 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;
2. 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:
   2.1. 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;

2.2. 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.

The plans pursuant to the previous point 1 and 2.1 were exercised on 1 October 2021, with the issue of 75,850 new shares in the favour of 27 Italian employees of the Group. The plan pursuant to point 2.2 above, the most recent still in place, will be exercised in H2 2022.

Significant subsequent events

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

- From 1 January 2022, the merger by acquisition took effect of the Serbian company Alkemy Digital Hub D.o.o. into Alkemy SEE D.o.o., aimed at simplifying the business processes in the Balkans area;
- On 22 January 2022, both the Board of Directors of Alkemy S.p.A. and that of Nunatac S.r.l. approved the planned merger by acquisition of the latter into the Parent company, which is the sole shareholder; on 4 March 2022, the shareholders' meeting of the company being acquired and the Board of Directors of the acquiring company, held in an extraordinary session, both approved said merger, which, upon expiry of the legal deadlines, is expected to be completed and effective from this coming 1 June, save for any unexpected intervention by third parties;
- On 16 February 2022, Alkemy S.p.A. acquired 24.99% of the capital of the Spanish subsidiary Alkemy Iberia S.L. from a company headed by its CEO, upon payment of Euro 2,173 thousand (Euro 1,700 thousand at closing and the remaining share in 2022); at the same time, the approach of the CEO leaving Alkemy Iberia S.L. has been agreed, and he will remain on the company's Board of Directors until approval of its financial statements at 31 December 2021 and the appointment of the new Country Manager for the Spanish market, who is set to take up office this coming April;
- On 4 March 2022, Alkemy SEE signed a binding letter of intent between its subsidiary Kreativa New Formula D.o.o. and the company Kreativa Unlimited D.o.o. ("KU") aimed at achieving the merger of the business headed by the 2 companies; upon completion of the operation, expected for this coming May, 51% of the capital of the company resulting from the merger will be held by Alkemy SEE and 49% by the shareholder (and current CEO) of KU;
- On 22 February 2022, Alkemy S.p.A. and the minority shareholders Alkemy Play S.r.l., renewed the shareholders' agreements expiring this year, setting out, amongst others:

- the continuation of the contract for another 3 years;
- the increase in the capital to be subscribed to cover the company's 2021 losses, following which the portion held by the parent company will rise to 75% from the current 51%;
- new put&call options according to new valuation terms.

Outlook

At the date of approval of this annual report at 31 December 2021 is approved, all Italian and foreign companies of the Group continue their work mainly from remote, also in line with the instructions given by the various local governments in the different 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 ensure worker safety and business continuity.
The evolution of operations in 2022 will mainly still depend on exogenous factors connected with both the conclusion of the pandemic emergency, with the elimination of consequent restrictions and the start towards "normal" and the evolution of the war in the Ukraine and correlated general economic impacts, heightened by the inflation generated by the diffused increase in the price of commodities and, in particular, energy products. If this market situation currently has no direct impact on Alkemy, insofar as it provides services and does not operate in either the Ukraine or Russia, it may have indirect fallout: indeed, some of its customers may suffer greater difficulties brought about by the war, with possible impacts on the purchase of the services offered by the Group.
Considering the results achieved in 2021 and the current state of business progress in the early months of 2022, save for any further aggravating factors, which cannot currently be predicted, it is confirmed that the Group expects to continue its organic growth, both in terms of revenues and margins and by consolidating the rationalisation and increasing efficiency, benefiting fully from the effects of the new Group organisation launched in 2021, which better integrates, particularly in Italy, the business of Alkemy S.p.A. with that of Nunatac S.r.l. (data analytics), of Design Group Italia ID S.r.l. (Product, Service & Space Design) and of XCC S.r.l. (System integration).

Allocation of profit for the year

We believe we have thus duly informed you on the Company's performance and propose you resolve to carry forward the loss for the year booked by Alkemy S.p.A. of Euro -147,399.

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 recognised. We would now, therefore, ask you to kindly approve these Separate and Group Consolidated Financial Statements at 31 December 2021.

Milan, 22 March 2022

for the Board of Directors

the Chief Executive Officer

Duccio Vitali

Alkemy S.p.A.

Consolidated financial statements

at 31 December 2021

Financial statements

income statement (*)

	Notes	2021	2020
		Figures in thousands of euros	
Revenue from sales and services	1	93,955	73,925
Other revenue and income	2	1,230	1,007
Total revenue and income		**95,185**	**74,932**
Services, goods and other operating costs	3	(46,825)	(40,100)
- of which non-recurring		(76)	-
Personnel expense	4	(38,845)	(28,861)
- of which non-recurring		(944)	(224)
Total costs and other operating costs		**(85,670)**	**(68,961)**
Gross operating profit		**9,515**	**5,971**
Amortisation/depreciation	5	(2,408)	(1,749)
Provisions and impairment losses	6	(487)	(1,077)
Operating profit		**6,620**	**3,145**
Net gains (losses) on equity investments	7	(308)	96
Financial income	8	455	587
Financial expense	9	(998)	(1,284)
Pre-tax profit		**5,769**	**2,544**
Income taxes	10	(1,498)	(722)
Profit for the year		**4,271**	**1,822**
Attributable to:			
- Owners of the parent		4,263	1,792
- Non-controlling investors		8	30
Earnings per share	11		
Basic		0.78	0.32
Diluted		0.78	0.32

(*) 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 in annex 2 and are also described in the paragraph on "Related party transactions" in the Report on Operations.

statement of comprehensive income

			Figures in thousands of euros
	Note	**2021**	**31 Dec. 2020**
Profit for the year		**4,271**	**1,822**
Items that will be reclassified to profit or loss:			
Foreign operations - foreign currency translation differences		46	(86)
Total items that will be reclassified to profit or loss	25	**46**	**(86)**
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses)		130	(294)
Related tax		(31)	71
Total	25	**99**	**(223)**
other comprehensive income (expense) net of tax		**145**	**(309)**
Comprehensive income		**4,416**	**1,513**
Attributable to:			
- Owners of the parent		4,408	1,483
- Non-controlling investors		8	30

Statement of financial position (*)

		Figures in thousands of euros	
Assets	**Notes**	**31 Dec. 2021**	**31 Dec. 2020**
Non-current assets			
Property, plant and equipment	12	1,809	855
Right-of-use assets	13	5,332	3,122
Goodwill	14	41,249	31,755
Intangible assets with a finite useful life	15	863	650
Equity investments	16	5	1,174
financial assets	17	1,789	1,646
Deferred tax assets	18	1,789	1,470
Other assets	19	241	205
Total non-current assets		**53,077**	**40,877**
Current assets			
Trade receivables	20	36,040	31,044
financial assets	21	84	82
Tax assets	22	1,274	1,441
Other assets	23	2,885	2,766
Cash	24	10,458	18,840
Total current assets		**50,741**	**54,173**
Total assets		**103,818**	**95,050**

(*) 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 given in annex 2 and are also described in the paragraph on “Related party transactions” in the Report on Operations.

Statement of financial position (*)

		Figures in thousands of euros	
Liabilities and Equity	**Notes**	**31 Dec. 2021**	**31 Dec. 2020**
Equity	25		
Share capital		596	588
Reserves		31,517	28,762
Profit/(loss) for the period		4,263	1,792
Equity attributable to owners of the parent		**36,376**	**31,142**
Equity attributable to non-controlling investors	26	323	254
Total equity		**36,699**	**31,396**
Non-current liabilities			
Financial liabilities	27	11,269	11,439
Lease liabilities	29	4,009	2,415
Put option liabilities	30	6,575	3,115
Employee benefits	31	6,361	5,087
Provisions for risks and charges	32	222	222
Deferred tax liabilities	33	18	84
Total non-current liabilities		**28,454**	**22,362**
Current liabilities			
Financial liabilities	27	5,502	4,632
Lease liabilities	29	1,473	776
Put option liabilities	30	2,906	8,923
Trade payables	34	14,184	14,688
Tax liabilities	35	2,281	1,688
Other liabilities	36	12,319	10,585
Total current liabilities		**38,665**	**41,292**
Total liabilities		**67,119**	**63,654**
Total liabilities and equity		**103,818**	**95,050**

(*) 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 in annex 2 and are also described in the paragraph on "Related party transactions" in the Report on Operations

Consolidated statement of cash flows

		Figures in thousands of euros	
	Notes	**31 Dec. 2021**	**31 Dec. 2020**
Cash flows from operating activities			
Profit/(loss) for the period		4,271	1,822
Financial income	8	(455)	(587)
Net gain (losses) on equity investments	7	308	(96)
Financial expense	9	998	1,284
Income taxes	10	1,498	722
Amortisation/depreciation	5	2,408	1,749
Provisions and impairment losses	6	487	1,077
Cost for share-based payments	4	769	564
Decrease (increase) in inventories		-	61
Decrease (increase) in trade receivables		(2,008)	244
Decrease in trade payables		(678)	(2,540)
Decrease (increase) in other assets		(3)	4,107
Increase in other liabilities		1,403	2,038
Interest paid		(250)	(307)
Income tax paid		(1,331)	(554)
Net cash flows from operating activities		**7,416**	**9,584**
Cash flows from investing activities			
(Acquisition of property, plant and equipment and intangible assets		(1,940)	(325)
Decrease (increase) in financial assets		303	(91)
Change in the consolidation scope net of cash and cash equivalents acquired		(1,949)	-
Net cash flows used in investing activities		**(3,586)**	**(416)**
Cash flows from financing activities			
Change in financial liabilities		(259)	4,542
Change in financial liabilities pursuant to IFRS 16		(1,347)	(950)
Change in treasury shares		(759)	(181)
Dividends paid to non-controlling investors		(1,031)	(667)
Other changes in equity		884	-
Share capital increases		8	-
Exercise of put options		(9,653)	(2,652)
Other changes		(55)	-
Net cash flows from (used in) financing activities		**(12,212)**	**91**
Net increase/(decrease) in cash and cash equivalents		**(8,382)**	**9,259**
Opening balance		**18,840**	**9,581**
Closing balance		**10,458**	**18,840**

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

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	-	-	-
Repurchase 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 investors	-	-	-	-	(952)	-	(952)	-	(952)
Other movements	-	-	-	-	39	-	39	(39)	-
Other comprehensive expense	-	-	-	(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**

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**	**29,418**	**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	-	-	(30)	-	79	-	79
Stock options	8	-	-	690	274	-	972	-	972
Change in put option liabilities	-	-	-	-	289	-	289	61	350
Change in long-term incentive plan reserves	-	-	-	962	-	-	962	-	962
Dividends to non-controlling investors	-	-	-	-	(717)	-	(717)	-	(717)
Other comprehensive income	-	-	-	145	-	-	145	-	145
Profit for the year	-	-	-	-	-	4,263	4,263	8	4,271
Balance at 31 December 2021	**596**	**(1,743)**	**202**	**31,215**	**1,843**	**4,263**	**36,376**	**323**	**36,699**

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 the 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 EURONEXT MILAN market 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 2021.

The draft consolidated financial statements at 31 December 2021 were approved by the Board of Directors on 22 March 2022, which also authorised their publication.

Reporting standards

Basis of preparation

The consolidated financial statements at 31 December 2021 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.

They are prepared on a going concern and 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 revenue 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 Group's financial position, financial performance and cash flows. This format is the same used for the presentation of the separate financial statements of Alkemy S.p.A.

In order to fulfil the requirements set out in CONSOB Resolution 15519 of 27 July 2006 on 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 non-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 scope, note the following:

- 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 S.r.l.) at a price of 1,401 thousand euros. The transaction is a business combination recorded in compliance with IFRS 3 "Business combinations".
  At the date of the acquisition, on the basis of the contractual terms regulating the exercise of the put and call options over minority interests (49%), the transaction was booked as though Alkemy had acquired control of 100% of XCC S.r.l., without, therefore, noting any non controlling interests. The current value of payments envisaged in the event of the exercise of the options was included in the determination of the price of the business combination (approximately 3,897 thousand euros).
  Goodwill (4,885 thousand euros) was determined by the difference between this price and the value of shareholders' equity of the acquired company;
- On 11 June 2021, Alkemy S.p.A. acquired a further 31% of the share capital of Design Group Italia ID S.r.l. (which in turn holds 100% of the two foreign subsidiaries in Iceland and the USA)

at a price of 1,334 thousand euros. The Parent already held 20% of the company's share capital. The transaction is a business combination recorded in compliance with IFRS 3 "Business combinations".

At the date of the acquisition, on the basis of the contractual terms regulating the exercise of the put and call options over minority interests (49%), the transaction was booked as though Alkemy had acquired control of 100% of DGI S.r.l., without, therefore, noting any minority interests. The current value of payments envisaged in the event of the exercise of the options was included in the determination of the price of the business combination (approximately 3,267 thousand euros).

Goodwill (4,610 thousand euros) was determined by the difference between this price and the value of equity of the acquired company;

- 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, thereby becoming its sole shareholder.
- On 9 September 2021, the spin-off of Ontwice Interactive Service S.L. was completed and the subsequent conferral of the two Mexican investee companies to the new entity, Alkemy South America S.L.;
- On 6 October 2021 Alkemy S.p.A. exercised the call option over 20% of the residual capital of the Spanish subsidiary Ontwice Interactive Service S.L. and over the 20% of the residual capital of the subsidiary Alkemy South America S.L., thereby ending up with all the capital of both foreign companies;
- On 4 November 2021, the parent of the Balkans area, Alkemy SEE D.o.o. exercised the call option over the remaining 49% of the capital of the subsidiary Kreativa New Formula D.o.o., early;
- On 13 December 2021, liquidation was notified of the inoperative American company Alkemy USA Inc.

At 31 December 2021, the consolidation scope was as follows:

Company name	% held	Registered office
Direct subsidiaries:		
Alkemy Play S.r.l.	51%	Milan
Alkemy SEE D.o.o.	70%	Serbia – Belgrade
Alkemy Iberia S.L.	65%	Spain - Madrid
Nunatac S.r.l.	100%	Milan
Design Group Italia ID S.r.l.	51%	Milan
eXperience Cloud Consulting S.r.l.	51%	Rome
Alkemy South America S.L.	100%	Spain - Madrid
Ontwice Interactive Service S.L.	100%	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.	70%	Serbia – Belgrade
Ontwice Interactive Service S.A. Mexico City	100%	Mexico - Mexico City
Ontwice Interactive Service Digital S.A. Mexico City	100%	Mexico - Mexico City
Design Group Italia ehf.	51%	Iceland - Reykjavik
Design Group Italia Corp.	51%	USA - New York

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 machinery	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 they may be impaired. The test carried out is described on the paragraph on "Impairment".

Leased assets (rights of use and lease liabilities)

<u>Accounting model for the lessor</u>
At the lease start date, the Group recorded rights of use assets and lease liabilities. The right of use asset is initially measured at cost, including the amount of the initial measurement of the lease liability, adjusted by payments due for the lease made at or before the start date.

The right of use asset is thereafter amortised on a straight-line basis from the start date to the end of the lease term, unless the lease should transfer ownership of the underlying asset to the Group at the end of the lease or, considering the cost of the right of use asset, it is expected that the Group will exercise the purchase option. In this case, the right of use asset will be amortised throughout the useful life of the underlying asset, determined on the same basis as for properties and machinery.

The Group measures the lease liability at the current value of payments due for the lease and unpaid at the start date, which includes fixed (or substantively fixed) and variable payments, which depend on an index or rate.

The lease liability is measured at amortised cost, using the effective interest criterion and is remeasured in the event of any change to future payments due for the lease as a result of a change in the index or rate, an extension or termination or in the event of a revision of payments due for the lease.

If the lease liability is remeasured, the lessor shall adjust the right of use asset accordingly. If the carrying amount of the right of use asset is reduced to zero, the lessor shall note the change in the profit/(loss) for the period.

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". 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".

Investments in other companies

Investments in other companies are measured at fair value, if they can 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 each reference date, the Group revises the carrying amount of its tangible and intangible assets (including goodwill) to determine if there is any indication that they may have reduced in value.

Should this be the case, their recoverable amount is estimated in order to calculate the potential amount of the write-down. The recoverable amount of goodwill is instead estimated each year and every time indications of impairment are noted.

In order to identify any impairment losses, assets are grouped into the smallest identifiable group of assets generating cash flows, extensively independent of cash flows generated by other assets or groups of assets ("CGUs" or "Cash-Generating Units"). Goodwill acquired through a business combination is allocated to the CGU that is expected to benefit from the synergies of the merger.

The value able to be recovered on an asset or cash generating unit is the greater of its value in use and its fair value, net of the costs of decommissioning. In order to determine the value in use, estimated expected cash flows are discounted using a discount rate that reflects current market valuations of the time value of money and specific risks of the asset or CGU.

If the recoverable amount of an asset (or of a cash-generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable value. The impairment is recognised in the income statement.

When there is no longer any reason for a write-down to be maintained, the carrying amount of the asset (or of the cash generating unit), with the exception of goodwill, is restated at the new value deriving from the estimate of its recoverable value; however, this new value cannot exceed the net carrying amount which the asset would have had if the write-down for impairment had not been made, net of any amortisation/depreciation that should have been calculated before the previous impairment. The write-back 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 assets;
- Current assets: Trade receivables; Financial assets; Other assets; Cash and cash equivalents;
- Non-current liabilities: Non-current financial liabilities, Other non-current liabilities;
- Current liabilities: Trade liabilities, financial liabilities, Other liabilities.

<u>Financial liabilities</u>

Financial liabilities include loans and borrowings, other financial liabilities, including derivatives and lease liabilities

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

Put option liabilities

It is specified that put option liabilities relative to put & call options are initially measured at fair value at the date on which the contract is signed and updated at each year end; any changes to fair value are recognised as equity.

Fair value measurement

Fair value is the price that would be received, at the measurement date, for the sale of an asset or that would be paid for the transfer of a liability in a normal transaction between market participants on the main (or most advantageous) market to which the Group has access at that time. The fair value of a liability reflects the effect of a risk of default.

Where available, the Group measures the fair value of an instrument using the listed price of that instrument on an active market. A market is active when the transactions relative to the asset or liability take place with sufficient frequency and volumes to provide useful information to determining the price continuously.

For lack of a price listed on an active market, the Group uses measurement techniques that maximise the use of observable input data and minimise the use of non-observable input data. The chosen measurement technique includes all factors that market participants would consider in appraising the price of the transaction.

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 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 (FVOCI);
- all other financial assets that do not meet the criteria for classification amongst instruments measured at amortised cost or FVOCI are measured at fair value through profit or loss (FVTPL).

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

Cash and cash equivalents

Cash and cash 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. Equally, in the event of the assignment of treasury shares, due to incentive plans in the favour of employees,

the reduction of the negative reserve has, as its equity counterpart, the specific reserve entered under Equity for the “Long Term Incentive Plan”.

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 in equity.

Share-based payments (share incentive plan)

Employee benefits (long term incentive plan - LTIP) include, as per the substantive nature of remuneration they assume, the cost of share-based incentive plans. The cost of the incentive is determined with reference to the fair value of the instruments attributed and the forecast number of shares that will effectively be assigned; the portion pertaining to the year is determined *pro rata temporis* throughout the vesting period, i.e. the period running between the grant date and the date of assignment. The fair value of the shares underlying the incentive plan is determined at the grant date, taking into account forecast achievement of the performance parameters associated with market conditions and is not rectified during following years; when the benefit is obtained, the forecast relative to these conditions is reflected by adjusting the number of shares to effectively be assigned, throughout the vesting period. Starting 01 January 2021, the incentive plan, as it was approved by the Shareholders' Meeting on 26 April 2021, is based only on shares and the equivalent cost of the purchase has been reclassified from "Other liabilities" to a new equity reserve.

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 or 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

Revenue are measured taking into account the price specified in the contract with the customer. The Group records revenue when it transfers control over the assets or service, i.e. when the performance obligations contained in the contracts with the customers are fulfilled.

Government grants

They are recognised when there is reasonable certainty that all conditions envisaged for their obtainment 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 profit or loss through the time frame corresponding to the useful life of the relevant asset.

Taxes

The parent company Alkemy S.p.A. and its subsidiaries Nunatac S.r.l. and Alkemy Play S.r.l. have exercised the option for the “National tax consolidation” pursuant to Articles 117 *et seq.* of Italian Presidential Decree no. 917/86 (the Consolidated Law on Income Tax), which allows IRES tax to be determined on a tax base that coincides with the algebraic sum of the taxable income of the individual companies. Economic relations, in addition to responsibility and mutual commitments of the consolidating company and subsidiaries, are defined by the tax consolidation contract.

Current taxes represent the estimated amount of income tax due, calculated on period taxable income, determined by applying current tax rates or tax rates that are substantively in force at the reporting date and any adjustments to the amount relative to previous years.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated on the basis of the liability method, on temporary differences recorded at the reporting date between the values of assets and liabilities recognised in the financial statements and the corresponding values recognised for tax purposes.

Deferred tax assets are recognised on all deductible temporary differences and any tax losses carried forward, to the extent that it is probable that there will be adequate future tax profits that can make their use applicable.

Deferred tax is not recorded for:

— temporary differences relative to the initial booking of assets or liabilities in a transaction other than a business combination, which does not impact the accounting profit (or loss) nor the taxable income (or tax loss);

— temporary differences relative to investments in subsidiaries, associates and joint ventures to the extent to which the Group can control the time-frames for the cancellation of the temporary differences and it is likely that in the foreseeable future, the temporary difference will not be cancelled;

— taxable temporary differences relative to the initial recognition of goodwill.

The value to be recorded of deferred tax assets is reviewed at each year-end date and reduced to the extent to which the amount is no longer likely to be recovered. Unrecognised deferred tax assets are reassessed annually at the end of each reporting period and a previously unrecognised deferred tax asset is recognised to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have already been enacted by the end of the reporting period.

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 operations held in currencies other than the euro, which come under the scope of consolidation, are translated using the exchange rates. Income and costs are translated at the average rate of the year Exchange differences resulting from the application of this method are classified as items of equity.

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

Currency	2021 Average rate	2021closing rate
Mexican peso	23.99	23.14
Serbian dinar	117.55	117.62
Icelandic króna	150.15	147.60
US dollar	1.18	1.13

Earnings 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.

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 revenue 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 liabilities, put&call option liabilities and determine loss allowances, allowances for inventory write-downs, amortisation/depreciation and impairment losses of assets, employee benefits, tax, provisions for risks and charges and other provisions.

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 2021

Below is a list of the standards, amendments, interpretations and improvements in force starting 1 January 2021, for which there has been no significant impact on the Group's 2021 Annual Financial Report.

Amendment of IFRS 4 "Insurance Contracts" - deferral of IFRS 9 (published on 25 June 2020)

Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform" (phase 2 - published on 27 August 2020).

Amendments to IFRS 16 - "Leases Covid 19-Related Rent Concessions": The document envisages that lessees, extending the period of application by one year, shall have the right to book reductions in charges connected with COVID-19 without having to assess, through an analysis of contracts, whether or not the definition of lease modification given by IFRS 16 is effectively respected.

With reference to the standards and amendments detailed above, already in effect at the reporting date, the adoption has not had any significant impact on the Group's financial statements.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, not yet applicable and not adopted in advance by the Company as at 31 December 2021
Below are the standards, amendments, interpretations and improvements to be applied in the future:

Annual improvements to IFRS (Cycle 2018–2020) (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41) (published on 14 May 2020). The amendments apply to financial years starting on or after 1 January 2022.

Onerous contracts—Cost of fulfilling a contract (Amendments to IAS 37) (published on 14 May 2020). The amendments apply to financial years starting on or after 1 January 2022.

Property, plant and equipment: proceeds before intended use (Amendments to IAS 16) (published on 14 May 2020). The amendments apply to financial years starting on or after 1 January 2022.

Reference to the Conceptual Framework (Amendments to IFRS 3) (published on 14 May 2020). The amendments apply to financial years starting on or after 1 January 2022.

Standard IFRS 17 "Insurance Contracts" as amended (published respectively on 18 May 2017 and on 25 June 2020). The amendments apply to financial years starting on or after 1 January 2023.

With reference to the foregoing standards and amendments, it is not expected that the adoption shall have any significant impact on the Group.

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

Amendment to IAS 1 "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" and "Deferral effective date" (published respectively on 23 January 2020 and on 15 July 2020). The amendments apply to financial years starting on or after 1 January 2023.

Amendment to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimate" (published on 12 February 2021). The amendments apply to financial years starting on or after 1 January 2023.

Amendment to IAS 1 "Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies" (published on 12 February 2021). The amendments apply to financial years starting on or after 1 January 2023.

Amendment to IAS 12 "Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (published on 07 May 2021). The amendments apply to financial years starting on or after 1 January 2023.

Amendment to IFRS 17 - Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information” (published on 9 December 2021). The amendments apply to financial years starting on or after 1 January 2023.

Amendment to IFRS 14 - Regulatory Deferral Accounts - The approval process is currently on hold whilst awaiting the new accounting standard on “rate-regulated activities”.

Amendment to IFRS 10 and IAS 28 - Sales or Contribution of Assets between an Investor and its associate or Joint Venture - The document was published in September 2014 in order to resolve the current conflict between IAS 28 and IFRS 10 relating to the valuation of the profit or loss resulting from the sale or contribution of a non- monetary asset to a joint venture or associate in exchange for an interest in the latter's capital. The date of entry into force of the IASB document and the related approval process have been put on hold until completion of the IASB project on the equity method. With reference to the foregoing standards and amendments, it is not expected that the adoption shall have any significant impact on the Group.

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 mainly large, highly-solvent private companies.

Exposure to credit risk at 31 December 2021 and 31 December 2020 is as follows:

	Figures in thousands of euros	
	31 Dec. 2021	**31 Dec. 2020**
Non-current financial assets	1,789	1,646
Other non-current assets	241	205
Trade receivables	38,077	32,582
Current financial assets	84	82
Other current assets	2,885	2,766
Total exposure	**43,076**	**37,281**
Loss allowance	(2,037)	(1,538)
Total exposure net of the loss allowance	**41,039**	**35,743**

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

Below is a breakdown of financial assets at 31 December 2021 and 31 December 2020, grouped by category and due date:

Figures in thousands of euros

	Carrying amount 31 Dec. 2021	Falling due	Past due						Loss allowance
			0 - 30	30 - 90	90 - 180	180-365	more than 365	Total past due	
Non-current financial assets	1,789	1,789	-	-	-	-	-	-	-
Other non-current assets	241	241	-	-	-	-	-	-	-
Trade receivables	36,040	28,256	3,572	3,043	1,118	840	1,248	9,821	(2,037)
Current financial assets	84	84	-	-	-	-	-	-	-
Other current assets	2,885	2,885	-	-	-	-	-	-	-
Total financial assets (*)	**41,039**	**33,255**	**3,572**	**3,043**	**1,118**	**840**	**1,248**	**9,821**	**(2,037)**

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

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 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 assets 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 and stipulating bank overdrafts and loans.

Financial liabilities at 31 December 2021 and 31 December 2020, including interest payable, divided up by contractual due date, are as follows:

Figures in thousands of euros

	Carrying amount 31 Dec. 2021	Contractual financial flows	Current portion	from 1 to 2 years	from 2 to 5 years	More than 5 years
Bank loans and borrowings	16,366	16,636	5,586	4,969	5,848	233
Lease liabilities	5,482	5,716	1,569	1,152	2,719	276
Put option liabilities	9,481	9,745	3,018	3,082	3,645	-
Loans and borrowings from other financial backers	405	431	61	95	269	6
Total financial liabilities	**31,734**	**32,528**	**10,234**	**9,298**	**12,481**	**515**

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	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**

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

Financial liabilities at 31 December 2021 and 31 December 2020, 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. 2021	Current portion	from 1 to 2 years	from 2 to 5 years	More than 5 years
Bank loans and borrowings	16,366	5,450	4,883	5,800	233
Lease liabilities	5,482	1,473	1,091	2,643	275
Put option liabilities	9,481	2,906	3,013	3,562	-
Loans and borrowings from other financial backers	405	52	88	259	6
Total financial liabilities	**31,734**	**9,881**	**9,075**	**12,264**	**514**

					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	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**

Three loans (5,398 thousand euro at 31 December 2021) envisage the respect for two covenants and, in particular: (i) leverage ratio, i.e. net financial debt/gross operating profit <3, to be calculated annually starting 31 December 2021; and (ii) the ratio of net financial debt and equity <1, to be calculated annually starting 31 December 2019. The parameters were fully respected as at 31 December 2021.

It is noted that in 2021, the first of the above parameters was renegotiated: in actual fact, a leverage ratio >2 had originally been envisaged.

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.

Note that there are five "cap" options in place (at fixed rate, already paid), in connection with the non recurrent loans entered into in 2019, 2020 and 2021 to hedge the risk of future rises in interest rates, in connection with an equal number of loans that are worth approximately 81% of the bank loans and borrowings entered into at 31 December 2021.

Financial liabilities of 31,734 thousand euros at 31 December 2021 and 31,300 thousand euros at 31 December 2020 include variable rate loans of 15,283 thousand euros and 15,230 thousand euros, respectively.

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 recognised 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 at 31 December 2021 and 31 December 2020 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 - 2021	55	(55)
Total	**55**	**(55)**

	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)**

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 currency 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 at the reporting date, the Alkemy Group policy is not to hedge said currency risk insofar as there are no significant 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.

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 receivables 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 2021 and 31 December 2020, the tables below show the fair value hierarchy for the Group's assets and liabilities measured at fair value:

			Figures in thousands of euros
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**
Hedging derivatives	-	55	-
Liabilities measured at fair value			
Put option liabilities	-	-	(9,481)
Balance at 31 December 2021	**-**	**55**	**(9,481)**

			Figures in thousands of euros
Liabilities measured at fair value	**Level 1**	**Level 2**	**Level 3**
Put option liabilities	-	-	(12,038)
Balance at 31 December 2020	**-**	**-**	**(12,038)**

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 2021, the Parent and Subsidiary Design Group Italia ID S.r.l. received capital contributions respectively of 161 thousand euros and 63 thousand euros, for a total of 224 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	**2021 amount collected**	**Reason**
Sardegna Ricerche	82	Culture 4.0 project
Ministry of Economic Development	48	D-ALL project
Lombardy Region	63	Food NET project
Regional Authority of Calabria	31	SMART project
	224	

The Parent has also received loan contributions for 96 thousand euros from the Ministry of Economic Development in connection with the D-ALL project. Financing on the above projects refer entirely to research and development carried out by the Company.

A complete disclosure on revenue 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 "Abroad".

Below is the data of 2021 and 2020, broken down by segment as required by IFRS 8, indicating any inter-segment adjustments.

Figures in thousands of euros

2021	**Italy**	**Abroad**	**Inter-segment adjustments**	**Total**
Revenue from sales and services	64,615	30,833	(1,493)	**93,955**
Other revenue and income	955	288	(13)	**1,230**
Total revenue and income	**65,570**	**31,121**	**(1,506)**	95,185
Services, goods and other operating costs	(28,845)	(19,486)	1,506	**(46,825)**
- of which non-recurring	(76)	-	-	**(76)**
Personnel expense	(31,203)	(7,642)	-	**(38,845)**
- of which non-recurring	(944)	-	-	**(944)**
Total costs and other operating costs	**(60,048)**	**(27,128)**	**1,506**	**(85,670)**
Gross operating profit	**5,522**	**3,993**	**-**	**9,515**
Amortisation/depreciation	(2,149)	(259)	-	**(2,408)**
Impairment losses and provisions	(508)	21	-	**(487)**
Operating profit	**2,865**	**3,755**	**-**	**6,620**
Financial income	1,018	349	(1,220)	**147**
Financial expense	(617)	(385)	4	**(998)**
Pre-tax profit/(loss)	**3,266**	**3,719**	**(1,216)**	**5,769**
Income taxes	(563)	(935)	-	**(1,498)**
Profit/(loss) for the year	**2,703**	**2,784**	**(1,216)**	**4,271**
Attributable to:				
- Owners of the parent	2,703	2,776	(1,216)	**4,263**
- Non-controlling investors	-	8	-	**8**

Figures in thousands of euros				
2020	**Italy**	**Abroad**	**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**
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**
Amortisation/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**

Italy segment

The Italy segment includes the following companies: Alkemy S.p.A., Nunatac S.r.l., Alkemy Play S.r.l., XCC S.r.l., DGI S.r.l.. It also includes DGI ehf, DGI Corp. and Alkemy Play D.o.o., which operate exclusively for the Italian parent companies by the same names.

Revenue for the Italy segment for 2021 came to 65,570 thousand euros, up 12,018 thousand euros on the previous year (+22.4%), due to the combination of the general holding fast of the key Italian accounts and related active contracts, which did not suffer the generalised partial lock-down, with an increase of Euro 4,788 thousand (+8.9% on 2020) and the inorganic growth of Euro 7,230 thousand, following the acquisition of the majority share of Design Group Italia ID S.r.l. (DGI) and eXperience Cloud Consulting S.r.l. (XCC).

The above mentioned amounts do not include inter-segment adjustments.

Revenue of 64,615 thousand euros comprises revenue from sales and services (52,643 thousand euros in 2020) and 955 thousand euros for other revenue and income (909 thousand euros in 2020); details are given in the comments to the accounts.

Operating costs, represented by costs for services, goods and other items and personnel expense, total 60,048 thousand euros, up 9,240 thousand euros (+18.2%) on the previous year, mainly in relation to the increase in costs for staff following the insourcing of certain activities.

Gross operating profit came to 5,522 thousand euros (2,774 thousand euros in 2020) up 2,778 thousand euros.

Amortisation, depreciation and impairment losses came to 2,657 thousand euros, up by a total of 378 thousand euros on 2020 (+16.6%). This item includes:

- amortisation/depreciation for property, plant and equipment and intangible fixed assets with a finite useful life for a total of 2,149 thousand euros (1,541 thousand euros in 2020);
- the accrual to the loss allowance of 508 thousand euros, allocated to cover expected losses connected with specific disputed loans at the reporting date.

The Italy segment therefore recorded a pre-tax profit of 3,266 thousand euros (profit of 1,069 thousand euros in 2020), which, less tax, gave rise to a profit of 2,703 thousand euros, as compared with 1,104 thousand euros for the previous year.

Abroad segment

The Abroad segment regards all the foreign markets on which the Group operates, namely Spain, Mexico and Serbia.

The following companies are included: Ontwice Interactive Service S.L. (Spain) Alkemy South America S.L. (Spain), OIS Digital S.L. (Mexico), OIS Service S.L. (Mexico), Kreativa New Formula D.o.o. (Serbia), Alkemy SEE D.o.o. (Serbia), Alkemy Digital Hub D.o.o..

2021 Abroad segment revenue came to 31,121 thousand euros as compared with 21,798 thousand euros in 2020 (+42.8%). The increase in revenue is mainly due to the positive results booked by the Spanish and Mexican subsidiaries.

Operating costs and personnel expense go from 18,571 thousand euros to 27,128 thousand euros.

Gross operating profit margin therefore comes to 3,993 thousand euros, as compared with 3,227 thousand euros of the previous year.

Operating profit, including financial income and expense, comes to 3,755 thousand euros, as compared with last year’s 2,680 thousand euros.

The profit for the year totals 2,784 thousand euros, as compared with 1,816 thousand euros in 2020.

Additionally, in order to assure a complete disclosure, below are the trade receivables at 31 December 2021 and at 31 December 2020, divided up by segment:

				Figures in thousands of euros
2021	**Italy**	**Abroad**	**Inter-segment adjustments**	**Total**
Trade receivables	29,330	7,692	(982)	**36,040**

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

Notes to the consolidated financial statements

Income statement

1. Revenue from sales and services

Revenue from sales and services come to 93,955 thousand euros (73,925 thousand euros in 2020) and can be broken down as follows:

	Figures in thousands of euros	
	2021	**2020**
Sales of services	93,955	73,923
Sales of products	-	2
Total revenue from sales and services	**93,955**	**73,925**

Turnover for 2021 is up 20,030 thousand euros on 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 year (in particular, revenues achieved by the Spanish companies rise by 21.9% and those achieved by the Mexican companies by 68.1%), for a total of 9,193 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 7,230 thousand euros and (iii) the general holding fast of the key Italian accounts and related active contracts, which did not suffer the generalised partial lock-down, for a total of 3,607 thousand euros.

2. Other revenue and income

Other revenue and income totals 1,230 thousand euros (1,007 thousand euros at 31 December 2020), as follows:

	Figures in thousands of euros	
	2021	**2020**
Revenue for capitalised costs	492	-
Tax asset	375	330
Government grants	150	493
Other revenue	213	184
Total other revenue and income	**1,230**	**1,007**

The tax asset accrued on investments made in research and development and technological innovation comes to 375 thousand euros (330 thousand euros at 31 December 2020) and mainly relates (i) for 306 thousand euros to 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 67 thousand euros on investments in research and development made by the Parent pursuant to Decree Law no. 145/2013.
Revenue for capitalised costs came to 492 thousand euros and mainly relate to the internal implementation of software and platforms relative to the pursuit of the Group's commercial activities.

Revenue from government of 150 thousand euros (493 thousand euros at 31 December 2020), are detailed as follows:

- 124 thousand euros (404 thousand euros at 31 December 2020) refers to the portion of the grant related to income, relative to the subsidised finance project “SecureOpenNets”;
- 26 thousand euros (4 thousand euros at 31 December 2020) refers to the Fondir contribution.

During 2020, the item also included 50 thousand euros referring to the portion of the grant relating to the subsidised finance project “D-All”, 17 thousand euros relating to the portion of the contribution for the subsidised finance project “Protect ID”, 11 thousand euros relative to the Fondimpresa contribution and 7 thousand euros referring to the portion of the grant for the subsidised finance project “Culture 4.0”.

Revenue from Government grants refer for 124 thousand euros (478 thousand euros in 2020) to research and development activities carried out by the Parent, which entailed investments made during the year totalling 347 thousand euros (1,057 thousand euros in 2020), divided up into personnel expense for 296 thousand euros (621 thousand euros in 2020) and external consultancy for 51 thousand euros (436 thousand euros in 2020).

Other revenue came to 213 thousand euros (184 thousand euros in 2020) and mainly regards contingent assets.

3. Services, goods and other operating costs

Services, goods and other operating costs comes to 46,825 thousand euros (40,100 thousand euros in 2020), as detailed hereto:

		Figures in thousands of euros
	2021	**2020**
Services	46,260	39,464
Purchase of raw materials	197	261
Change in inventories	-	58
Lease costs	80	57
Other operating costs	288	260
Total	**46,825**	**40,100**

Services

Costs for services come to 46,260 thousand euros (39,464 thousand euros in 2020) and are detailed below:

	Figures in thousands of euros	
	2021	**2020**
Services for customers	41,820	36,389
Maintenance services	595	271
Consultancy and legal expenses	546	517
Other consultancy	479	332
Administrative services	411	314
Travel and transfer expenses	400	200
Restaurant vouchers	277	205
Insurance	257	207
Postal, telephone and data transmission services	243	163
Marketing services	204	109
Audit fees	182	135
Payslip processing	155	133
Cleaning expenses	127	80
Condominium and supervisory expenses	115	82
Costs for non-recurring services	76	-
Utilities	74	52
Commercial services	72	15
Collaborators' fees	72	61
Statutory Auditors' fees	60	70
Banking services	50	49
Other services	45	16
Logistics services	-	64
Total services	**46,260**	**39,464**

Services mainly include commercial costs incurred for activities provided to customers, media space, costs for third party services, distribution costs and costs for collaborators. The period increase is connected with the positive year results and the Group's inorganic growth.

Purchase of raw materials

Costs for the purchase of raw materials total 197 thousand euros (261 thousand euros in 2020) and mainly regard the purchase of licenses and consumables for the office.

Lease costs

Lease costs come to 80 thousand euros (57 thousand euros in 2020) 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 288 thousand euros (260 thousand euros in 2020) and mainly regard contingent liabilities and losses on receivables.

4. Personnel expense

Personnel expense comes to 38,845 thousand euros (28,861 thousand euros in 2020), up 9,984 thousand on 2020 (+34.6%), of which 4,586 thousand euros relate to changes in the consolidation scope; they comprise:

	Figures in thousands of euros	
	2021	**2020**
Wages and salaries	26,670	20,075
Non-recurring wages and salaries	944	224
Directors' fees	2,024	1,488
Social security expenses	6,918	5,399
Costs for defined benefit plans	1,423	1,058
Cost for share-based payments	769	564
Other personnel expense	97	53
Total personnel expense	**38,845**	**28,861**

This item includes all costs incurred during the year, directly or indirectly relating to employees and collaborators, as well as directors' fees for 2,024 thousand euros.

The item "Non-recurring wages and salaries" includes all costs incurred for incentives to take redundancy recognised following the reorganisation and all paid during the 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.

The average number of employees during 2021 was 655 (531 in 2020).

730 employees were on the workforce at 31 December 2021, as compared with 534 in the previous year.

The table below shows the average number of employees in 2021, divided up by category.

	2021	**2020**
Managers	14	11
Middle managers	87	67
Office employees	554	456
Total	**655**	**534**

The increase in average salaries and wages per employee is correlated to the increase in variable fees recognised during the year, in respect of more positive results than in 2020.

5. Amortisation/depreciation

Amortisation/depreciation comes to 2,408 thousand euros (1,749 thousand euros at 31 December 2020) and consists of:

- 1,429 thousand euros (978 thousand euros in 2020) relate to the amortisation/depreciation of right-of-use assets;
- 530 thousand euros (450 thousand euros in 2020) for the amortisation of intangible fixed assets;
- 449 thousand euros (321 thousand euros in 2020) for the depreciation of property, plant and equipment.

6. Provisions and impairment losses

Provisions recorded come to 487 thousand euros (1,077 thousand euros in 2020) and refer entirely to the impairment of trade receivables.

Also note that in 2020, the item also included 497 thousand euros for the impairment of a specific receivable relative to a subsidised finance project for which a dispute is currently ongoing, and 152 thousand euros for the provision made for risks made by the Spanish subsidiary Ontwice, following a claim for compensation made by a Spanish customer.

7. Net gains (losses) on equity investments

Net (losses) on equity investments amounted to 308 thousand euros (net gain of 96 thousand euros in 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 455 thousand euros (587 thousand euros in 2020) and mainly refers to the effects of exchange gains for 360 thousand euros as well as to interest income for 41 thousand euros. Exchange gains essentially refer to the subsidiary Ontwice Interactive Services S.A. Mexico City, which also originates most of the exchange losses, of 333 thousand euros (662 thousand euros in 2020), included in financial expense, as detailed below. The decrease in exchange gains and losses compared with the previous year 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 998 thousand euros (1,284 thousand euros in 2020) and is detailed below:

	Figures in thousands of euros	
	2021	**2020**
Exchange losses	333	662
Interest from put option liabilities	280	254
Interest expense on loans	194	197
Interest on leases	117	101
Interest expense on employee benefits (IAS 19)	23	32
Interest expense on current accounts	7	2
Other financial expense	44	36
Total financial expense	**998**	**1,284**

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

10. Income taxes

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

	Figures in thousands of euros	
	2021	**2020**
Current income tax	1,388	785
Current IRAP tax	271	147
Substitute tax on the posting of goodwill	138	-
Previous years' tax	(41)	(56)
Change in deferred tax assets	(116)	(198)
Change in deferred tax liabilities	(142)	44
Total taxes	**1,498**	**722**

The increase in current income tax is correlated with the better result achieved during the year and the expansion of the consolidation scope.

Below is a reconciliation of the theoretical and effective tax charge for 2021:

	Figures in thousands of euros
	2021
Pre-tax profit	**5,768**
Current tax rate	24%
Theoretical tax burden	**1,384**
Temporary differences deductible in subsequent years:	573
Temporary differences reversed from previous years	(436)
Permanent differences	(459)
Effect deriving from foreign tax rates different to the theoretical tax rate	(326)
Actual tax burden	**1,388**
Effective rate on the income statement	24%

In order to better understand the reconciliation of the tax burden booked and the theoretical tax burden, no consideration is given to IRAP, as it is a tax with a tax base that differs from the pre-tax profit. Theoretical tax has also been determined applying only the current IRES rate in force in Italy, of 24%.

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	
	2021	**2020**
Profit		
Group profit for the year	4,263,000	1,792,000
Group profit for the year, attributable to ordinary shares	4,263,000	1,792,000
Number of shares		
Average number of outstanding ordinary shares	5,492,345	5,521,692
Adjusted average number of ordinary shares	5,475,802	5,521,692
Basic earnings per share	0.78	0.32
Diluted earnings per share	0.78	0.32

Statement of financial position

Assets

Non-current assets

12. Property, plant and equipment

The item totals 1,809 thousand euros (855 thousand euros at 31 December 2020); changes are shown below:

				Figures in thousands of euros
	Land and buildings	Plant and machinery	Other assets	Total
Balance at 31 December 2019	**78**	**29**	**874**	**980**
Investments	-	-	196	196
Amortisation/depreciation	(4)	(15)	(302)	(321)
Balance at 31 December 2020	**74**	**14**	**768**	**855**
Change in the scope of consolidation	-	-	188	188
Investments		6	1,209	1,215
Amortisation/depreciation	(4)	(8)	(437)	(449)
Balance at 31 December 2021	**70**	**12**	**1,728**	**1,809**

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

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

13. Right-of-use assets

The item totals 5,332 thousand euros (3,122 thousand euros at 31 December 2020); changes are shown below:

			Figures in thousands of euros
	Buildings	Other assets	Total
Balance at 31 December 2019	**3,551**	**356**	**3,907**
increases	213	466	679
Decreases	(461)	(25)	(486)
Amortisation/depreciation	(711)	(267)	(978)
Balance at 31 December 2020	**2,592**	**530**	**3,122**
Change in the scope of consolidation	913	111	1,024
Investments	2,237	508	2,745
Decreases	(106)	(24)	(130)
Amortisation/depreciation	(1,045)	(384)	(1,429)
Balance at 31 December 2021	**4,591**	**741**	**5,332**

"Other assets" includes right-of-use of company cars and increases in the year mainly relate to the signing of new rental contracts, also to replace those that expired during the year.
The increase in the right-of-use of land and buildings mainly relates to the stipulation of two new rental

contracts for properties situated respectively in Milan and Rome, as well as to the extension of the term of additional contracts relative to the Milan site.

14. Goodwill

Goodwill comes to 41,249 thousand euros (31,755 thousand euros at 31 December 2020), as detailed hereto:

		Figures in thousands of euros
	31 Dec. 2021	**31 Dec. 2020**
Goodwill for CGU - ITALY	**27,598**	**18,103**
- Goodwill for Bizup	6,883	6,883
- Goodwill for Nunatac	6,603	6,603
- Goodwill for XCC	4,885	-
- Goodwill for DGI	4,610	-
- Goodwill for Alkemy Tech	2,898	2,898
- Goodwill for Seolab	1,167	1.167
- Goodwill for Between	552	552
Goodwill CGU - SPAIN	**9,455**	**12,673**
- Goodwill Ontwice Interactive Service	9,455	12,673
Goodwill CGU - MEXICO	**3,218**	**-**
- Goodwill Alkemy South America	3,218	-
Goodwill CGU - SERBIA	**978**	**979**
- Goodwill for Kreativa	978	979
Total goodwill	**41,249**	**31,755**

The Group expects to obtain a positive contribution in terms of cash flow from these assets, for an indefinite period of time.
The increase is due to the acquisition of the majority share of Design Group Italia ID S.r.l. and eXperience Cloud Consulting S.r.l..
Note that following the specified spin-off of the company Ontwice Madrid S.L., through the conferral of the equity investments held in the Mexican companies to Alkemy South America S.L., part of the goodwill was reallocated to the two companies.

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").

Following the specified 2021 spin-off of the Spanish company, it was deemed correct to identify a new CGU relative to Mexico; therefore, starting 2021, goodwill has been allocated to four CGUs, corresponding to the geographic areas in which the Group operates, as summarised below:

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

The recoverable amount of the four identified CGUs, to which the individual goodwill refers, has been verified through the value in use, determined by applying the discounted cash flow model. 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 expected cash flows as resulting from the 2022-2024 three-year plan approved by the Board of Directors on 21 January 2022.

It is considered useful to specify that this plan was prepared, according to principles of prudence, with the exclusive aim of supporting the economic and equity measurements correlated to certain items entered into the separate and consolidated financial statements at 31 December 2021.

The hypotheses underlying this plan consider, amongst others:

- invariance of the Group perimeter;
- the best estimate of the 2021 pre-closure data;
- for 2022, the data of the annual budget presented to and approved by the administrative body of Alkemy S.p.A. on that same date;
- for 2023 and 2024, the data considered derive from general economic and equity logics, valid for each Group company, which assume the ordinary continuity of business, in “normal” market conditions (i.e. end pandemic/lock-down, limited inflation, etc.) with decreasing percentages of increased year-on-year revenues and a slight percentage improvement in comprehensive margins as a consequence of the growth in volumes handled;
- complete compliance with all present and future commitments already made by the Group, including (i) the exercise of existing put options on minority shares and (ii) the regular repayment of loans.

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 1.40% for the CGU - Italy, 1.6% for the CGU - Spain, Mexico and 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 at 31 December 2021, the Group applied a rate of 9.35% for the CGU - Italy, 9.76% for the CGU - Spain, 12.41% for the CGU - Mexico and 11.78% 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.
At 31 December 2021, the capitalisation of Alkemy came to 129,059,942 euros, as compared with Group shareholders' equity of 36,017 thousand euros and, therefore, above the Group valuation with the CDF methods based on officially-approved plans (recoverable amount of the CGUs).

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 1 percentage point of the perpetual g-rate, (ii) a different determination of the gross operating profit of the terminal value, in respect of changes in results envisaged by the three-year plan (average gross operating profit 2022-2024, 2023-2024 and just 2024).
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, impairment losses 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.

2021 PARAMETER		**CGU Italy**	**CGU Spain**	**CGU Mexico**	**CGU Serbia**
	basic	9.35%	9.76%	12.41%	11.78%
WACC	break-even	13.40%	21.10%	42.90%	30.20%
	delta	*4.05%*	*11.34%*	*30.49%*	*18.42%*
	basic	1.40%	1.60%	1.60%	1.60%
G-rate	break-even	-3.40%	-14.20%	-62.80%	-26.79%
	delta	*-4.80%*	*-15.80%*	*-64.40%*	*-28.39%*
Reduction in gross operating profit BP and TV	break-even	-25.20%	-50.40%	-68.80%	-57.40%

Below are the results for 2020.

2020 PARAMETER		CGU Italy	CGU Iberia	CGU Serbia
	basic	9.80%	11.70%	13.20%
WACC	break-even	12.40%	19.60%	33.80%
	delta	*2.60%*	*7.90%*	*20.60%*
	basic	1.20%	1.70%	1.50%
G-rate	break-even	-1.80%	-8.40%	-27.40%
	delta	*-3.00%*	*-10.10%*	*-28.90%*
Reduction in gross operating profit BP and TV	break-even	-16.80%	-39.50%	-53.80%

15. Intangible assets with a finite useful life

Intangible assets amount to 863 thousand euros (650 thousand euros at 31 December 2020). Below are details on changes therein:

Figures in thousands of euros

	Develop ment costs	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other	Total
Balance at 31 December 2019	**-**	**210**	**27**	**734**	**971**
Investments	-	125	-	4	129
Amortisation	-	(139)	(6)	(305)	(450)
Balance at 31 December 2020	**-**	**196**	**21**	**433**	**650**
Change in the scope of consolidation	-	2	-	16	18
Investments	158	315	-	252	725
Amortisation	-	(216)	(6)	(308)	(530)
Balance at 31 December 2021	**158**	**297**	**15**	**393**	**863**

Development costs

This item includes costs incurred during the year by the Spanish subsidiaries to develop a big data management platform.

Industrial patents and intellectual property rights

This item mainly includes the costs incurred for the purchase of company management software. The increase is mainly due to the implementation of CRM software.

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 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 (ii) costs incurred by the Parent 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 5 thousand euros (1,174 thousand euros at 31 December 2020).
The amount refers to the investment in the consortium company ICT SUD S.c.r.l., held by the Parent.
At 31 December 2020, the item also included 1,169 thousand euros relative to the equity investment in Design Group Italia ID S.r.l., previously an associate (held 20%) and since May 2021 consolidated on a line-by-line basis, following the acquisition of an additional 31% share. The remaining 49% still held by the founding members can be acquired in 2023, according to that envisaged by the put&call agreements in place.

17. Financial assets

financial assets come to 1,789 thousand euros (1,646 thousand euros at 31 December 2020) and are detailed below:

		Figures in thousands of euros
	31 Dec. 2021	**31 Dec. 2020**
Amount due from insurance companies	1,729	1,518
Derivatives	55	-
Amounts due from employees	5	128
Total financial assets	**1,789**	**1,646**

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.

Derivatives refer to the hedging transactions implemented in connection with certain medium/long-term bank loans, as described in the previous paragraphs.

18. Deferred tax assets

Deferred tax assets amount to 1,789 thousand euros (1,470 thousand euros at 31 December 2020).

Below is a breakdown of prepaid taxes:

Figures in thousands of euros

	Temporary differences at 31 December 2021	Tax effect 31 Dec. 2021	Temporary differences at 31 December 2020	Tax effect 31 Dec. 2020
Personnel costs	1,471	355	789	188
Provision for doubtful debt and other risks	2,390	590	1,879	459
Previous losses	1,528	367	1,953	478
Consolidation adjustments and other items	1,743	477	1,232	345
Total	**7,133**	**1,789**	**5,853**	**1,470**

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 loss allowances and fees to directors not paid), as well as on tax losses that can be carried forward.

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 assets

Other assets come to 241 thousand euros (205 thousand euros at 31 December 2020) and mainly relate to guarantee deposits for leased offices.

Current assets

20. Trade receivables

Trade receivables come to 36,040 thousand euros (31,044 thousand euros at 31 December 2020), as detailed herewith:

Figures in thousands of euros

	31 Dec. 2021	31 Dec. 2020
Italy	26,029	21,221
EU	6,561	6,382
Non-EU	3,450	3,441
Total trade receivables	**36,040**	**31,044**

There are no amounts due after one year.

trade receivables are stated net of a loss allowance of 2,037 thousand euros (1,538 thousand euros at 31 December 2020). The loss allowance 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 irrecoverability, 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 2020	**1,538**
Change in the scope of consolidation	46
Accruals	487
Uses	(34)
Balance at 31 December 2021	**2,037**

21. Financial assets

Financial assets amount to 84 thousand euros (82 thousand euros at 31 December 2020).

22. Tax assets

Tax assets come to 1,274 thousand euros (1,441 thousand at 31 December 2020) and are detailed as follows:

		Figures in thousands of euros
	31 Dec. 2021	**31 Dec. 2020**
VAT asset	793	736
Tax asset pursuant to DL.145/2013	325	330
Tax assets	123	354
Other tax assets	33	20
Total tax assets	**1,274**	**1,441**

The tax asset for 325 thousand euros is for the amount accrued mainly in connection with subsidised finance projects for investments made in research and development, pursuant to Decree Law no. 145/2013 and in training 4.0 pursuant to Art. 1, paragraph 78-81 of Italian Law no. 145 of 30.12.2018. The reduction in current tax assets is mainly due to the effects of the use in offsetting income tax by the Parent and a Mexican subsidiary.

23. Other assets

Other assets of 2,885 thousand euros (2,766 thousand euros at 31 December 2020) are detailed as follows:

	Figures in thousands of euros	
	31 Dec. 2021	**31 Dec. 2020**
Government grants	2,612	2,591
Impairment of government grants	(497)	(497)
Prepayments	675	561
Other	95	111
Total other current assets	**2,885**	**2,766**

Government grants rise by 21 thousand euros in respect of (i) payments received for 224 thousand euros, (ii) new entries for 124 thousand euros correlated to research and development carried out during the year and (iii) the change in the consolidation scope for 121 thousand euros.

24. Cash and cash equivalents

The balance of 10,458 thousand euros (18,840 thousand euros at 31 December 2020) is detailed hereto:

	Figures in thousands of euros	
	31 Dec. 2021	**31 Dec. 2020**
Bank deposits	10,453	18,835
Cash and petty cash	5	5
Total cash and cash equivalents	**10,458**	**18,840**

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

Liabilities and equity

Non-current liabilities

25. Equity

Changes in and a breakdown of equity for 2020 and 2021 are given in the changes to the equity items, to which you are referred.

Share capital

The Parent's share capital comes to 596 thousand euros (588 thousand euros at 31 December 2020) and is fully paid-up.

Last 30 September, the share capital of Alkemy S.p.A. was, in fact, increased by 8 thousand euros following the payment into the Company's treasury of a total of 891 thousand euros, attributed for 883 thousand euros 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.
The share capital at 31 December 2021 is therefore represented by 5,685,460 shares (5,609,610 shares at 31 December 2020) without nominal value.

Treasury shares

The negative reserve for treasury shares comes to 1,743 thousand euros, for a total of 158,268 treasury shares, accounting for 2.78% of the share capital (1,093 thousand euros for a total of 112,536 treasury shares or 2.01% of the share capital at 31 December 2020). The change is due (i) to the purchase of treasury shares worth 759 thousand euros, in the number of 57,000 treasury shares and (ii) for 109 thousand euros, in the number of 11,268, to the assignment of treasury shares to the Chairman and CEO of the Parent in execution of the "Long Term Incentive Plan", in connection with 50% of the shares accrued by them on the 2020 result.

Legal reserve

The legal reserve amounts to 202 thousand euros (unchanged on 31 December 2020).

Other reserves

Other reserves come to 31,215 thousand euros (29,418 thousand euros at 31 December 2020), as follows:

- share premium reserve for 31,849 thousand euros (30,966 thousand euros at 31 December 2020);

- reserve for the Long Term Incentive Plan for 962 thousand euros (zero at 31 December 2020);
- stock option reserve of 37 thousand euros (229 thousand euros at 31 December 2020);
- FTA reserve for 147 thousand euros (no change on 31 December 2020);
- other reserves for 1,164 thousand euros (no change on 31 December 2020) in relation to the put option liabilities of the companies established in 2017;
- actuarial losses of 282 thousand euros (losses for 380 thousand euros at 31 December 2020); the item relates to the discounting of post-employment benefits, envisaged by IAS 19;
- reserve for the translation of financial statements prepared in foreign currencies, negative for 40 thousand euros (negative for 86 thousand euros at 31 December 2020).

The change in the share premium reserve, of 883 thousand euros, is due to the specified issue of new shares.
The Long Term Incentive Plan reserve has been formed during the year , as mentioned previously in the paragraph on "Accounting standards - share-based payments (share incentive plans)".
The change in the stock option reserve, of 193 thousand euros, is for +82 thousand euros due to the cost of the stock option plans in place in 2021 and for -274 thousand euros to the closure of the 2017-2020 stock option plan, reclassified to retained earnings.

Retained earnings

Retained earnings come to 1,843 thousand euros (235 thousand euros at 31 December 2020); the change in the year is due to:

- +1,792 thousand euros, the increase relative to the allocation of last year's result, in accordance with the resolution passed by the shareholders' meeting of the Parent on 26 April 2021;
- +289 thousand euros, the reduction in relation to the change in fair value of put option liabilities;
- +274 thousand euros, the increase in connection with the closure of the 2017-2020 stock option plans;
- -717 thousand euros, the reduction relating to the dividends resolved in the favour of non-controlling investors;
- for -30 thousand euros to the reduction deriving from the difference in the carrying value of the mentioned 11,268 treasury shares assigned in execution of the "Long Term Incentive Plan" and the book value of such in the Long Term Incentive Plan, determined on the basis of the contractual provisions.

26. Equity attributable to non-controlling interests

Equity attributable to non-controlling interests comes to 323 thousand euros (254 thousand euros at 31 December 2020) and mainly refers to the portion pertaining to the non-controlling investors of the subsidiaries in the Balkan area.

27. Financial liabilities

Current and non-current financial liabilities come to 16,771 thousand euros (16,071 thousand euros at 31 December 2020) and are broken down below according to due dates:

- 11,269 thousand euros (11,439 thousand euros at 31 December 2020) refer to non-current financial liabilities;
- 5,502 thousand euros (4,632 thousand euros at 31 December 2020) refer to current financial liabilities.

There are financial liabilities due after 5 years, for the amount of 233 thousand euros.
The increase in financial liabilities for 700 thousand euros is mainly due to:

- +3,590 thousand euros to the two multi-year loans subscribed in the year and better described below;
- +944 thousand euros the loans stipulated by the subsidiaries XCC S.r.l. and DGI S.r.l., consolidated on a line-by-line basis respectively starting April and May 2021;
- +882 thousand euros for the invoice advance operation carried out in December 2021;
- -4,732 thousand euros repayments made during the year.

Unless otherwise specified, the financial liabilities, all held by the parent Alkemy S.p.A., are detailed below:

- 4,361 thousand euros (6,099 thousand euros at 31 December 2020) relative to a medium/long-term bank loan obtained from Mediocredito Italiano in 2019 for a nominal 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 shall meet of two financial covenants, specifically: (i) leverage ratio, i.e. net financial debt/gross operating profit <3; and (ii) the ratio of net financial debt and equity <1, both to be calculated annually at the year end. Both parameters are respected at 31 December 2021;
- 3,499 thousand euros (same amount at 31 December 2020), 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 October 2022;
- 3,494 thousand euros relative to the medium/long-term bank loan obtained from UniCredit in September 2021, with a duration of 60 months, including a pre-amortisation period of 12 months, for a nominal amount of 3,500 thousand euros. Repayment is on a straight-line basis once a quarter, starting during 2022. The interest rate applied is the 3M Euribor, increased by a spread of 1.2 points. At disbursement, an up-front fee was withheld of 7 thousand euros;
- 912 thousand euros (897 thousand euros at 31 December 2020) refer to the eight loans obtained from Mediocredito Centrale correlated to subsidised finance projects, of which one for 96 thousand euros obtained in 2021;

- 883 thousand euros relative to the advance on invoices obtained respectively for 482 thousand euros from Banca Credem and for 400 thousand euros from Banca Intesa Sanpaolo in December 2021;
- 861 thousand euros (1,999 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;
- 800 thousand euros obtained in total in 2021, respectively for 480 thousand euros from Banca Popolare di Sondrio and for 320 thousand euros from Finlombarda by the company Design Group Italia ID S.r.l. in 2017, with a term of 66 months including 12 months of pre-amortisation, with the repayment of principal in 12 six-monthly instalments, the first falling due on 01 October 2022;
- 631 thousand euros (875 thousand euros at 31 December 2020) refer to an additional Intesa Sanpaolo loan entered into in 2019 with a term of 30 months, with repayment in five straight-line six-monthly instalments due in 2024. The contract shall meet of two financial covenants, specifically: (i) leverage ratio, i.e. net financial debt/gross operating profit <3; and (ii) the ratio of net financial debt and equity <1, both to be calculated annually at the year end. Both parameters are respected at 31 December 2021;
- 576 thousand euros (857 thousand euros at 31 December 2020) refer to the medium-term loan agreement entered into with Banco BPM 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;
- 406 thousand euros (808 thousand euros at 31 December 2020) refer to a loan disbursed by Intesa on 30 September 2019, for research and development. The contract shall meet of two financial covenants, specifically: (i) leverage ratio, i.e. net financial debt/gross operating profit <3; and (ii) the ratio of net financial debt and equity <1, both to be calculated annually at the year end. Both parameters are respected at 31 December 2021;
- 252 thousand euros (451 thousand euros at 31 December 2020) relate to the medium/long-term loan entered into 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;
- 86 thousand euros (101 thousand euros at 31 December 2020) refer to loans and borrowings from other backers in the medium/long-term, issued to Ontwice Interactive Services s.l. of Madrid by the Spanish Ministry for the Economy;
- 10 thousand euros relate to the medium/long-term bank loan obtained from Banca Popolare di Sondrio by the company Design Group Italia S.r.l. in 2017, with a term of 60 months;

At 31 December 2020, the item also included the following loans, for which the repayment plan was completed during the year:

- 251 thousand euros 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.;
- 134 thousand euros refer to the medium/long-term bank loan entered into in July 2017 with Credito Emiliano S.p.A., held by the Parent and deriving from the merger of Alkemy Tech S.r.l.;

- 56 thousand euros refer to the medium/long-term bank loan with Credito Emiliano S.p.A., entered into by the Parent in August 2017;
- 44 thousand refer to the medium/long-term bank loan issued to the Spanish Ontwice Group by Banca Santander.

28. Net financial position

In accordance with the requirements laid down by CONSOB communication of 28 July 2006 and in compliance with the CESR 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 31 December 2021:

		Figures in thousands of euros	
		31 Dec. 2021	**31 Dec. 2020**
A	Cash	10,458	18,840
B	Cash equivalents	-	-
C	Other current financial assets	84	82
D	**Cash and cash equivalents** (A + B + C)	**10,542**	**18,922**
E	Current financial liabilities (including debt instruments but excluding the current portion of non-current financial liabilities)	5,314	9,715
F	Current portion of non-current financial liabilities	4,567	4,616
G	**Current financial liabilities** (E + F)	**9,881**	**14,331**
H	**Net current financial liabilities** (G - D)	**(661)**	**(4,591)**
I	Non-current financial liabilities (excluding the current portion and debt instruments)	21,853	16,969
J	Debt instruments	-	-
K	Trade payables and other non-current liabilities	-	-
L	**Non-current financial liabilities** (I + J + K)	**21,853**	**16,969**
M	**Total financial debt** (H + L)	**21,192**	**12,378**

Current financial liabilities include the financial liabilities from current rights of use, the current portion of put option liabilities, the mentioned advances on invoices obtained during the year and the current portion of loans and borrowings from other financial backers.
Non-current financial liabilities include the non-current portion of payables to banks, the financial liabilities from non-current rights of use, the non-current portion of put option liabilities and the non-current portion of loans and borrowings from other financial backers.
It is specified that the application of ESMA guidelines and the adoption of the new definition of "Net financial debt" have not entailed any redetermination of net debt at 31 December 2020 with respect to the amount calculated last year, as established by Consob Communication DEM/6064293 of 28 July 2006.

29. Lease liabilities

Current and non-current lease liabilities total 5,482 thousand euros (3,191 thousand euros at 31 December 2020) and are broken down below according to due dates:

- 4,009 thousand euros (2,415 thousand euros at 31 December 2020) refer to non-current financial liabilities;
- 1,473 thousand euros (776 thousand euros at 31 December 2020) refer to current financial liabilities.

The increase on the previous year (of 2,291 thousand euros) mainly relates to (i) the stipulation of two new rental contracts for properties situated respectively in Milan and Rome, (ii) to the extension of the term of additional contracts relative to the Milan site and (iii) to the change in the consolidation area (for 1,024 thousand euros).

There are financial liabilities due after 5 years, for the amount of 275 thousand euros.

30. Put option liabilities

The liabilities to non-controlling investors in the short and medium-term total 9,481 thousand euros (12,038 thousand euros at 31 December 2020) and refer to the commitment relating to the acquisition of the residual portion of the investment in the subsidiaries XCC S.r.l., DGI S.r.l. and Alkemy Iberia S.L., 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 arrangements 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 recognition 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 at 31 December 2021 was determined in consideration of the new redemption values expected at the time the option is exercised.

The put option relative to 35% of the capital of Alkemy Iberia S.L., exercise of which took place partly in February 2022 (see the section on “Significant subsequent events” in the Report on Operations) and partly is envisaged for this coming May 2022, is classified under current financial liabilities.

The remaining put option liabilities can contractually be exercised after 31 December 2022.

The decrease of -2,557 thousand euros is due to:

- +3,897 thousand euros, the entry of the put option on 49% of the share capital of XCC S.r.l., to be exercised in two tranches, respectively in 2024 and 2026;
- +3,267 thousand euros, the entry of the put option on 49% of the share capital of DGI S.r.l., to be exercised in 2023;

- +280 thousand euros, the increase in interest on the passing of time (unwinding of the discounting of the strike price);
- -350 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) and the price effectively paid during the year; this change was recognised as a reduction of equity;
- for -9,651 thousand euros, the exercise of certain options and, in particular, payment of the 30% share of Nunatac S.r.l. (4,915 thousand euros), of the 20% Ontwice Madrid S.L. (4,586 thousand euros) and of the 49% Kreativa New Formula D.o.o. (150 thousand euros).

31. Employee benefits

Employee benefits come to 6,361 thousand euros (5,087 thousand euros at 31 December 2020) 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.

Changes of the year were as follows:

	Figures in thousands of euros
Balance at 31 December 2019	**4,356**
Accruals	1,058
Actuarial losses	294
Utilisation of the year	(622)
Balance at 31 December 2020	**5,087**
Change in the scope of consolidation	984
Accruals	1,423
Actuarial (gains)	(130)
Utilisation of the year	(1,003)
Balance at 31 December 2021	**6,361**

In accordance with IAS 19, this provision is recognised as a defined benefit plan and measured using the projected unit credit method, in accordance with the following economic-financial hypotheses:

Economic-financial hypotheses		**31 Dec. 2021**	**31 Dec. 2020**
Discount rate		0.98%	0.34%
Remuneration increase rate			
	Alkemy S.p.A.	2.20%	2.00%
	Alkemy Play S.r.l.	2.20%	2.00%
	Nunatac S.r.l.	5.20%	2.00%
	XCC S.r.l.	2.20%	not applicable
	DGI S.r.l.	2.20%	not applicable
Increase in the cost of living		1.20%	1.00%

The following demographic assumptions have also been made:

- for the probability of death, those determined by the General State Accountancy, broken down by gender;
- for the probability of incapacity, those, broken down by gender, adopted in the INPS model for 2010 projections;

- for retirement age, it was assumed that active employees would stop working as soon as they reach the first pre-requisite for retirement as set forth in the mandatory general insurance scheme;
- for the probability of leaving work for reasons other than death, on the basis of statistics supplied by the Company, annual frequencies have been considered of 2.50% for Nunatac S.r.l., XCC S.r.l. and DGI S.r.l. and 12.5% for all other companies;
- for the probability of anticipation, a year-on-year value has been assumed of 3.00%.

As part of the measurement of post-employment benefits in compliance with IAS 19, in regard to the discount rate, reference was made to the iBoxx Eurozone Corporates AA 10+ index, at the measurement date.
According to that required by the revised version of IAS 19, we have analysed sensitivity to changes in the main actuarial assumptions.
The most significant hypotheses were increased and decreased, namely average annual discounting rate, average inflation rate and turnover rate respectively by half, a quarter and two percentage points. The results have not shown any significant change.

32. Provisions for risks and charges

The provisions for risks and charges come to 222 thousand euros (no change on 31 December 2020) and relate to:

- 152 thousand euros accrued by the Spanish subsidiary Ontwice, following a claim for compensation for damages made by the Spanish customer;
- 45 thousand euros for risks relative to an assessment 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.

33. Deferred tax liabilities

Deferred tax liabilities amount to 18 thousand euros (84 thousand euros at 31 December 2020).

Current liabilities

34. Trade payables

Trade liabilities come to 14,184 thousand euros (14,688 thousand euros at 31 December 2020).

Below is a breakdown of trade liabilities by geographical segment

		Figures in thousands of euros
	31 Dec. 2021	**31 Dec. 2020**
Italy	6,510	7,508
EU	4,775	4,938

Non-EU countries	2,899	2,242
Total trade liabilities	**14,184**	**14,688**

35. Tax liabilities

Tax liabilities come to 2,281 thousand euros (1,688 thousand euros at 31 December 2020) 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. 2021	**31 Dec. 2020**
Current tax liabilities	715	284
Withholdings	943	588
VAT	520	671
Other tax liabilities	103	145
Total tax liabilities	**2,281**	**1,688**

Together with the subsidiaries Nunatac and Alkemy Play S.r.l., the Parent has opted for the national tax consolidation scheme.

36. Other liabilities

Other current liabilities come to 12,319 thousand euros (10,585 thousand euros at 31 December 2020), detailed as follows:

		Figures in thousands of euros
	31 Dec. 2021	**31 Dec. 2020**
Social security charges	1,916	1,440
Due to employees	5,213	4,380
Accrued expenses and deferred income	4,722	3,965
Other liabilities	468	800
Total other liabilities	**12,319**	**10,585**

Due to employees includes the amounts due to employees, directors and collaborators; the item includes accruals for 2021 not yet paid, in relation to bonuses, holidays, permits and 14th month salaries.

Note that during the year, a specific equity reserve including the previous debt relative to the "Long Term Incentive 2020-2023" plan, was formed, as described previously in the paragraph on "Accounting standards - share-based payments (share incentive plans)".

Accrued expenses and deferred income are recognised on an accruals basis. At 31 December 2021, there were no accruals or deferrals with a residual term of more than five years.

Other liabilities total 468 thousand euros (800 thousand euros at 31 December 2020) and their 332 thousand euro decrease is mainly due to the payment of part of the dividends to be paid to non-controlling investors of Ontwice S.L. Madrid (Euro 313 thousand); the payable for dividends to third parties at 31 December 2021 therefore comes to 304 thousand euros.

37. Guarantees given and other commitments

Guarantees given

At 31 December 2021, 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 as well as a bank bond for 80 thousand euros held by DGI S.r.l., issued in the favour of the Lombardy Region, in order to guarantee the obligations envisaged in connection with a financed project.

38. 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.

Refer to the paragraph on "Related party transactions" in the Report on Operations for details of the trade and financial transactions implemented by and between the Parent and its subsidiaries during the year, for which the economic and equity impacts have been eliminated during the consolidation process.

Fees paid to directors, statutory auditors and key management personnel

The fees paid in 2021 to the Parent's Board of Directors totalled 1,100 thousand euros (1,293 thousand euros in 2020), whilst those due to the Board of Statutory Auditors came to 60 thousand euros (70 thousand euros in 2020). 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 at 31 December 2021 came to 818 thousand euros (1,054 thousand euros of business cost) as compared with 841 thousand euros in 2020 (1,078 thousand euros of business cost).

39. Contingent 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. After the outcome in the first instance proceedings in Alkemy S.p.A.'s favour, obtained in June 2021, on 15 July 2021, the opposing party submitted a writ of summons, lodging an appeal with statement of defence and response given by the Company on 4 February 2021. On the basis of the evidence and the positive outcome obtained in the first instance proceedings, Alkemy's lawyers believe the risk of losing to be remote.

As mentioned in Note 33, the Spanish subsidiary Ontwice has two disputes 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 made a provision for risks in the amount of 152 thousand euros;
- following an assessment by the labour inspectorate, a provision has been made for risks of 42 thousand euros, which coincides with the 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 accrued half the amount.

40. Subsequent events

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

- From 1 January 2022, the merger by acquisition took effect of the Serbian company Alkemy Digital Hub D.o.o. into Alkemy SEE D.o.o., aimed at simplifying the business processes in the Balkans area;
- On 22 January 2022, both the Board of Directors of Alkemy S.p.A. and that of Nunatac S.r.l. approved the planned merger by acquisition of the latter into the Parent company, which is the sole shareholder; on 4 March 2022, the shareholders' meeting of the company being acquired and the Board of Directors of the acquiring company, held in an extraordinary session, both approved said merger, which, upon expiry of the legal deadlines, is expected to be completed and effective from this coming 1 June, save for any unexpected intervention by third parties;
- On 16 February 2022, Alkemy S.p.A. acquired 24.99% of the capital of the Spanish subsidiary Alkemy Iberia S.L. from a company headed by its CEO, upon payment of Euro 2,173 thousand (Euro 1,700 thousand at closing and the remaining share in 2022); at the same time, the approach of the CEO leaving Alkemy Iberia S.L. has been agreed, and he will remain on the company's Board of Directors until approval of its financial statements at 31 December 2021 and the appointment of the new Country Manager for the Spanish market, who is set to take up office this coming April;
- On 4 March 2022, Alkemy SEE signed a binding letter of intent between its subsidiary Kreativa New Formula D.o.o. and the company Kreativa Unlimited D.o.o. ("KU") aimed at achieving the merger of the business headed by the 2 companies; upon completion of the operation, expected for this coming May, 51% of the capital of the company resulting from the merger will be held by Alkemy SEE and 49% by the shareholder (and current CEO) of KU;

- On 22 February 2022, Alkemy S.p.A. and the minority shareholders Alkemy Play S.r.l., renewed the shareholders' agreements expiring this year, setting out, amongst others:
    - the continuation of the contract for another 3 years;
    - the increase in the capital to be subscribed to cover the company’s 2021 losses, following which the portion held by the parent company will rise to 75% from the current 51%;
    - new put&call options according to new valuation terms.

Milan, 22 March 2022

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 2021 for audit and non-audit services provided by the independent auditors appointed or by entities belonging and not belonging to its network.

Figures in thousands of euros

Service provider	Beneficiary	Notes	Fees for 2021
Audit and attestation services			
KPMG S.p.A.	Parent - Alkemy S.p.A.	**[1]**	98
KPMG network companies	Subsidiaries		84
Deloitte & Touche S.p.A.	Parent - Alkemy S.p.A.	**[1] - [2]**	16
Other services			
KPMG S.p.A.	Parent - Alkemy S.p.A.	**[1] - [3]**	7
Deloitte & Touche S.p.A.	Parent - Alkemy S.p.A.	**[1] - [4]**	35
Total			**240**

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

[2] Refers to 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 asset

[4] Includes methodological support in connection with impairment testing and fair value measurement of put options and the valuation of goodwill relative to Ontwice S.L. Madrid and Alkemy South America S.L.

Annex 2

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

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

Figures in thousands of euros

	2021	of which with related parties	2020	of which with related parties
Revenue from sales and services	93,955		73,925	205
Other revenue and income	1,230		1,007	
Total revenue and income	**95,185**		**74,932**	**205**
Services, goods and other operating costs	(46,825)	(60)	(40,100)	(981)
- of which non-recurring	(76)		-	
Personnel expense	(38,845)	(2,154)	(28,861)	(2,371)
- of which non-recurring	(944)		(224)	
Total costs and other operating costs	**(85,670)**	**(2,214)**	**(68,961)**	**(3,352)**
Gross operating profit	**9,515**	**(2,214)**	**5,971**	**(3,147)**
Amortisation/depreciation	(2,408)		(1,749)	
Provisions and impairment losses	(487)		(1,077)	
Operating profit	**6,620**	**(2,214)**	**3,145**	**(3,147)**
Net gains (losses) on equity investments	(308)		96	
Financial income	455		587	
Financial expense	(998)		(1,284)	
Pre-tax profit	**5,769**	**(2,214)**	**2,544**	**(3,147)**
Income taxes	(1,498)		(722)	
Profit for the year	**4,271**	**(2,214)**	**1,822**	**(3,147)**

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 no. 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 in thousands of euros

Assets	**31 Dec. 2021**	**of which with related parties**	**31 Dec. 2020**	**of which with related parties**
Non-current assets				
Property, plant and equipment	1,809		855	
Right-of-use assets	5,332		3,122	
Goodwill	41,249		31,755	
Intangible assets with a finite useful life	863		650	
Equity investments	5		1,174	
Non-current financial assets	1,789		1,646	
Deferred tax assets	1,789		1,470	
Other assets	241		205	
Total non-current assets	**53,077**	**-**	**40,877**	**-**
Current assets				
Trade receivables	36,040		31,044	241
financial assets	84		82	
Tax assets	1,274		1,441	
Other assets	2,885		2,766	
Cash	10,458		18,840	
Total current assets	**50,741**	**-**	**54,173**	**241**
Total assets	**103,818**	**-**	**95,050**	**241**

Figures in thousands of euros

Liabilities and Equity	31 Dec. 2021	of which with related parties	31 Dec. 2020	of which with related parties
Equity				
Share capital	596		588	
Reserves	31,517		28,762	
Profit/(loss) for the period	4,263		1,792	
Equity attributable to owners of the parent	**36,376**	**-**	**31,142**	**-**
Equity attributable to non-controlling investors	323		254	
Total equity	**36,699**	**-**	**31,396**	**-**
Non-current liabilities				
Financial liabilities	11,269		11,439	
Lease liabilities	4,009		2,415	
Put option liabilities	6,575		3,115	
Employee benefits	6,361		5,087	
Provisions for risks and charges	222		222	
Deferred tax liabilities	18		84	
Total non-current liabilities	**28,454**	**-**	**22,362**	**-**
Current liabilities				
Financial liabilities	5,502		4,632	
Lease liabilities	1,473		776	
Put option liabilities	2,906		8,923	
Trade payables	14,184		14,688	430
Tax liabilities	2,281		1,688	
Other liabilities	12,319	98	10,585	339
Total current liabilities	**38,665**	**98**	**41,292**	**769**
Total liabilities	**67,119**	**98**	**63,654**	**769**
Total liabilities and equity	**103,818**	**98**	**95,050**	**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 2021.

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 International Financial Reporting Standards endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and the Council of 19 July 2002;
   - give a true and fair view of the financial position, financial performance and cash flows 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 results of operations, 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 2022

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

Alkemy S.p.A.

Separate Financial statements

at 31 December 2021

Financial statements

Income statement (*)

			Figures expressed in euros
	Notes	**2021**	**2020**
Revenue from sales and services	1	46,473,253	42,937,091
Other revenue and income	2	337,542	850,741
Total revenue and income		**46,810,795**	**43,787,832**
Services, goods and other operating costs	3	(26,080,012)	(26,018,048)
- of which non-recurring		(75,934)	-
Personnel expense	4	(19,488,694)	(17,309,601)
- of which non-recurring		(944,038)	(223,825)
Total costs and other operating costs		**(45,568,706)**	**(43,327,649)**
Gross operating profit		**1,242,089**	**460,183**
Amortisation/depreciation	5	(1,606,905)	(1,312,488)
Provisions and impairment losses	6	(291,636)	(711,528)
Operating loss		**(656,452)**	**(1,563,833)**
Net gains on equity investments	7	2,162,074	1,874,521
Net gains (losses) on options	8	(1,777,330)	136,148
Other financial income	9	54,004	18,427
Other financial expense	10	(298,093)	(339,772)
Pre-tax profit (loss)		**(515,797)**	**125,491**
Income taxes	11	368,398	697,403
Profit (loss) for the year		**(147,399)**	**822,894**
Earnings per share	12		
Basic		**(0.03)**	**0.15**
Diluted		**(0.03)**	**0.15**

(*) 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	
	Notes	**31 Dec. 2021**	**31 Dec. 2020**
Profit/(loss) for the year		**(147,399)**	**822,894**
Items that will not be reclassified to profit or loss			
Actuarial /(losses)		91,958	(89,436)
Relative tax effect		(22,070)	21,465
Total	26	**69,888**	**(67,971)**
Other comprehensive income (expense) net of tax effect		**69,888**	**(67,971)**
Comprehensive income/(expense)		**(77,511)**	**754,923**

Statement of financial position (*)

	Notes	31 Dec. 2021	31 Dec. 2020
			Figures expressed in euros
Assets			
Non-current assets			
Property, plant and equipment	13	1,295,125	644,900
Right-of-use assets	14	4,222,751	2,896,621
Goodwill	15	11,500,045	11,500,045
Intangible assets with a finite useful life	16	486,614	460,086
Equity investments	17	29,227,486	16,991,055
Non-current financial assets	18	1,095,517	1,057,544
Deferred tax assets	19	1,096,852	1,151,689
Other assets	20	204,268	187,563
Total non-current assets		**49,128,658**	**34,889,503**
Current assets			
Trade receivables	21	22,234,362	20,124,546
financial assets	22	1,747,368	2,405,510
Tax assets	23	356,183	446,355
Other assets	24	3,784,868	3,545,056
Cash	25	3,305,996	12,924,264
Total current assets		**31,428,777**	**39,445,731**
Total assets		**80,557,435**	**74,335,234**

(*) 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 in annex 1 and are also described in Note 38.

Statement of financial position (*)

			Figures expressed in euros
Liabilities and Equity	**Notes**	**31 Dec. 2021**	**31 Dec. 2020**
Equity	26		
Share capital		595,534	587,589
Reserves		37,508,686	35,370,137
Profit/(loss) for the period		(147,399)	822,894
Total equity		**37,956,821**	**36,780,620**
Non-current liabilities			
Financial liabilities	27	10,488,395	11,353,183
Lease liabilities	29	3,378,692	2,274,064
Employee benefits	30	2,739,933	2,849,455
Provisions for risks and charges	31	27,987	27,987
Deferred tax liabilities	32	14,600	47,763
Other liabilities	33	900,348	-
Total non-current liabilities		**17,549,955**	**16,552,452**
Current liabilities			
Financial liabilities	27	6,785,017	4,570,816
Lease liabilities	29	934,599	673,403
Trade payables	34	9,952,606	9,705,482
Tax liabilities	35	792,694	454,025
Other liabilities	36	6,585,743	5,598,436
Total current liabilities		**25,050,659**	**21,002,162**
Total liabilities and equity		**80,557,435**	**74,335,234**

(*) 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 in annex 1 and are also described in Note 38.

Statement of Cash Flows

		Figures expressed in euros	
	Notes	**2021**	**2020**
Cash flow from operating activities			
Profit/(loss) for the period		(147,399)	822,894
Dividends and other loss (gain) on equity investments	7	(2,162,074)	(1,874,521)
Expense on (income from) options	8	1,777,330	(136,148)
Other financial income	9	(54,004)	(18,427)
Other financial expense	10	298,093	339,772
Income taxes	11	(368,398)	(697,403)
Amortisation/depreciation	5	1,606,905	1,312,488
Provisions and impairment losses	6	291,636	711,528
Cost for share-based payments	4	769,085	550,034
Decrease (increase) in inventories		-	57,611
Decrease (increase) in trade receivables		(2,401,452)	3,594,479
Increase (decrease) in trade payables		247,124	(2,211,015)
Decrease in other assets		542,217	4,055,268
Decrease in other liabilities		1,434,158	351,539
Interest paid		(206,072)	(269,971)
Income tax paid		(46,166)	-
Net cash flows from operating activities		**1,580,983**	**6,588,127**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(1,321,980)	(243,788)
Acquisition of equity investments		(12,236,431)	(2,561,308)
Increase in financial assets		(229,123)	(25,945)
Dividends received		2,043,754	1,136,494
Net liquid funds acquired through mergers		-	336,101
Net cash flows used in investing activities		**(11,743,779)**	**(1,358,446)**
Cash flows from financing activities			
Change in financial liabilities		1,334,396	4,691,731
Change in financial liabilities pursuant to IFRS 16		(921,985)	(744,507)
Change in treasury shares		(759,120)	(180,781)
Share capital increases		7,945	-
Other changes in equity		883,292	-
Payments by non-controlling interests		-	(75)
Net cash flows from financing activities		**544,528**	**3,766,367**
Net increase/(decrease) in cash and cash equivalents		**(9,618,268)**	**8,996,049**
Opening balance		**12,924,264**	**3,928,215**
Closing balance		**3,305,996**	**12,924,264**

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

Statement of changes in equity

	Share capital	Treasury shares	Legal reserve	Other reserves	Retained earnings	Profit/for the period	Total
							Figures expressed in euros
Balance at 31 December 2019	**587,589**	**(912,007)**	**202,489**	**31,574,697**	**4,109,907**	**123,806**	**35,686,481**
Allocation of profit for the period	-	-	-	-	123,806	(123,806)	-
Contribution from merger	-	-	-	(10,052)	319,005	-	308,953
Repurchase of treasury shares	-	(180,781)	-	-	-	-	(180,781)
Stock options	-	-	-	(199,508)	410,552	-	211,044
Other comprehensive expense)	-	-	-	(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**

	Share capital	Treasury shares	Legal reserve	Other reserves	Retained earnings	Profit/(loss) for the period	Total
							Figures expressed in euros
Balance at 31 December 2020	**587,589**	**(1,092,788)**	**202,489**	**31,297,166**	**4,963,270**	**822,894**	**36,780,620**
Allocation of profit for the period	-	-	-	-	822,894	(822,894)	-
Assignment of treasury shares	-	109,419	-	-	(30,092)	-	79,327
Repurchase of treasury shares	-	(759,120)	-	-	-	-	(759,120)
Stock options	7,945	-	-	690,614	273,221	-	971,780
Change in long-term incentive plan reserves	-	-	-	961,725	-	-	961,725
Other comprehensive income	-	-	-	69,888	-	-	69,888
Profit for the year	-	-	-	-	-	(147,399)	(147,399)
Balance at 31 December 2021	**595,534**	**(1,742,489)**	**202,489**	**33,019,393**	**6,029,293**	**(147,399)**	**37,956,821**

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 the 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 EURONEXT Milan 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 at 31 December 2021.

Alkemy's draft separate financial statements at 31 December 2021 were approved by the Board of Directors on 22 March 2022, which also authorised their publication.

Reporting standards

Basis of preparation

The separate financial statements of Alkemy S.p.A. at 31 December 2021, 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 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 revenue 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.

In order to fulfil the requirements set out in CONSOB Resolution no. 15519 of 27 July 2006 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 non-recurring, atypical and/or unusual, are indicated on the tables and then highlighted in the notes.

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 machinery	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 they may be impaired. The test carried out is described on the paragraph on “Impairment”.

Leasing (rights of use and lease liabilities)

Accounting model for the lessor

At the lease start date, the Company recorded rights of use assets and lease liabilities. The right of use asset is initially measured at cost, including the amount of the initial measurement of the lease liability, adjusted by payments due for the lease made at or before the start date.

The right of use asset is thereafter amortised on a straight-line basis from the start date to the end of the lease term, unless the lease should transfer ownership of the underlying asset to the Company at the end of the lease or, considering the cost of the right of use asset, it is expected that the Company will exercise the purchase option. In this case, the right of use asset will be amortised throughout the useful life of the underlying asset, determined on the same basis as for properties and machinery.

The Company measures the lease liability at the current value of payments due for the lease and unpaid at the start date, which includes fixed (or substantively fixed) and variable payments, which depend on an index or rate.

The lease liability is measured at amortised cost, using the effective interest criterion and is remeasured in the event of any change to future payments due for the lease as a result of a change in the index or rate, an extension or termination or in the event of a revision of payments due for the lease.

If the lease liability is remeasured, the lessor shall adjust the right of use asset accordingly. If the carrying amount of the right of use asset is zeroed, the lessor shall note the change in the period profit/(loss).

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". 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".

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 can 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 each reference date, the Company revises the carrying amount of its tangible and intangible assets (including goodwill) to determine if there is any indication that they may have reduced in value.

Should this be the case, their recoverable amount is estimated in order to calculate the potential amount of the write-down. The recoverable amount of goodwill is instead estimated each year and every time indications of impairment are noted.

In order to identify any impairment losses, assets are grouped into the smallest identifiable group of assets generating cash flows, extensively independent of cash flows generated by other assets or groups of assets ("CGUs" or "Cash-Generating Units"). Goodwill acquired through a business combination is allocated to the CGU that is expected to benefit from the synergies of the merger.

The value able to be recovered on an asset or cash generating unit is the greater of its value in use and its fair value, net of the costs of decommissioning. In order to determine the value in use, estimated expected cash flows are discounted using a discount rate that reflects current market valuations of the time value of money and specific risks of the asset or CGU.

If the recoverable amount of an asset (or of a cash-generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable value. The impairment is recognised in the income statement.

When there is no longer any reason for a write-down to be maintained, the carrying amount of the asset (or of the cash generating unit), with the exception of goodwill, is restated at the new value deriving from the estimate of its recoverable value; however, this new value cannot exceed the net carrying amount which the asset would have had if the write-down for impairment had not been made, net of any amortisation/depreciation that should have been calculated before the previous impairment. The write-back 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; Financial assets; Other assets; Cash and cash equivalents;
- non-current liabilities: Non-current financial liabilities, Other non-current liabilities;
- current liabilities: Trade liabilities, financial liabilities, Other liabilities.

Financial liabilities

Financial liabilities include loans and borrowings, other financial liabilities, including derivatives and lease liabilities

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

Fair value measurement

Fair value is the price that would be received, at the measurement date, for the sale of an asset or that would be paid for the transfer of a liability in a normal transaction between market participants on the main (or most advantageous) market to which Company has access at that time. The fair value of a liability reflects the effect of a risk of default.

Where available, the Company measures the fair value of an instrument using the listed price of that instrument on an active market. A market is active when the transactions relative to the asset or liability take place with sufficient frequency and volumes to provide useful information to determining the price continuously.

For lack of a price listed on an active market, the Company uses measurement techniques that maximise the use of observable input data and minimise the use of non-observable input data. The chosen measurement technique includes all factors that market participants would consider in appraising the price of the transaction.

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 (FVOCI);
- all other financial assets that do not meet the criteria for classification amongst instruments measured at amortised cost or FVOCI () are measured at fair value through profit or loss (FVTPL).

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

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 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 recognised as an increase in the related value of the equity investments, with a direct balancing entry in equity.

Share-based payments (share incentive plan)

Employee benefits (long term incentive plan - LTIP) include, as per the substantive nature of remuneration they assume, the cost of share-based incentive plans. The cost of the incentive is determined with reference to the fair value of the instruments attributed and the forecast number of shares that will effectively be assigned; the portion pertaining to the year is determined *pro rata temporis* throughout the vesting period, i.e. the period running between the grant date and the date of assignment. The fair value of the shares underlying the incentive plan is determined at the grant date, taking into account forecast achievement of the performance parameters associated with market conditions and is not rectified during following years; when the benefit is obtained, the forecast relative to these conditions is reflected by adjusting the number of shares to effectively be assigned, throughout the vesting period. Starting 01 January 2021, the incentive plan, as it was approved by the Shareholders' Meeting on 26 April 2021, is based only on shares and the equivalent cost of the purchase has been reclassified from “Other liabilities” to a new equity reserve.

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 or 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 measured taking into account the price specified in the contract with the customer. The Company records revenues when it transfers control over the assets or service, i.e. when the performance obligations contained in the contracts with the customers are fulfilled.

Government grants

They are recognised when there is reasonable certainty that all conditions envisaged for their obtainment 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 profit or loss through the time frame corresponding to the useful life of the relevant 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.

Taxes

The parent Alkemy S.p.A. and its subsidiaries Nunatac S.r.l. and Alkemy Play S.r.l. have exercised the option for the "National tax consolidation" pursuant to Articles 117 *et seq.* of Italian Presidential Decree no. 917/86 (the Consolidated Law on Income Tax), which allows IRES tax to be determined on a tax base that coincides with the algebraic sum of the taxable income of the individual companies. Economic relations, in addition to responsibility and mutual commitments of the consolidating company and subsidiaries, are defined by the tax consolidation contract.

Current tax represents the estimated amount of income tax due, calculated on period taxable income, determined by applying current tax rates or tax rates that are substantively in force at the reporting date and any adjustments to the amount relative to previous years.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated on the basis of the liability method, on temporary differences recorded at the reporting date between the values of assets and liabilities recognised in the financial statements and the corresponding values recognised for tax purposes.

Deferred tax assets are recognised on all deductible temporary differences and any tax losses carried forward, to the extent that it is probable that there will be adequate future tax profits that can make their use applicable.

Deferred tax is not recorded for:

- temporary differences relative to the initial booking of assets or liabilities in a transaction other than a business combination, which does not impact the accounting profit (or loss) nor the taxable income (or tax loss);
- temporary differences relative to investments in subsidiaries, associates and joint ventures to the extent to which the Group can control the time-frames for the cancellation of the temporary differences and it is likely that in the foreseeable future, the temporary difference will not be cancelled;
- taxable temporary differences relative to the initial recognition of goodwill.

The value to be recorded of deferred tax assets is reviewed at each year-end date and reduced to the extent to which the amount is no longer likely to be recovered. Unrecognised deferred tax assets are reassessed annually at the end of each reporting period and a previously unrecognised deferred tax asset is recognised to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have already been enacted by the end of the reporting period.

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 earnings 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 revenue 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 liabilities, put&call liabilities and determine provisions loss allowances, allowances for inventory write-downs, amortisation/depreciation and impairment losses of assets, employee benefits, tax, provisions for risks and charges and other provisions.

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 2021

Below is a list of the standards, amendments, interpretations and improvements in force starting 1 January 2021, for which there has been no significant impact on the 2021 Annual Financial Report.

Amendment of IFRS 4 "Insurance Contracts" - deferral of IFRS 9 (published on 25 June 2020)

Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform" (phase 2 - published on 27 August 2020).

Amendments to IFRS 16 - "Leases Covid 19-Related Rent Concessions": The document envisages that lessees, extending the period of application by one year, shall have the right to book reductions in charges connected with COVID-19 without having to assess, through an analysis of contracts, whether or not the definition of lease modification given by IFRS 16 is effectively respected.

With reference to the standards and amendments detailed above, already in effect at the reporting date, the adoption has not has any significant impact on the Group's financial statements.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, not yet applicable and not adopted in advance by the Company as at 31 December 2021
Below are the standards, amendments, interpretations and improvements to be applied in the future:

Annual improvements to IFRS (Cycle 2018–2020) (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41) (published on 14 May 2020). The amendments apply to financial years starting on or after 1 January 2022.

Onerous contracts—Cost of fulfilling a contract (Amendments to IAS 37) (published on 14 May 2020). The amendments apply to financial years starting on or after 1 January 2022.

Property, plant and equipment: proceeds before intended use (Amendments to IAS 16) (published on 14 May 2020). The amendments apply to financial years starting on or after 1 January 2022.

Reference to the Conceptual Framework (Amendments to IFRS 3) (published on 14 May 2020). The amendments apply to financial years starting on or after 1 January 2022.

Standard IFRS 17 "Insurance Contracts" as amended (published respectively on 18 May 2017 and on 25 June 2020). The amendments apply to financial years starting on or after 1 January 2023.

With reference to the foregoing standards and amendments, it is not expected that the adoption shall have any significant impact on the Company.

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

Amendment to IAS 1 "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" and "Deferral effective date" (published respectively on 23 January 2020 and on 15 July 2020). The amendments apply to financial years starting on or after 1 January 2023.

Amendment to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimate" (published on 12 February 2021). The amendments apply to financial years starting on or after 1 January 2023.

Amendment to IAS 1 "Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies" (published on 12 February 2021). The amendments apply to financial years starting on or after 1 January 2023.

Amendment to IAS 12 "Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (published on 07 May 2021). The amendments apply to financial years starting on or after 1 January 2023.

Amendment to IFRS 17 - Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information" (published on 9 December 2021). The amendments apply to financial years starting on or after 1 January 2023.

Amendment to IFRS 14 - Regulatory Deferral Accounts - The approval process is currently on hold whilst awaiting the new accounting standard on "rate-regulated activities".

Amendment to IFRS 10 and IAS 28 - Sales or Contribution of Assets between an Investor and its associate or Joint Venture - The document was published in September 2014 in order to resolve the current conflict between IAS 28 and IFRS 10 relating to the valuation of the profit or loss resulting from the sale or contribution of a non- monetary asset to a joint venture or associate in exchange for an interest in the latter's capital. The date of entry into force of the IASB document and the related approval process have been put on hold until completion of the IASB project on the equity method. With reference to the foregoing standards and amendments, it is not expected that the adoption shall have any significant impact on the Company.

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 2021 and 31 December 2020 is as follows:

		Figures in thousands of euros
	31 Dec. 2021	**31 Dec. 2020**
Non-current financial assets	1,096	1,222
Other non-current assets	204	188
Trade receivables	23,585	21,273
Current financial assets	1,747	2,406
Other current assets	3,785	3,545
Total exposure	**30,417**	**28,634**
Loss allowance	(1,351)	(1,312)
Total exposure net of the loss allowance	**29,066**	**27,322**

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

Below is a breakdown of financial assets at 31 December 2021 and 31 December 2020, grouped by category and due date:

									Figures in thousands of euros
			Past due						
	Carrying amount 31 Dec. 2021	Falling due	0 - 30	30 - 90	90 - 180	180-365	more than 365	Total past due	Loss allowance
Non-current financial assets	1,096	1,096	-	-	-	-	-	-	-
Other non-current assets	204	204	-	-	-	-	-	-	-
Trade receivables	22,234	18,531	2,031	1,110	504	388	1,021	5,054	(1,351)
Current financial assets	1,747	1,747	-	-	-	-	-	-	-
Other current assets	3,785	3,785	-	-	-	-	-	-	-
Total financial assets (*)	**29,066**	**25,363**	**2,031**	**1,110**	**504**	**388**	**1,021**	**5,054**	**(1,351)**

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

									Figures in thousands of euros
			Past due						
	Carrying amount 31 Dec. 2020	Falling due	0 - 30	30 - 90	90 - 180	180-365	more than 365	Total past due	Loss allowance
Non-current financial assets	1,058	1,222	-	-	-	-	-	-	(164)
Other non-current 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 assets 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 and loans and facilities from the banking system.

Financial liabilities at 31 December 2021 and 31 December 2020, including interest payable, divided up by contractual due date, are as follows:

						Figures in thousands of euros
	Carrying amount 31 Dec. 2021	Contractual financial flows	Current portion	from 1 to 2 years	from 2 to 5 years	More than 5 years
Bank loans and borrowings	15,873	16,110	5,510	4,853	5,514	233
Loans and borrowings from other financial backers	1,400	1,414	1,414	-	-	-
Lease liabilities	4,313	4,503	1,003	912	2,322	266
Total financial liabilities	**21,586**	**22,027**	**7,927**	**5,765**	**7,836**	**499**

						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	2,947	3,073	720	682	1,402	269
Total financial liabilities	**18,871**	**19,341**	**5,450**	**4,943**	**8,356**	**592**

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

Financial liabilities at 31 December 2021 and 31 December 2020, 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. 2021	Current portion	from 1 to 2 years	from 2 to 5 years	More than 5 years
Bank loans and borrowings	15,873	5,385	4,775	5,480	233
Loans and borrowings from other financial backers	1,400	1,400	-	-	-
Lease liabilities	4,313	935	859	2,254	265
Total financial liabilities	**21,586**	**7,720**	**5,634**	**7,734**	**498**

					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	2,947	673	649	1,359	266
Total financial liabilities	**18,871**	**5,244**	**4,803**	**8,235**	**589**

Three loans (5,398 thousand euro at 31 December 2021) envisage the respect for two covenants and, in particular: (i) leverage ratio, i.e. net financial debt/gross operating profit <3, to be calculated annually starting 31 December 2021; and (ii) the ratio of net financial debt and equity <1, to be calculated annually starting 31 December 2019. The parameters were fully respected as at 31 December 2021.

It is noted that in 2021, the first of the above parameters was renegotiated: in actual fact, a leverage ratio >2 had originally been envisaged.

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.

Note that there are five "cap" options in place (at fixed rate, already paid), in connection with the non-recurrent loans entered into in in 2019, 2020 and 2021 to hedge the risk of future rises in interest rates, in connection with an equal number of loans that are worth approximately 81% of the bank loans and borrowings entered into at 31 December 2021.

Financial liabilities of 21,586 thousand euros at 31 December 2021 and 18,871 thousand euros at 31 December 2020 include variable rate loans of 15,283 thousand euros and 14,739 thousand euros, respectively.

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 - 2021	52	(52)
Total	**52**	**(52)**

	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)**

The Company is also, to a marginal extent, exposed to the currency risk on amounts expressed 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 receivables and payables 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 2021 and 31 December 2020, the tables below show the fair value hierarchy for the company's assets and liabilities measured at fair value:

		Figures in thousands of euros	
	Level 1	**Level 2**	**Level 3**
Assets measured at fair value			
Put and call options	-	-	1,859
Hedging derivatives	-	55	-
Liabilities measured at fair value			

Put and call options	-	-	(900)
Balance at 31 December 2021	**-**	**55**	**959**

			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	**-**	**-**	**2,759**

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 161 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	**2021 amount collected**	**Reason**
Sardegna Ricerche	82	Culture 4.0 project
Ministry of Economic Development	48	D-ALL project
Regional Authority of Calabria	31	SMART project
	161	

The Company has also received loan contributions for 96 thousand euros from the Ministry of Economic Development in connection with the D-ALL project.

Financing on the above projects refer entirely to research and development carried out by the Company.

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

Notes to the separate financial statements

Income statement

1. Revenue from sales and services

Revenue from sales and services comes to 46,473 thousand euros (42,937 thousand euros in 2020) and can be broken down as follows:

	Figures in thousands of euros	
	2021	**2020**
Sales of services	44,390	41,798
Sales of services to related parties	2,083	1,137
Sales of products	-	2
Total revenue from sales and services	**46,473**	**42,937**

Turnover for 2020 is up 3,536 thousand euros on the previous year. This increase is mainly due to the general holding fast of the Italian accounts and related active contracts, which did not suffer the partial lock-down.
Income from sales of services to related parties have increased insofar as during the year, greater use was made of synergies between the Group companies.

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 338 thousand euros (851 thousand euros in 2020), as follows:

	Figures in thousands of euros	
	2021	**2020**
Government grants	150	493
Tax asset	66	310
Other revenue	122	48
Total other revenue and income	**338**	**851**

Revenue from government grants of 150 thousand euros (493 thousand euros in 2020), are detailed as follows:

- 124 thousand euros (404 thousand euros in 2020) refers to the portion of the grant related to income, relative to the subsidised finance project “SecureOpenNets”;
- 26 thousand euros (4 thousand euros in 2020) refers to the Fondir contribution.

On the previous year, government grants included not only the contributions described above but also an additional 85 thousand euros relative to the special finance projects “D-All” for 50 thousand euros, “ProtectID” for 17 thousand euros, “Fondimpresa” for 11 thousand euros and “Cultura 4.0” for

7 thousand euros.

Government grants refer for 124 thousand euros (478 thousand euros in 2020) to research and development activities, which entailed investments made during the year totalling 347 thousand euros (1,057 thousand euros in 2020), divided up into personnel expense for 296 thousand euros (621 thousand euros in 2020) and external consultancy for 51 thousand euros (436 thousand euros in 2020).

The tax asset accrued on investments made in research and development pursuant to Italian Decree Law no. 145/2013, comes to 60 thousand euros (310 thousand euros at 31 December 2020). It is also noted that during the year, the Company benefited from a further tax credit relative to reclamation for 6 thousand euros.

3. Services, goods and other operating costs

Services, goods and other operating costs comes to 26,080 thousand euros (26,018 thousand euros in 2020), as detailed below:

		Figures in thousands of euros
	2021	**2020**
Services	25,918	25,798
Purchase of raw materials	87	48
Change in inventories	-	58
Lease costs	18	50
Other operating costs	57	64
Total	**26,080**	**26,018**

Services

Costs for services come to 25,918 thousand euros (25,798 thousand euros i 2020) and are detailed below:

	Figures in thousands of euros	
	2021	**2020**
Services for customers	22,987	23,109
Consultancy and legal expenses	494	509
Other consultancy	453	526
Maintenance services	301	242
Travel and transfer expenses	212	154
Marketing services	186	170
Administrative services	131	169
Postal, telephone and data transmission services	123	119
Commercial services	122	15
Cleaning expenses	110	78
Condominium and supervisory expenses	110	80
Insurance	109	110
Meal vouchers	106	102
Audit fees	98	75
Payslip processing	98	89
Costs for non-recurring services	76	-
Utilities	61	44
Statutory Auditors' fees	60	70
Collaborators' fees	60	36
Banking services	20	36
Logistics services	-	64
Other services	1	1
Total	**25,918**	**25,798**

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 87 thousand euros (48 thousand euros on 2020) and mainly regard the purchase of licenses for resale.

Lease costs

Lease costs come to 18 thousand euros (50 thousand euros on 2020) 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 57 thousand euros (64 thousand euros on 2020) 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 19,489 thousand euros (17,310 thousand euros on 2020) and consist of the following:

		Figures in thousands of euros
	2021	**2020**
Wages and salaries	12,529	11,630
Non-recurring wages and salaries	944	224
Social security expenses	3,440	3,314
Costs for defined benefit plans	910	740
Directors' fees	850	838
Cost for share-based payments	770	551
Other personnel expense	46	13
Total	**19,489**	**17,310**

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

The item "Non-recurring wages and salaries" includes all costs incurred for incentives to take redundancy recognised following the reorganisation and all paid during the 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 Company as described in the Report on Operations to which you are referred for more details.

281 employees were on the workforce at 31 December 2021, as compared with 270 in the previous year.
The average number of employees during the year was 271 (277 in 2020).
The table below shows the average number of employees in 2021, divided up by category.

	2021	**2020**
Managers	11	11
Middle managers	30	29
Office employees	230	237
Total	**271**	**277**

The increase in average salaries and wages per employee is correlated to the increase in variable fees recognised during the year, in respect of more positive results than in 2020.

5. Amortisation/depreciation

Amortisation/depreciation comes to 1,607 thousand euros (1,312 thousand euros at 31 December 2020) and refers to:

- 962 thousand euros (768 thousand euros in 2020) for the amortisation/depreciation of right-of-use assets;
- 350 thousand euros (234 thousand euros in 2020) for the depreciation of property, plant and equipment;
- 295 thousand euros (310 thousand euros in 2020) for the amortisation of intangible assets.

6. Provisions and impairment losses

Provisions recorded come to 292 thousand euros (712 thousand euros at 31 December 2020) and refer to the impairment of trade receivables.
Finally, note that at 31 December 2020, the item also included 497 thousand euros). referring to the impairment of a loan relative to a subsidised finance project.

7. Net gains () on equity investments

Net gains () on equity investments came to 2,162 thousand euros (1,875 thousand euros at 31 December 2020) and refer to dividends resolved in 2021 relative to 2020, from the subsidiaries Nunatac S.r.l. (945 thousand euros) and Ontwice s.l. Madrid (1,217 thousand euros).

8. Net gains on options

Net (losses) on options, amounting to 1,777 thousand euros (136 thousand euros in 2020) 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.

As is frequently the case in purchases of majority investments, the contractual arrangements in fact include a put option in the favour of the remaining non-controlling investors and a call option in the favour of Alkemy. Options are classified according to fair value and relative maturity.

These derivatives total 958 thousand euros (2,758 thousand euros at 31 December 2020) and are as follows:

- 1,718 thousand euros for current options relative to the acquisition of the residual shares in the subsidiaries Alkemy Iberia S.L. and Alkemy Play S.r.l. (see note 22);
- 140 thousand euros for non-current options relative to the acquisition of the residual shares in the subsidiary Design Group Italia I.D. S.r.l. (see note 18);
- -900 thousand euros for non-current options relative to the acquisition of the residual shares in the subsidiaries Alkemy Play S.r.l. and XCC S.r.l. (see note 33).

9. Financial income

Financial income comes to 54 thousand euros (18 thousand euros in 2020) and refers to interest income for 41 thousand euros and interest from subsidiaries for 13 thousand euros.

10. Financial expense

Financial expense comes to 298 thousand euros (340 thousand euros in 2020) and is detailed below:

		Figures in thousands of euros
	2021	**2020**
Interest expense on loans	183	195
Interest on leases	73	58
Interest expense on employee benefits (IAS 19)	12	23
Exchange losses	6	41
Interest expense on current accounts	1	2
Other financial expense	23	21
Total financial expense - third parties	**298**	**340**

11. Income taxes

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

		Figures in thousands of euros
	2021	**2020**
Tax consolidation income	(573)	(481)
Change in deferred tax liabilities	(33)	(19)
Previous years' tax	(1)	(28)
Release of goodwill	138	0
Current IRAP tax	67	31
Change in deferred tax assets	34	(200)
Total	**(368)**	**(697)**

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

	Figures in thousands of euros	
	2021	**2020**
Pre-tax profit (loss)	**(516)**	**125**
Current tax rate	24%	24%
Theoretical tax expense (income)	**(124)**	**30**
Temporary differences deductible in subsequent years:	219	121
Temporary differences reversed from previous years	(187)	(171)
Permanent differences	(481)	(461)
Income from tax consolidation	**(573)**	**(481)**
Effective rate on the income statement	(111%)	385%

12. 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, 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	
	2021	**2020**
Profit		
Profit (loss) for the year	(147,399)	822,894
Profit (loss) for the year, attributable to ordinary shares	(147,399)	822,894
Number of shares		
Average number of outstanding ordinary shares	5,492,345	5,521,692
Adjusted average number of ordinary shares	5,475,802	5,521,692
Basic earnings per share	(0.03)	0.15
Diluted earnings per share	(0.03)	0.15

Statement of financial position

Assets

Non-current assets

13. Property, plant and equipment

The item totals 1,295 thousand euros (645 thousand euros at 31 December 2020); 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 2019	**78**	**28**	**609**	**715**
Increase from merger	-	1	61	62
Investments	-	-	102	102
Amortisation/depreciation	(4)	(15)	(215)	(234)
Balance at 31 December 2020	**74**	**14**	**557**	**645**
Investments	-	6	939	944
Amortisation/depreciation	(4)	(8)	(283)	(295)
Balance at 31 December 2021	**70**	**12**	**1,213**	**1,295**

Land and buildings includes a property owned in Rende (CS).
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 4,223 thousand euros, as shown by the following detailed table:

			Figures in thousands of euros
	Buildings	Other assets	Total
Balance at 31 December 2019	**2,754**	**355**	**3,109**
Increase from merger	468	-	468
Increases	-	303	303
Decreases	(190)	(25)	(215)
Amortisation/depreciation	(555)	(213)	(768)
Balance at 31 December 2020	**2,477**	**420**	**2,897**
Increases	2,009	409	2,418
Decreases	(106)	(24)	(130)
Amortisation/depreciation	(720)	(242)	(962)
Balance at 31 December 2021	**3,660**	**563**	**4,223**

The item "Buildings" refers to the right-of-use of offices and its increase mainly relates to the stipulation of two new rental contracts for properties situated respectively in Milan and Rome, as well as to the extension of the term of additional contracts relative to the Milan site.
"Other assets" includes right-of-use of company cars and increases in the year mainly relate to the

signing of new rental contracts, also to replace those that expired during the year.

15. Goodwill

Goodwill comes to 11,500 thousand euros (unchanged on 31 December 2020), as detailed hereto:

	Figures in thousands of euros	
	31 Dec. 2021	**31 Dec. 2020**
Goodwill for BizUp	6,883	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**	**11,500**

It must be said that starting Q2 2021, the specified new operative and commercial organisation has already been launched for the whole of the domestic market, regarding all Italian companies and in particular Nunatac S.r.l. This latter has, in fact, been completely integrated into the new operative structure as the "competence centre" of the national delivery area, whose services have been included in the parent company's commercial offer. The integration of the specified two companies is confirmed by the decision to proceed with the merger by acquisition of the subsidiary into the parent company, as resolved by the Board of Directors on 21 January 2022. Therefore, on the assumption of the integration of the two companies into a single entity, impairment testing has been performed, considering goodwill equal to the sum of the current carrying amount of the parent company and that to be generated following the merger.
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 impairment loss, the recoverability of goodwill was tested on an aggregate level, using its value in use, determined by applying the discounted cash flow model. 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 projected growth rate at the end of the explicit forecasting period.
Discounting regarded expected cash flows as resulting from the 2022-2024 three-year plan approved by the Board of Directors on 21 January 2022 and integrated with the preliminary data at 31 December 2021.
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 1.40% (1.20% in 2020).
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 2021, the Company used a discounting rate of 9.34% (9.83% in 2020).
The impairment test results revealed that the recoverable amount of goodwill exceeded their carrying amount, accordingly no impairment losses were recognised.

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 1.0 percentage points of the perpetual g-rate, (ii) a different determination of the gross operating profit of the terminal value, in respect of changes in results envisaged by the three-year plan (mean gross operating profit 2022-2024, mean 2023-2024 and just 2024).
These analyses also did not reveal any impairment loss on goodwill.

16. Intangible assets with a finite useful life

Intangible assets amount to 487 thousand euros (460 thousand euros at 31 December 2020). Below are details on changes seen to intangible fixed assets therein:

Figures in thousands of euros

	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other	Total
Balance at 31 December 2019	**147**	**26**	**366**	**539**
Increase from merger	3	-	105	108
Investments	120	-	3	123
Amortisation/depreciation	(116)	(6)	(188)	(310)
Balance at 31 December 2020	**154**	**20**	**286**	**460**
Investments	282	-	95	377
Amortisation/depreciation	(186)	(6)	(158)	(350)
Balance at 31 December 2021	**250**	**14**	**223**	**487**

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 accounts 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. In particular, the item includes costs incurred by the Company 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 29,227 thousand euros (16,991 thousand euros at 31 December 2020); they are detailed as follows:

	Figures in thousands of euros	
	31 Dec. 2021	**31 Dec. 2020**
Equity investments in subsidiaries	29,222	15,948
Equity investments in associates	-	1,038
Investments in other companies	5	5
Total equity investments	**29,227**	**16,991**

The list of equity investments in associates with the indication of the related share/quota capital, equity and percentage of investment is as follows:

Figures in thousands of euros

Company name	Registered office	Currency	Share/quotaCapital in euros	equity in euros	Profit (loss) in euros	% held
Alkemy Play S.r.l.	Milan – Via San Gregorio 34	Euro	10	(550)	(323)	51%
Nunatac S.r.l.	Milan – Via San Gregorio 34	Euro	50	3,982	2,285	100%
Alkemy SEE D.o.o.	Serbia – Belgrade - Sime Igumanova 64	Serbian dinar	412	324	2	70%
Alkemy Iberia S.L.	Spain – Madrid - C/ Torregalindo, 1	Euro	10	1,314	857	65%
Ontwice Interactive Service S.L.	Spain – Madrid - C/ Torregalindo, 1	Euro	6	1,223	1,192	100%
Alkemy South America S.L.	Spain – Madrid - C/ Torregalindo, 1	Euro	89	298	(2)	100%
eXperience Cloud Consulting S.r.l.	Rome - Via del Commercio 36	Euro	10	546	100	51%
Design Group Italia I.D. S.r.l.	Milan – Via A. Aleardi 12/14	Euro	119	1,682	605	51%

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

				Figures in thousands of euros
	31 Dec. 2020	**Reclassifications**	**Increases**	**31 Dec. 2021**
Ontwice Madrid S.L.	10,205	(2,914)	3,292	10,583
Nunatac S.r.l.	5,206	-	4,915	10,121
Alkemy South America S.L.	-	2,914	1,294	4,208
DGI S.r.l.	-	-	2,372	2,372
XCC S.r.l.	-	-	1,401	1,401
Alkemy SEE D.o.o.	357	-	-	357
Alkemy Play S.r.l.	173	-	-	173
Alkemy Iberia S.l.	7	-	-	7
Alkemy USA Inc.	-	-	-	-
Total	**15,948**	**-**	**13,274**	**29,222**

The increases in the carrying amount of the investments in subsidiaries come to 13,274 thousand euros, as follows:

- 4,915 thousand euros to the purchase of 30% of the subsidiary Nunatac S.r.l. On 8 July 2021, in fact, the Company acquired 30% of the residual quota capital of the subsidiary from the two founding members and two managers, thereby becoming its sole shareholder. 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;
- 3,292 thousand euros for the purchase of 20% of the subsidiary Ontwice S.L. (Madrid) and 1,294 thousand euros for the purchase of 20% of the subsidiary Alkemy South America S.L.; on 6 October 2021 in Madrid, Alkemy S.p.A. exercised the call option over 20% of the residual capital of the two Spanish subsidiaries, thereby ending up with the entire capital of all these foreign companies;
- 2,372 thousand euros respectively for 1,334 thousand euros for the purchase of 31% of the subsidiary Design Group Italia ID S.r.l. and for 1,038 thousand euros from the reclassification amongst equity investments in associates of the value of the stakes previously held, equal to 20% of the share capital;
- 1,401 thousand euros for the purchase of 51% of eXperience Cloud Consulting S.r.l. (XCC); on 6 April 2021, the binding agreement was completed signed by Alkemy S.p.A. on 11 March 2021 for the acquisition of these shares of XCC S.r.l., an Italian company specialised in Cloud Computing solutions, Gold Consulting Partner of SalesForce.

In 2021, the value was reversed of the equity investment held in the inoperative company Alkemy USA Inc. (11 thousand euros at 31 December 2021, written down entirely), following its liquidation.
"Investments in associates" referred to the 20% investment in Design Group Italia I.D. S.r.l., now controlled, acquired on 23 July 2019.
"Investments in other companies" refers to the investment in the consortium company ICT SUD S.C.r.l.

The carrying amount of the investments has been specifically tested for impairment to verify the potential recovery of such amounts.

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 2022-2024. 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 9.41% for DGI and Alkemy Play, 9.40% for XCC, 9.19% for Nunatac (9.83% for the companies of the Italy area in 2020), 12.41% for Alkemy South America (11.67% in 2020) and 11.40% for Alkemy SEE (13.20% in 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 1.40% for the companies in Italy (1.20% in 2020), 1.6% for Spain/Mexico and the Balkans (respectively 1.70% and 1.50% in 2020).

This analysis did not reveal any need to recognise impairment losses on the investments.
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 an increase/decrease of 1 percentage point of the perpetual g-rate.
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 1,096 thousand euros (1,058 thousand euros at 31 December 2020) and are detailed below:

		Figures in thousands of euros
	31 Dec. 2021	**31 Dec. 2020**
Loans to subsidiaries	900	577
Derivatives	196	353
Other financial assets	-	128
Total non current financial assets	**1,096**	**1,058**

These non-current derivatives come to 196 thousand euros (353 thousand euros at 31 December 2020) and are as follows:

- 140 thousand euros for non-current options relative to the acquisition of the residual shares in the subsidiary Design Group Italia I.D. S.r.l.;
- 55 thousand euros for the non-current hedge for certain loans in place.

Interest-bearing loans to subsidiaries come to 900 thousand euros (577 thousand euros at 31 December 2020) and are detailed as follows:
- 330 thousand euros (180 thousand euros at 31 December 2020) to the subsidiary Alkemy SEE

D.o.o.; the loan disbursed in 2018 and 2021 bears interest at a rate of 1.5%;

- 320 thousand euros (unchanged on 31 December 2020) 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%;
- 200 thousand euros to the subsidiary XCC S.r.l.: the loan disbursed in 2021 in two tranches bears interest at a rate of 1.5%;
- 50 thousand euros (unchanged on 31 December 2020) 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%.

At 31 December 2020, the item also included 26 thousand euros (total amount of 190 thousand euros, net of 164 thousand euros of impairment) relative to the loan disbursed to the subsidiary Alkemy USA Inc., liquidated in 2021.

19. Deferred tax assets

Deferred tax assets amount to 1,097 thousand euros (1,152 thousand euros at 31 December 2020). Below is a breakdown of deferred tax assets:

Figures in thousands of euros

	Temporary differences at 31 December 2021	Tax effect 31 Dec. 2021	Temporary differences at 31 December 2020	Tax effect 31 Dec. 2020
Reversal of intangible fixed assets - from conversion of standards	-	-	380	106
Loss allowance	1,201	288	1,124	270
Provision for the impairment of special finance contributions	497	119	497	119
Directors' fees	845	203	245	59
Post-employment benefits	460	110	460	110
ACE	-	-	402	96
Tax losses that can be carried forward	1,580	367	1,583	380
Other assets	39	9	38	11
Total	**4,622**	**1,097**	**4,729**	**1,152**

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 that their recovery in future years is reasonably certain.

20. Other non-current assets

Other assets come to 204 thousand euros (188 thousand euros at 31 December 2020) and relate to guarantee deposits. Their increase is correlated with the stipulation of the specified new rental contracts.

Current assets

21. Trade receivables

Trade receivables come to 22,234 thousand euros (20,125 thousand euros at 31 December 2020), as detailed herewith:

		Figures in thousands of euros
	31 Dec. 2021	**31 Dec. 2020**
Third parties	20,340	19,175
Related parties	1,894	950
Total trade receivables	**22,234**	**20,125**

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. 2021	**31 Dec. 2020**
Italy	19,047	17,845
EU	1,663	987
Non-EU	1,524	1,293
Total trade receivables	**22,234**	**20,125**

Trade receivables are stated net of a loss allowance of 1,351 thousand euros (1,148 thousand euros at 31 December 2020). The loss allowance 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 irrecoverability, 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 2020	**1,148**
Accruals	292
Uses	(89)
Balance at 31 December 2021	**1,351**

22. Current financial assets

Current financial assets come to 1,747 thousand euros (2,406 thousand euros at 31 December 2020) and mainly include 1,718 thousand euros in derivatives relating to the acquisition of the residual investment shares in the subsidiaries Alkemy Iberia S.L. and Alkemy Play S.r.l..

23. Tax assets

Tax assets come to 356 thousand euros (446 thousand at 31 December 2020) and are detailed as follows:

		Figures in thousands of euros
	31 Dec. 2021	**31 Dec. 2020**
Tax asset pursuant to DL.145/2013	267	310
Receivables due from tax authority	70	122
Other tax assets	19	14
Total tax assets	**356**	**446**

The reduction in tax assets is mainly due to the offsetting of the tax asset for research and development for 103 thousand euros.
The tax asset for 267 thousand euros is for the amount accrued in connection with subsidised finance projects for investments made in research and development, pursuant to Decree Law no. 145/2013.

24. Other current assets

Other current tasses come to 3,785 thousand euros (3,545 thousand euros at 31 December 2020), detailed as follows:

		Figures in thousands of euros
	31 Dec. 2021	**31 Dec. 2020**
From subsidiaries	1,219	1,117
Government grants	2,555	2,591
Impairment of government grants	(497)	(497)
Prepayments	478	306
Other	30	28
Total other current assets	**3,785**	**3,545**

Amounts due from the Parent mainly refer to dividends resolved by Ontwice S.L. Madrid and not yet collected during the year.

Government grants decrease by 36 thousand euros in respect of payments received for 160 thousand euros and new entries for 124 thousand euros correlated to research and development carried out during the year.

25. Cash and cash equivalents

The balance of 3,306 thousand euros (12,924 thousand euros at 31 December 2020) is detailed hereto:

Figures in thousands of euros		
	31 Dec. 2021	**31 Dec. 2020**
Bank deposits	3,305	12,920
Cash and petty cash	1	4
Total cash and cash equivalents	**3,306**	**12,924**

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 2020 and 2021 are given in the changes to the equity items, to which you are referred.

Share capital

The Company's share capital comes to 596 thousand euros (588 thousand euros at 31 December 2020) and is fully paid-up.

Last 30 September, the share capital of Alkemy S.p.A. was, in fact, increased by 8 thousand euros following the payment into the Company's treasury of a total of 891 thousand euros, attributed for 883 thousand euros 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.
The share capital at 31 December 2021 is therefore represented by 5,685,460 shares (5,609,610 shares at 31 December 2020) without nominal value.

Legal reserve

The legal reserve amounts to 202 thousand euros (unchanged on 31 December 2020).

Treasury shares

The negative reserve for treasury shares comes to 1,743 thousand euros, for a total of 158,268 treasury shares, accounting for 2.78% of the share capital (1,093 thousand euros for a total of 112,536 treasury shares or 2.01% of the share capital at 31 December 2020). The change is due (i) to the purchase of treasury shares worth 759 thousand euros, in the number of 57,000 treasury shares and (ii) for 93 thousand euros, in the number of 11,268, to the assignment of treasury shares to the Chairman and CEO of the Parent Company in execution of the "Long Term Incentive Plan", in connection with 50% of the shares accrued by them on the 2020 result.

Other reserves

Other reserves come to 33,019 thousand euros (31,297 thousand euros at 31 December 2020), as follows:

- share premium reserve for 31,850 thousand euros (30,966 thousand euros at 31 December 2020);
- reserve for the Long Term Incentive Plan for 961 thousand euros (not present at 31 December 2020);

- FTA reserve for 301 thousand euros (no change on 31 December 2020);
- stock option reserve of 37 thousand euros (229 thousand euros at 31 December 2020);
- actuarial losses of 130 thousand euros (loss for 200 thousand euros at 31 December 2020); the item relates to the discounting of post-employment benefits, envisaged by IAS 19.

The change in the share premium reserve, of 883 thousand euros, is due to the specified issue of new shares.

The Long Term Incentive Plan reserve has been formed during the year , as mentioned previously in the paragraph on "Accounting standards - share-based payments (share incentive plans)".

The change in the stock option reserve, of 192 thousand euros, is for +82 thousand euros due to the cost of the stock option plans in place in 2021 and for -274 thousand euros to the closure of the 2017-2020 stock option plan, reclassified to retained earnings.

Retained earnings

Retained earnings come to 6,029 thousand euros (4,963 thousand euros at 31 December 2020); the period change is due to:

- +822 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 26 April 2021;
- +274 thousand euros, the increase in connection with the closure of the 2017-2020 stock option plans;
- for -30 thousand euros to the reduction deriving from the difference in the carrying value of the mentioned 11,268 treasury shares assigned in execution of the "Long Term Incentive Plan" and the book value of such in the Long Term Incentive Plan, determined on the basis of the contractual provisions.

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	596				
Equity-related reserves:					
Reserve for treasury shares	(1,742)	-	-		
Income-related reserves:					
Legal reserve	202	B	202		
Share premium reserve	31,850	A, B, C	27,372		
Retained earning	6,029	A, B, C	6,029		
Other reserves:					
IAS 19 Reserve	(130)	-	-		
Stock option reserve	37	-	-		
LTI reserve	962	-	-		
FTA reserve	301	-	-		
Non-distributable portion			6,576		
Residual distributable portion			31,528		
Loss for the year	(147)				
Total	**37,957**			**-**	**-**

A: capital increase; B: loss coverage; C: shareholder distribution; D: other statutory restrictions

By virtue of the posting of the value of part of the goodwill, a specific tax suspension restriction has been allocated on part of the share premium reserve, for an amount that corresponds to the aligned spreads, net of substitute tax.

27. Financial liabilities

Current and non-current financial liabilities come to 17,273 thousand euros (15,924 thousand euros at 31 December 2020) and are broken down below according to due dates:

- 10,488 thousand euros (11,353 thousand euros at 31 December 2020) refer to non-current financial liabilities;
- 6,785 thousand euros (4,571 thousand euros at 31 December 2020) refer to current financial liabilities.

There are financial liabilities due after 5 years, for the amount of 233 thousand euros.
The increase in financial liabilities for 1,349 thousand euros is mainly due to:

- -4,537 thousand euros repayments made during the year;
- +3,590 thousand euros to the two multi-year bank loans subscribed in the year and better described below;
- +1,400 thousand euros to the loan obtained by the subsidiary Nunatac S.r.l., as better described below;
- +882 thousand euros for the invoice advance operation carried out in December 2021.

Financial liabilities are illustrated below:

- 4,361 thousand euros (6,099 thousand euros at 31 December 2020) 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 shall meet of two financial covenants, specifically: (i) leverage ratio, i.e. net financial debt/gross operating profit <3; and (ii) the ratio of net financial debt and equity <1, both to be calculated annually at the year end.
- 3,499 thousand euros (same amount at 31 December 2020), 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 October 2022;
- 3,494 thousand euros relative to the medium/long-term bank loan obtained from UniCredit in September 2021, with a duration of 60 months, including a pre-amortisation period of 12 months, for a total amount of 3,500 thousand euros. Repayment is on a straight-line basis once a quarter, starting during the year. The interest rate applied is the 3M Euribor, increased by a spread of 1.2 points. At disbursement, an up-front fee was withheld of 7 thousand euros;
- 1,400 thousand euros relative to the short-term loan obtained by the subsidiary Nunatac S.r.l., disburse din December 2021 in multiple tranches, in accordance with the contractual provisions, which set forth a maximum amount available for disbursement of 2,500 thousand euros, with a total duration of until 31 December 2022 and at an annual interest rate of 2%;
- 913 thousand euros (897 thousand euros at 31 December 2020) refer to the eight loans obtained from Mediocredito Centrale correlated to subsidised finance projects, of which one for 96 thousand euros obtained in 2021;
- 882 thousand euros relative to the advance on invoices obtained respectively for 482 thousand euros from Banca Credem and for 400 thousand euros from Banca Intesa Sanpaolo in December 2021;
- 861 thousand euros (1,999 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;
- 631 thousand euros (875 thousand euros at 31 December 2020) refer to an additional Intesa Sanpaolo loan entered into in 2019 with a term of 30 months, with repayment in five straight-line six-monthly instalments due in 2024. The contract shall meet of two financial covenants, specifically: (i) leverage ratio, i.e. net financial debt/gross operating profit <3; and (ii) the ratio of net financial debt and equity <1, both to be calculated annually at the year end.
- 576 thousand euros (857 thousand euros at 31 December 2020) refer to the medium-term loan agreement entered into by the Parent with Banco BPM 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;

- 406 thousand euros (808 thousand euros at 31 December 2020) refer to a loan disbursed to the Parent Company by Intesa on 30 September 2019, for research and development. The contract shall meet of two financial covenants, specifically: (i) leverage ratio, i.e. net financial debt/gross operating profit <3; and (ii) the ratio of net financial debt and equity <1, both to be calculated annually at year end;
- 250 thousand euros (451 thousand euros at 31 December 2020) relate to the medium/long-term loan entered into by the 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;

At 31 December 2020, the item also included the following loans, for which the repayment plan was completed during the year:

- 251 thousand euros refer to the medium/long-term bank loan with Banca Intesa Sanpaolo S.p.A., entered into in 2016 to purchase the former subsidiary BizUp S.r.l., incorporated in 2020;
- 134 thousand euros refer to the medium/long-term bank loan entered into in July 2017 with Credito Emiliano S.p.A., deriving from the merger of Alkemy Tech S.r.l.;
- 54 thousand euros refer to the medium/long-term bank loan with Credito Emiliano S.p.A., entered into in August 2017.

28. 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 31 December 2021:

		Figures in thousands of euros	
		31 Dec. 2021	**31 Dec. 2020**
A	Cash	3,306	12,924
B	Cash equivalents	-	-
C	Other current financial assets	-	-
D	**Cash and cash equivalents** (A + B + C)	**3,306**	**12,924**
E	Current financial liabilities (including debt instruments but excluding the current portion of non-current financial liabilities)	3,217	673
F	Current portion of non-current financial liabilities	4,503	4,571
G	**Current financial debt** (E + F)	**7,720**	**5,244**
H	**Net current financial debt** (G - D)	**(4,414)**	**(7,680)**
I	Non-current financial liabilities (excluding the current portion and debt instruments)	13,867	13,627
J	Debt instruments	-	-
K	Trade payables and other non-current liabilities	-	-
L	**Non-current financial debt** (I + J + K)	**13,867**	**13,627**
M	**Total financial debt (position)**(H + L)	**(18,281)**	**5,947**

Current financial liabilities include the financial liabilities from current rights of use, the mentioned advances on invoices obtained during the year and the current portion of loans and borrowings from other financial backers.

Non-current financial liabilities include the non-current portion of payables to banks, the financial liabilities from non-current rights of use and the non-current portion of loans and borrowings from other financial backers.

It is specified that the application of ESMA guidelines and the adoption of the new definition of "Net financial debt" have not entailed any redetermination of net debt at 31 December 2020 with respect to the amount calculated last year, as established by Consob Communication DEM/6064293 of 28 July 2006.

29. Lease liabilities

Current and non-current lease liabilities total 4,314 thousand euros (2,947 thousand euros at 31 December 2020) and are broken down below according to due dates:

- 3,379 thousand euros (2,274 thousand euros at 31 December 2020) refer to non-current financial liabilities;
- 935 thousand euros (673 thousand euros at 31 December 2020) refer to current financial liabilities.

There are financial liabilities due after 5 years, for the amount of 275 thousand euros.

30. Employee benefits

Employee benefits come to 2,740 thousand euros (2,849 thousand euros at 31 December 2020) 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 2019	**2,170**
Contribution from merger	330
Accruals	740
Actuarial losses	89
Utilisation of the year	(480)
Balance at 31 December 2020	**2,849**
Accruals	910
Actuarial (gains)/	(92)
Utilisation of the year	(928)
Balance at 31 December 2021	**2,740**

In accordance with IAS 19, this provision is recognised as a defined benefit plan and measured using the projected unit credit method, in accordance with the following economic-financial hypotheses:

Economic-financial hypotheses	**31 Dec. 2021**	**31 Dec. 2020**
Discount rate	0.98%	0.34%
Remuneration increase rate	2.20%	2.00%
Increase in the cost of living	1.20%	1.00%
Annual rate of increase of TFR	2.40%	2.25%

The following demographic assumptions have also been made:

- for the probability of death, those determined by the General State Accountancy, broken down by gender;
- for the probability of incapacity, those, broken down by gender, adopted in the INPS model for 2010 projections;
- for retirement age, it was assumed that active employees would stop working as soon as they reach the first pre-requisite for retirement as set forth in the mandatory general insurance scheme;
- for the probability of leaving work for reasons other than death, on the basis of statistics supplied by the Company, 12.5% has been considered;
- for the probability of anticipation, a year-on-year value has been assumed of 3.00%.

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

According to that required by the revised version of IAS 19, we have analysed sensitivity to changes in the main actuarial assumptions.
The most significant hypotheses were increased and decreased, namely average annual discounting rate, average inflation rate and turnover rate respectively by half, a quarter and two percentage points. The results have not shown any significant change.

31. Provisions for risks and charges

The provision for risks and charges comes to 28 thousand euros (unchanged at 31 December 2020).

32. Deferred tax liabilities

Deferred tax liabilities come to 15 thousand euros (48 thousand euros at 31 December 2020) 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.

33. Other non-current liabilities

Other non-current liabilities come to 900 thousand euros (zero at 31 December 2020) and relate to derivatives connected with the acquisition of the residual share in the subsidiary XCC S.r.l., the exercise date of which is envisaged beyond next year.

Current liabilities

34. Trade liabilities

Trade liabilities come to 9,953 thousand euros (9,705 thousand euros at 31 December 2020).

Below is a breakdown of trade liabilities by geographical segment

	Figures in thousands of euros	
	31 Dec. 2021	**31 Dec. 2020**
Italy	6,997	6,802
EU	2,837	2,825
Non-EU countries	119	78
Total trade liabilities	**9,953**	**9,705**

35. Tax liabilities

Tax liabilities come to 793 thousand euros (454 thousand euros at 31 December 2020).
It includes liabilities for tax that is both certain and quantified, in relation to VAT and liabilities in connection with withholdings applied at source, as tax substitute; the breakdown is as follows:

		Figures in thousands of euros
	31 Dec. 2021	**31 Dec. 2020**
Withholdings	428	394
VAT liabilities	260	47
Current tax liabilities	13	13
Other tax liabilities	92	-
Total tax liabilities	**793**	**454**

Together with the subsidiaries Nunatac and Alkemy Play S.r.l., the Company has opted for the national tax consolidation scheme.
In 2021, management opted to assign tax relevance to the goodwill booked before 2019, for a total of 4,617 thousand euros, opting to release it. Other tax liabilities, which come to 92 thousand euros, represent the residual debt for the related substitute tax, to be paid in equal parts in 2022 and 2023. A first tranche of 46 thousand euros was paid in 2021.

36. Other current liabilities

Other current liabilities come to 6,586 thousand euros (5,598 thousand euros at 31 December 2020), detailed as follows:

		Figures in thousands of euros
	31 Dec. 2021	**31 Dec. 2020**
Social security charges	1,005	951
Due to employees	2,779	2,945
Accrued expenses and deferred income	2,548	1,567
Other liabilities	254	135
Total other current liabilities	**6,586**	**5,598**

Due to employees includes the amounts due to employees, directors and collaborators; the item includes salaries for December and accruals for 2021 not yet paid, in relation to bonuses, holidays, permits and 14th month salaries.
Note that a specific equity reserve including the previous debt relative to the "Long Term Incentive 2020-2023" plan, has been formed, as described previously in the paragraph on "Accounting standards - share-based payments (share incentive plans)".
Accrued expenses and deferred income are recognised on an accruals basis. At 31 December 2021, there were no accruals or deferrals with a residual term of more than five years.

Other liabilities came to 254 thousand euros (135 thousand euros at 31 December 2020) and mainly relate to amounts payable to related parties for the tax consolidation scheme.

37. Guarantees given and other commitments

Guarantees given

At 31 December 2021, there are three insurance sureties for 532 thousand euros issued in the favour of two customers, to guarantee the correct fulfilment, by the Company, of its contractual obligations.

38. Related party transactions

Related party transactions are part of the company's routine business and were settled at arm's length.

Refer to the paragraph on "Related party transactions" in the Report on Operations for more details.

Fees paid to directors, statutory auditors and key management personnel

The fees paid in 2021 to the Company's Board of Directors totalled 1,100 thousand euros (1,293 thousand euros in 2020), whilst those due to the Board of Statutory Auditors came to 60 thousand euros (70 thousand euros in 2020). 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 at 31 December 2021 came to 818 thousand euros (1,054 thousand euros of business cost) as compared with 841 thousand euros in 2020 (1,078 thousand euros of business cost).

39. Contingent Liabilities and main disputes

The Company does not have any significant contingent 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, it 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. After the outcome in the first instance proceedings in Alkemy S.p.A.'s favour, obtained in June 2021, on 15 July 2021, the opposing party submitted a writ of summons, lodging an appeal with statement of defence and response given by the Company on 4 February 2021. On the basis of the evidence and the positive outcome obtained in the first instance proceedings, Alkemy's lawyers believe the risk of losing to be remote.

40. Subsequent events

Useful information on the following significant events that took place after the reporting date is provided.

- On 22 January 2022, both the Board of Directors of Alkemy S.p.A. and that of Nunatac S.r.l. approved the planned merger by acquisition of the latter into the Parent company, which is the sole shareholder; on 4 March 2022, the shareholders' meeting of the company being acquired and the Board of Directors of the acquiring company, held in an extraordinary session, both approved said merger, which, upon expiry of the legal deadlines, is expected to be completed and effective from this coming 1 June, save for any unexpected intervention by third parties;
- On 16 February 2022, Alkemy S.p.A. acquired 24.99% of the capital of the Spanish subsidiary Alkemy Iberia S.L. from a company headed by its CEO, upon payment of Euro 2,173 thousand (Euro 1,700 thousand at closing and the remaining share in 2022); at the same time, the approach of the CEO leaving Alkemy Iberia S.L. has been agreed, and he will remain on the company's Board of Directors until approval of its financial statements at 31 December 2021 and the appointment of the new Country Manager for the Spanish market, who is set to take up office this coming April;
- On 22 February 2022, Alkemy S.p.A. and the minority shareholders Alkemy Play S.r.l., renewed the shareholders' agreements expiring this year, setting out, amongst others:
    - the continuation of the contract for another 3 years;
    - the increase in the capital to be subscribed to cover the company's 2021 losses, following which the portion held by the parent company will rise to 75% from the current 51%;
    - new put&call options according to new valuation terms.

41. Allocation of loss for the year

We believe we have thus duly informed you on the Company's performance and propose you resolve to carry forward the 147,399 euros loss for the year of Alkemy S.p.A. .

Milan, 22 March 2022

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 2021 for audit and non-audit services provided by the independent auditors appointed or by entities belonging and not belonging to its network.

Figures in thousands of euros

Service provider	Note	Fees for 2021
Audit and attestation services		
KPMG S.p.A.		98
Deloitte & Touche S.p.A.	**[1]**	16
Other services		
KPMG S.p.A.	**[2]**	7
Deloitte & Touche S.p.A.	**[3]**	35
Total		**156**

[1] Refers to 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 asset

[3] Includes methodological support in connection with impairment testing and fair value measurement of derivatives relative to option contracts on residual portions of equity investments and the valuation of the equity investments of Ontwice S.L. Madrid and Alkemy South America S.L.

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 no. 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

	2021	of which with related parties	2020	of which with related parties
Revenue from sales and services	46,473,253	2,083,016	42,937,091	1,137,010
Other revenue and income	337,542		850,741	
Total revenue and income	**46,810,795**	**2,083,016**	**43,787,832**	**1,137,010**
Services, goods and other operating costs	(26,080,012)	(1,216,777)	(26,018,048)	(1,596,980)
- of which non-recurring	(75,934)	-	-	
Personnel expense	(19,488,694)	(2,153,826)	(17,309,601)	(2,371,082)
- of which non-recurring	(944,038)		(223,825)	
Total costs and other operating costs	**(45,568,706)**	**(3,370,603)**	**(43,327,649)**	**(3,968,062)**
Gross operating profit (loss)	**1,242,089**	**(1,287,587)**	**460,183**	**(2,831,051)**
Amortisation/depreciation	(1,606,905)		(1,312,488)	
Provisions and impairment losses	(291,636)		(711,528)	
Operating profit (loss)	**(656,452)**	**(1,287,587)**	**(1,563,833)**	**(2,831,051)**
Net gains on equity investments	2,162,074	2,162,074	1,874,521	1,874,521
Net gains (losses on) options	(1,777,330)		136,148	
Other financial income	54,004	12,625	18,427	13,548
Other financial expense	(298,093)	(1,144)	(339,772)	
Pre-tax profit (loss)	**(515,797)**	**885,968**	**125,491**	**(942,983)**
Income taxes	368,398		697,403	
Profit (loss) for the year	**(147,399)**	**885,968**	**822,894**	**(942,983)**

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. 2021	**of which with related parties**	**31 Dec. 2020**	**of which with related parties**
Assets				
Non-current assets				
Property, plant and equipment	1,295,125		644,900	
Right-of-use assets	4,222,751		2,896,621	
Goodwill	11,500,045		11,500,045	
Intangible assets with a finite useful life	486,614		460,086	
Equity investments	29,227,486		16,991,055	
Non-current financial assets	1,095,517	900,186	1,057,544	740,937
Deferred tax assets	1,096,852		1,151,689	
Other non-current receivables and assets	204,268		187,563	
Total non-current assets	**49,128,658**	**900,186**	**34,889,503**	**740,937**
Current assets				
Trade receivables	22,234,362	1,894,488	20,124,546	949,170
Current financial assets	1,747,368		2,405,510	
Tax assets	356,183		446,355	
Other current assets	3,784,868	1,216,634	3,545,056	1,116,905
Cash	3,305,996		12,924,264	
Total current assets	**31,428,777**	**3,111,122**	**39,445,731**	**2,066,075**
Total assets	**80,557,435**	**4,011,308**	**74,335,234**	**2,807,012**

				Figures expressed in euros
Liabilities and Shareholders' Equity	**31 Dec. 2021**	**of which with related parties**	**31 Dec. 2020**	**of which with related parties**
Equity				
Share capital	595,534		587,589	
Reserves	37,508,686		35,370,137	
Profit/(loss) for the period	(147,399)		822,894	
Total equity	**37,956,821**	**-**	**36,780,620**	**-**
Non-current liabilities				
Financial liabilities	10,488,395		11,353,183	
Lease liabilities	3,378,692		2,274,064	
Employee benefits	2,739,933		2,849,455	
Provisions for risks and charges	27,987		27,987	
Deferred tax liabilities	14,600		47,763	
Other liabilities	900,348		-	
Total non-current liabilities	**17,549,955**	**-**	**16,552,452**	**-**
Current liabilities				
Financial liabilities	6,785,017	1,400,000	4,570,816	
Lease liabilities	934,599		673,403	
Trade payables	9,952,606	1,793,565	9,705,482	610,647
Tax liabilities	792,694		454,025	
Other liabilities	6,585,743	232,721	5,598,436	226,657
Total current liabilities	**25,050,659**	**3,426,286**	**21,002,162**	**837,304**
Total liabilities and equity	**80,557,435**	**3,426,286**	**74,335,234**	**837,304**

ATTESTATION OF THE SEPARATE 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 separate financial statements, during 2021.

2. It is further certified that the separate financial statements:

- are consistent with the underlying books and accounting records;
- have been prepared in accordance with the International Financial Reporting Standards endorsed 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 financial position, financial performance and cash flows of the issuer

3. Finally, it is certified that the Report on Operations contains a reliable analysis of the business outlook and results of operations, the financial position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Milan, 22 March 2022

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

ALKEMY S.p.A.

Report of the Board of Auditors to the Financial statements at 31 December 2021.

To the Shareholders of Alkemy S.p.A.

1. Introduction

During the year ended at 31 December 2021, 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, 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 2021 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 at 31 December 2021.

In 2021, 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 2021.
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.
The Board of Auditors has 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 auditing firm, analysing information flows acquired from the competent corporate structures and additional control activities.

The Board of Auditors 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, and attending meetings of the Board of Directors and Board Committees.

In 2021, the Board of Auditors met 9 times and attended 8 meetings of the Board of Directors and one of the Shareholders' Meetings.

In addition, in 2021, the Board of Auditors also attended:

(i) 4 meetings of the *"Remuneration Committee"*;

(ii) 7 meetings of the *"Control, Risks and Sustainability Committee"* (the "**CCRS**"), which in Alkemy also acts as *"Related Party Transactions Committee"*.

3. Supervision of standards of correct administration and transactions of greatest economic relevance

The Board of Auditors has monitored compliance with standards of correct administration and have no particular comments to make in this regard. The Board of Auditors has 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 three-year plan for 2022-2023-2024, approved by the Board of Auditors on 21 January 2022,, 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, the Board of Auditors 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 2021, 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 2021, Alkemy purchased 57,000 treasury shares for a total equivalent value of Euro 759 thousand; the number of treasury shares held at 31 December 2021 totals 152,268, for an equivalent value of 1,742,488.58 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 2021, without noting any critical issues worthy of bringing to the attention of the Shareholders' Meeting.

In addition, in compliance with the CONSOB reminder of 18 March 2022, which refers to the Public Statement published by ESMA on 14 March 2022 on the impacts of the Russian-Ukrainian crisis on the financial markets of the EU, during approval of the financial markets at 31 December 2021, the Board of Directors clarified that at 22 March 2022, no particularly significant effects could be foreseen (current and foreseeable, direct and indirect) for the Alkemy Group, of the Russia-Ukraine crisis.

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, in recalling its attendance of the various meetings held during the year of the CRSC, reported, in particular, on the meeting of 4 March 2022, with the following Agenda: (i) Appointment of the Head of the Internal Audit Department; (ii) meeting with the Head of the Internal Audit Department and examination of the annual Internal Audit report relative to FY 2021 and the Audit Plan for FY 2022, resolution on the RMICS; (iii) analysis and assessment of the adequacy of the means and instruments available to the Chief Financial Officer; (iv) examination of the annual report of the Supervisory Body of the company relative to FY 221; (v) update on the impacts of the company and group business deriving from the Covid-19 pandemic; and (vi) approval of the annual report of the Committee to the BoD and determination on expenditure for 2022.

The meeting of the CRSC Committee of 17-03-2022 had the following agenda: (i) meeting with the independent auditing firm KPMG for the assessment of the adequacy and homogeneity of the accounting standards used to prepare the financial statements at 31-12-2021; (ii) report by the independent auditing firm on any critical issues found *pro tempore* in the analysis of the group companies;

(iii) investigation of the impairment testing procedures and methods for the drafting of the consolidated financial statements at 31-12-2021; (iv) assessment of the correct use of the standards adopted for the preparation of the non-financial statement prepared in accordance with Decree Law 254/2016 and the completeness and reliability of such statement; (v) examination of the activities carried out in the last quarter by the independent auditing firm; (vi) verification, in accordance with Art. 2.6.2, paragraph 7 of the regulation of the markets organised by Borsa Italiana; (vii) verification of the method of concrete implementation of the rules of corporate governance envisaged by the Code of Corporate Governance with which the company declares it complies, verification of the provisions given by the company to the subsidiaries in accordance with Art. 114, paragraph 2 of the Consolidated Law on Finance. 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.

Particularly as regards the strategic subsidiaries based outside the EU, we note that:

(i) during the meeting held on 17-03-2022, 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) O1S 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 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. The independent auditing firm confirms that to date there has been a regular flow of information from the non-EU subsidiaries.

(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) during the meetings with the Board of Auditors, the independent auditing firm 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 (in the case in point, Managing Director Duccio Vitali) is required to design and manage the system.

It is specified that, on the proposal of 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 following tasks: (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;

It is also noted that on the appointment of the Company, on 24 June 2020, Deloitte & Touche S.p.A. presented the administrative body with the summary document of the Company's Risk Assessment.

In order to have prompt information available on the Internal Control and Risk Management System, reference is made to the 2021 Report on Corporate Governance and Ownership Structures.

The Board has then organised autonomous meetings with the Head of Internal Audit 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, during the periodic audit of the Board of Auditors, 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 2021, 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.

Some time ago now, the company 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 231 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 Supervisory Body's work, which reveals no particular findings.

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 suitability of the administrative-accounting system and the statutory audit of the 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 Chief Financial Officer.

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 Chief Financial Officer and the Independent Auditing Firm and by examining the corporate documents.

During the meeting held on 17 March 2022, the Independent Auditing Firm confirmed that it had no reports or observations to make in respect of the Company's administrative-accounting system.

The Board of Auditors has monitored the financial disclosure process, making sure that the Board of Directors has approved the draft 2021 financial statements, the proposed allocation of the 2021 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, amongst others' Financial Officer organised the issue on 22 March 2022 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 2021.

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 2022.

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, 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 auditing firm, 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 2022 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 2022, pursuant to Art. 11 of said Regulation of the Board of Auditors, as internal control and audit committee;
- the annual confirmation of independence, given on 31 March 2022, in accordance with Art. 6 par. 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 at 31 December 2021 and of the economic result and cash flows for the year ended 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 liabilities 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

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 at 31 December 2021.
Finally, in compliance with the recommendations given in the joint Bank of Italy-Consob-Isvap document no. 4 dated 3 March 2010 on the impairment test procedure, regulated by IAS 36, the Board has pointed out that the Company has appointed Deloitte & Touche S.p.A., leading independent consultancy company in Italy, to assist its management team to perform analyses aimed at verifying the recoverability of goodwill and the measurement of payables arising from put&call options, with the preparation of the related summary report.
As regards impairment testing in particular, an assessment was performed of the four 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 2021 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. The CGUs of Alkemy identified by the management are as follows:

1. Italy CGU: comprising the companies: i) Nunatac S.r.l.; ii) Design Group Italia S.r.l. iii) Alkemy Play S.r.l., iv) XCC S.r.l. and v) the parent company Alkemy S.p.A.
2. CGU Spain: comprising: i) Alkemy Iberia and the Ontwice Group;
3. CGU Mexico: in turn comprising OIS Digital S.L. and OIS Service S.L. (the Spanish holding company Alkemy South America is not included, as it is irrelevant);
4. Serbia CGU: comprising the companies: i) Kreativa New Formula D.o.o; and ii) Alkemy SEE D.o.o.

In valuing the impairment test for the consolidated financial statement, the methodological criteria adopted is specifically indicated, along with 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.
The goodwill entered in the separate financial statements at 31.12.2021 of Alkemy S.p.A. consists of:

	Figures expressed in thousands of euros	
	31 Dec. 2021	**31 Dec. 2020**
Goodwill for BizUp	6,883	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**	**11,500**

The notes to the financial statements clarify that due to the effective aggregation of Alkemy S.p.A. and Nunatac S.r.l., which was completed with the resolution of the merger by acquisition passed by the Board of Directors on 21 January 2022, impairment testing was performed considering goodwill equal to the sum of the current carrying amount of the parent company and that to be generated following the merger.

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.

The results of the impairment test show that the recoverable amount of the goodwill exceeds the carrying amount and therefore no write-down was applied.

The Company also carried out a sensitivity analysis and this analysis also failed to reveal any evidence of impairment loss on goodwill.

In addition, in drafting the financial statements according to IFRS standards, the Alkemy Group is required to value the put & call options relative to the acquisition of the minorities in the investee companies, in accordance with the provisions of the accounting standards IAS 32 and IFRS 9 (financial instruments).

At 31 December 2021, in line with best practices, the fair value of the financial instruments was thus determined, connected with the purchase of the minorities in the companies in which an investment was already held. The fair value of the financial assets or liabilities deriving from the put & call option contracts was estimated with reference to the 2021 separate financial statements, considering the instruments as summary forward, given the symmetry of the conditions of the put & call options, with the exception of the put & call option for the acquisition of minority shares in Alkemy Iberia of “Gadia FM”, valued determining the spread between the value of the underlying (equity value of the equity investment) and the certain value of the payable established by contract.

In the 2021 consolidated financial statements, the put & call options were only valued as a financial payable deriving from the potential exercise of the option, considering that the assets and liabilities of the investee companies are consolidated 100%.

As regards the impairment testing and the measurement of the put & call options, 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 and the measurement of the put & call options, was appropriate to providing the Alkemy Board of Directors with the necessary indications under the scope of impairment testing and measuring the payables for the put & call options in order to prepare the financial statements at 31.12.2021.

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 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 2021, 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 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, the independent auditing firm 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 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 2022.

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 13 September 2021, the Board of Directors prepared the report relative to the first half of 2021, publishing it in accordance with the terms and conditions laid down by current legislation.

On 22 March 2022, the Alkemy S.p.a. Board of Directors approved:

1. impairment testing of the value of goodwill and valuation of the put/call options. Related and consequent resolutions;
2. the draft financial statements for the year ended 31 December 2021, of the consolidated financial statements at 31 December 2021 and the Directors' Report on Operations.
3. the non-financial statement prepared pursuant to Legislative Decree no. 254/2016;
4. the disclosure on the new Code of Corporate Governance and start of gap analysis.
5. the Report on Corporate Governance and Ownership Structures in accordance with Art. 123-bis of the Consolidated Law on Finance;
6. the final results of the MBO/LTIP for FY 2021;
7. the Report on the Remuneration Policy and fees paid pursuant to 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;
8. the proposed purchase and disposal of treasury shares in accordance with Articles 2357 et seq. of the Italian Civil Code;
9. the proposed amendment of Articles 3 (object), 5 (share capital) and 25.8 (board of auditors) of the Articles of Association;
10. the explanatory reports on the items on the agenda of the Ordinary Shareholders' Meeting;
11. the press release.

The related documents were delivered to the Board of Auditors by the legal deadline.

The financial statements at 31.12.2021 show a period loss of Euro 147,399 and shareholders' equity of Euro 37,956,821.

The consolidated financial statements at 31.12.2021 show a Group period profit of 4,263 thousand euros and Group shareholders' equity of 36,699 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 the independent auditing firm by the legal deadline and the related Certifications by the Chief Financial Officer and Chief Executive Officer dated 31 March 2022. In addition, the independent auditing firm has expressed a positive opinion on the conformity of the financial statements with the provisions of the Delegated Regulation (EU) 2019/815 on the single electronic reporting format (ESEF).

The Board 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. at 31 December 2021 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 2021 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. at 31 December 2021.

8. Procedure for the concrete implementation of the rules of corporate governance

The Board of Auditors has 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. 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 and approved (on 22 March 2022) the "*Report on Corporate Governance and Ownership Structures*" (the "**CG Report**") and the "*Remuneration Report*", respectively in accordance with Articles 123-bis and 123-ter of the Consolidated Law on Finance (together the "**Reports**"), respectively approved by the CRSC and the Remuneration Committee. 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 the CG 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 Alkemy spa:

Commercial transactions			Figures in thousands of euros	
	Receivables	**Payables**	**Revenue**	**Costs**
Alkemy Play S.r.l.	526		430	(6)
XCC S.r.l.	194	(52)	16	
DGI S.r.l.	151	(450)	33	(239)
Ontwice S.L. Madrid		(28)		(64)
Alkemy SEE D.o.o.	181		84	
Ontwice Mexico	40		119	
Alkemy Iberia S.L.	732		1,226	(1)
Nunatac S.r.l.	72	(1,263)	176	(846)
Total	**1,894**	**(1,794)**	**2,083**	**(1,157)**

In addition, at 31/12/2021, the following financial transactions are in place, settled in exchange for payment, between the Parent Company and the subsidiaries.

Financial transactions			Figures in thousands of euros	
	Receivables	**Liabilities**	**Revenue**	**Costs**
Alkemy Play S.r.l.	320		6	
Alkemy SEE D.o.o.	330		3	
Nunatac S.r.l.		(1,400)		(1)
XCC S.r.l.	200		2	
Alkemy Iberia S.L.	50		1	
Total	**900**	**(1,400)**	**13**	(1)

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 the specified 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.

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. More specifically, the Board of Auditors gave a positive opinion on the guidelines to the Remuneration Policy.

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This report has been approved unanimously by the Board of Auditors. Milan, 31 March 2022

The **Board of Auditors**

Mauro Bontempelli (Chairman)

Gabriele Gualeni

Daniela Bruno

KPMG S.p.A.
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(The accompanying translated consolidated financial statements of the Alkemy Group constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Alkemy S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Alkemy Group (the "group"), which comprise the statement of financial position as at 31 December 2021, the income statement and the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Alkemy Group as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Alkemy S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of the carrying amount of goodwill

Notes to the consolidated financial statements: note "Accounting policies - Intangible assets - Goodwill", "Accounting policies - Intangible assets - Impairment" and note 14 "Goodwill"

Key audit matter	**Audit procedures addressing the key audit matter**
The consolidated financial statements at 31 December 2021 include goodwill of €41,249 thousand. The parent's directors allocated goodwill to the cash-generating units ("CGUs") that they identified, namely, the Italy, Spain, Mexico and the Balkans CGUs. The parent's directors tested the reporting-date carrying amount for impairment by comparing it to the CGUs' recoverable amount. The directors estimated the recoverable amount based on value in use calculated using the discounted cash flow model. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective about: — the expected cash flows, calculated by taking into account the general economic performance and that of the group's sector, the actual cash flows for recent years and the projected growth rates; — the financial parameters used to calculate the discount rate. For the above reasons, we believe that the recoverability of goodwill is a key audit matter.	Our audit procedures included: — updating our understanding of the process adopted to prepare the impairment test approved by the parent's board of directors; — understanding the process adopted to prepare the group's 2022-2024 business plan approved by the parent's board of directors from which the expected cash flows used for impairment testing have been derived; — analysing the reasonableness of the main assumptions used by the parent's directors to prepare the forecasts; — checking any discrepancies between the previous year business plans' forecast and actual figures, in order to check the accuracy of the estimation process adopted; — comparing the expected cash flows used for impairment testing to the forecast cash flows and analysing the reasonableness of any discrepancies; — involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing and related assumptions, including by means of a comparison with external data and information; — checking the sensitivity analysis presented in the notes in relation to the main assumptions used for impairment testing; — assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.

Measurement of put option liabilities

Notes to the consolidated financial statements: note "Accounting policies - Financial instruments" and note 30 "Put option liabilities"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2021 include put option liabilities of €9,481 thousand, relating to contractual arrangements entitling the non-controlling investors in a number of investees to sell their equity investments to the group in the next few years. The put options' fair value is remeasured at each reporting date. The parent's directors measured the fair value by discounting each investee's expected cash flows. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective about: — the investees' expected cash flows, calculated by taking into account the general economic performance and that of their sector, the actual cash flows for recent years and the projected growth rates; — the financial parameters used to calculate the discount rate; — other variables governed by the individual purchase agreements. For the above reasons, we believe that the measurement of the put options is a key audit matter.	Our audit procedures included: — updating our understanding of the process adopted to measure the put options' fair value; — analysing the purchase agreements signed with the non-controlling investors; — analysing the reasonableness of the assumptions used by the parent's directors to prepare the acquired businesses' forecasts; — checking any discrepancies between the investees' previous year business plans' forecast and actual figures, in order to check the accuracy of the estimation process adopted; — comparing the expected cash flows used for measuring fair value to the investees' forecasts and analysing the reasonableness of any discrepancies; — involving experts of the KPMG network in the assessment of the reasonableness of the fair value measurement model and related assumptions, including by means of a comparison with external data and information; — assessing the appropriateness of the disclosures provided in the notes about the measurement of put options.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 25 June 2019, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2019 to 31 December 2027.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's report on operations and report on corporate governance and ownership structure at 31 December 2021 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the report on operations and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2020 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the report on operations and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2021 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Alkemy S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, other auditors attested the compliance of the non-financial statement separately.

Milan, 31 March 2022

KPMG S.p.A.

(signed on the original)

Luigi Garavaglia
Director of Audit

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(The accompanying translated separate financial statements of Alkemy S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Alkemy S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Alkemy S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2021, the income statement and the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Alkemy S.p.A. as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of the carrying amount of goodwill

Notes to the separate financial statements: note "Accounting policies - Intangible assets - Goodwill", "Accounting policies - Intangible assets - Impairment" and note 15 "Goodwill"

Key audit matter	**Audit procedures addressing the key audit matter**
The separate financial statements at 31 December 2021 include goodwill of €11,500 thousand. The directors tested the reporting-date carrying amount for impairment by comparing it to its recoverable amount. The directors estimated the recoverable amount based on value in use calculated using the discounted cash flow model. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective about: — the expected cash flows, calculated by taking into account the general economic performance and that of the company's sector, the actual cash flows for recent years and the projected growth rates; — the financial parameters used to calculate the discount rate. For the above reasons, we believe that the recoverability of goodwill is a key audit matter.	Our audit procedures included: — updating our understanding of the process adopted to prepare the impairment test approved by the company's board of directors; — understanding the process adopted to prepare the 2022-2024 business plan approved by the company's board of directors from which the expected cash flows used for impairment testing have been derived; — analysing the reasonableness of the main assumptions used by the company's directors to prepare the forecasts; — checking any discrepancies between the previous year business plans' forecast and actual figures, in order to check the accuracy of the estimation process adopted; — comparing the expected cash flows used for impairment testing to the forecast cash flows and analysing the reasonableness of any discrepancies; — involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing and related assumptions, including by means of a comparison with external data and information; — checking the sensitivity analysis presented in the notes in relation to the main assumptions used for impairment testing; — assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.

Recoverability of the carrying amount of equity investments

Notes to the separate financial statements: note "Accounting policies - Intangible assets - Investments in subsidiaries, associates and other companies", "Accounting policies - Intangible assets - Impairment" and note 17 "Equity investments"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2021 include equity investments of €29,227 thousand, mainly related to the investments in the subsidiaries Ontwice Interactive Service S.L. (€10,583 thousand), Nunatac S.r.l. (€10,121 thousand), Alkemy South America S.L. (€4,208 thousand), Design Group Italia S.r.l. (€2,372 thousand) and eXperience Cloud Consulting S.r.l. (€1,401 thousand). The directors checked the recoverability of these equity investments, by comparing their carrying amounts with their value in use calculated using the discounted cash flow model. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective about: — the expected cash flows, calculated by taking into account the general economic performance and that of the company's sector, the actual cash flows for past years and the projected growth rates; — the financial parameters used to calculate the discount rate. For the above reasons, we believe that the recoverability of the carrying amount of equity investments is a key audit matter	Our audit procedures included: — updating our understanding of the process adopted to prepare the impairment test; — understanding the process adopted to prepare the 2022-2024 business plan approved by the company's board of directors from which the expected cash flows used for impairment testing have been derived; — analysing the reasonableness of the main assumptions used by the company's directors to prepare the forecasts; — checking any discrepancies between the previous year business plans' forecast and actual figures, in order to check the accuracy of the estimation process adopted; — comparing the expected cash flows used for impairment testing to the forecast cash flows and analysing the reasonableness of any discrepancies; — involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing and related assumptions, including by means of a comparison with external data and information; — checking the sensitivity analysis presented in the notes in relation to the main assumptions used for impairment testing; — assessing the appropriateness of the disclosures provided in the notes about the recoverability of the carrying amount of equity investments and the related impairment test.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 25 June 2019, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2019 to 31 December 2027.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The company's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the separate financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the separate financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the separate financial statements have been prepared in XHTML format in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of a report on operations and a report on corporate governance and ownership structure at 31 December 2021 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the report on operations and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2020 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the report on operations and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2021 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 31 March 2022

KPMG S.p.A.

(signed on the original)

Luigi Garavaglia
Director of Audit