

Alkemy S.p.A.

Interim Financial Report
at 30 September 2022

Alkemy Group

Parent Alkemy S.p.A.

Registered office in Milan, at Via San Gregorio 34

Share Capital Euro 595,534.32

VAT no.: 05619950966

Milan Company Registration no. 1835268



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Declaration in accordance with Article 154-bis, 2nd paragraph, of Italian Legislative Decree no. 58 of 24 February 1998 “Consolidated text setting out provisions on financial intermediation”, as subsequently amended	29



Corporate bodies of Alkemy S.p.A.

Board of Directors *

Alessandro Mattiacci	Chairman
Duccio Vitali	Chief Executive Officer
Massimo Canturi Riccardo Lorenzini	Director with delegations Director
Giulia Bianchi Frangipane	Independent Director
Serenella Sala	Independent Director
Ada Ester Villa	Independent Director

Board of Auditors *

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

Independent Auditors

KPMG S.p.A.

*Appointed by the Shareholders' Meeting on 26 April 2022.



Highlights

Below are the key data on operations of the Alkemy Group in the first nine months of 2022:

	Figures in thousands of euros	
	30 Sep. 2022	30 Sep. 2021
Net revenue	74,660	67,497
Gross operating profit (loss) (Adjusted gross operating profit) ¹	7,904	7,358
Adjusted operating profit ²	5,534	5,671
Profit for the period	3,635	2,621
Average number of employees	783	613

	Figures in thousands of euros	
	30 Sep. 2022	30 Sep. 2021
Italy revenue	50,753	45,308
Export revenue	23,907	22,189
Net revenue	74,660	67,497

	Figures in thousands of euros	
	30 Sep. 2022	31 Dec. 2021
Net invested capital	76,211	57,891
Net financial debt	(36,213)	(21,192)
Equity	39,998	36,699

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.

² Gross EBIT is adjusted EBITDA less amortisation, depreciation, provisions and impairment losses.



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 tenth 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 and New York.

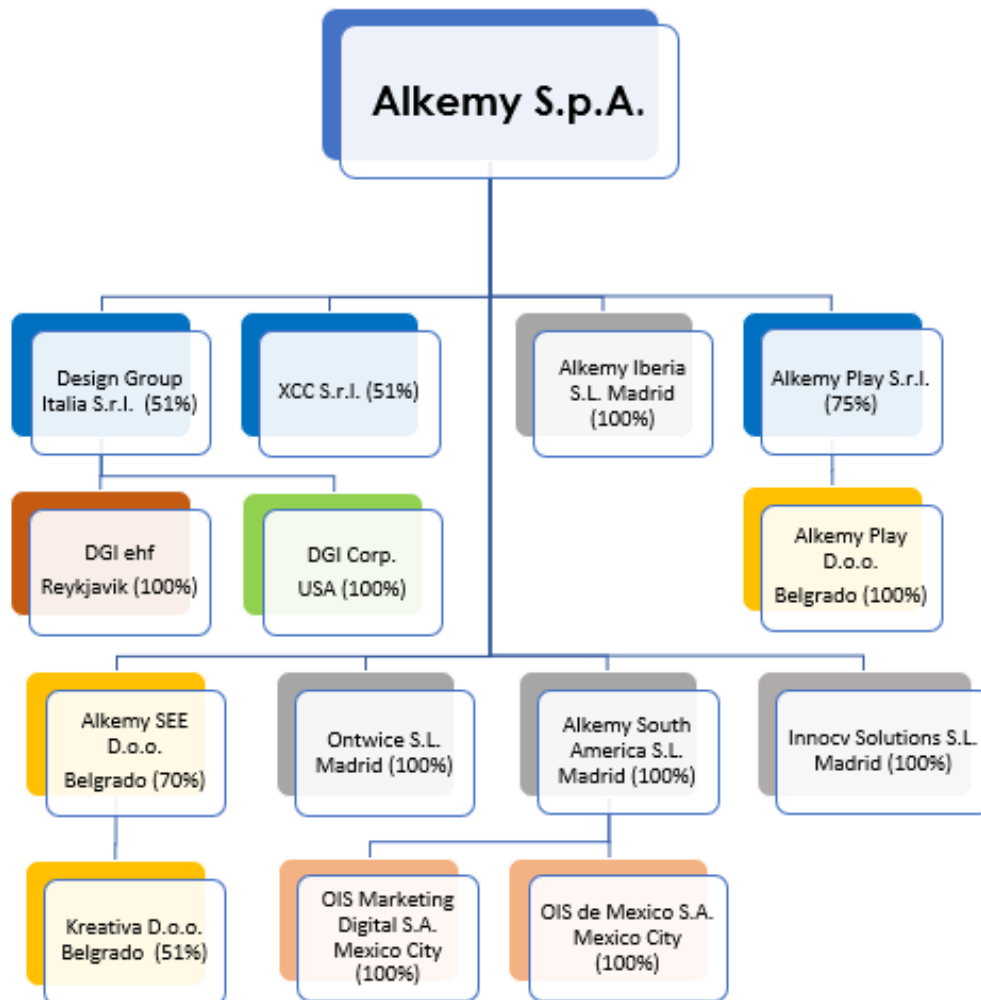
December 2017 saw Alkemy début on the Borsa Italiana AIM Italia market to gather the capital necessary to finance the growth and expansion of the corporate competences, leaving control over the business with the managers and consequently guaranteeing independence and the possibility of perpetrating the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

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



Group structure

In just a few years, Alkemy has successfully gained standing as a leader on the digital transformation market, growing both organically and through external lines with acquisitions of other companies. Below is the Alkemy Group structure at 30 September 2022.



Business areas

In response to the continuous evolutions of the market on which the Company operates and to anticipate the needs of its customers, in February 2020, having laid the basis, in 2019, Alkemy modified its mission from “digital enabling” to “enabling evolution”. In other words, the Company is now focused 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.
- > **Digital 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.

Operating performance during the first nine months of 2022

During the first nine months of 2022, the national and European economic markets maintained a high degree of uncertainty, with non-positive impacts on business and companies' expectations; in actual fact, if on the one hand, the pandemic emergency has now eased as the spread reduced and government restrictions were lightened, on the other, the continuation of the war in Ukraine, accompanied by the major acceleration of inflation, maintains the major market tensions and negativity.

In this complex macroeconomic context with little in the way of visibility, the general trend of the Alkemy Group's business, as better detailed below, has been reasonably positive. The Alkemy Group closed the first nine months of the year with growth in revenue and income in excess of 10% over 30 September 2021 and with an improvement seen in margins, resulting in period adjusted consolidated EBITDA of 7,904 thousand euros (7,358 thousand euros in the comparison period, +7.4%) and a positive generation of operative cash (+3.7 million euros). Mainly following the extraordinary transactions implemented during Q3 2022 (in Spain and in Serbia), detailed below, the Net Financial Position last 30 September came to Euro -36.2 million, compared with Euro -21.2 million at end 2021.

Finally, please note that at the end of Q3 2022, the Group's average number of employees in the period increased by almost 28% (783 vs 613 at 30 September 2021), as confirmation of management's positive expectations in terms of the business performance in future periods.

It is also important to highlight the following events that took place during the first nine months of 2022, below reported in chronological order.

On 22 January 2022, 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. As envisaged by the merger contract, this was completed last 1 June, with accounting and tax effects from 1 January 2022.

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, paying 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 last 22 April, the date on which the financial statements at 31 December 2021 were approved. A new Country Manager has thus been appointed for the Spanish market (Ruth Blanch), a manager with vast experience, including internationally, and an in-depth knowledge of the Spanish market and segment; we expect to see his contribution bring further business growth in this geographic area.

On 22 February, Alkemy S.p.A. and Smog S.r.l., which holds 49% of the shares of Alkemy Play S.r.l., signed a new shareholders' agreement regulating the new relations between them in the



management of the company for the next three years, as well as the agreement of a new put & call option held by the minority shareholder, to be exercised after approval of the financial statements at 31 December 2024, in addition to the terms of the necessary recapitalisation of this same company. The Shareholders' Meeting held last 26 April of Alkemy Play S.r.l. in fact approved the financial statements at 31 December 2021, showing a period loss of more than Euro 0.3 million; as envisaged in the specified new shareholder agreements, during the first ten days of May, this loss was therefore covered, after reducing the share capital, by means of the waiver of receivables by the sole parent company and subsequent replenishing of the share capital for Euro 10,000, of which Euro 7,500 by Alkemy S.p.A. and Euro 2,500 by the minority shareholders. This recapitalisation therefore altered the possession held, which went from 51% to 75%.

On 4 March 2022, Alkemy SEE D.o.o. signed a binding letter of intent between its subsidiary Kreativa New Formula D.o.o. ("KNF") and the company Kreativa Unlimited D.o.o. ("KU"), aimed at merging the business held by the 2 companies. This transaction was therefore executed last 15 September, with the incorporation of the NewCo established last March with the operative business unit of such KU, into KNF. Following this merger, 51% of the capital of the incorporating company, which took on the new name of Kreativa D.o.o., is held by Alkemy SEE and 49% by the shareholder of KU and its current CEO.

On 30 March 2022, the third tranche started of the buyback plan by Alkemy S.p.A., concluded last 13 April, which, with the purchase of 25,000 treasury shares, took Alkemy S.p.A. to hold, at that date, a total of 183,268 treasury shares, equal to 3.267% of the share capital.

The Alkemy S.p.A. financial statements at 31 December 2021, which were approved by the Company's Board of Directors last 22 March, were submitted to the Shareholders' Meeting on 26 April 2022; they resolved in their favour, ruling that the period profit should be carried forward. With the approval of these financial statements, the mandate of appointment of the Company's administrative and auditing bodies reached its end and, therefore, the Shareholders appointed a new board of directors comprising 7 members (as compared with the previous 9), confirming Alessandro Mattiacci (Chairman), Duccio Vitali, Massimo Canturi, Riccardo Lorenzini, Serenella Sala and Giulia Bianchi Frangipane, with Ada Ester Villa joining and the latter three members as independent directors.

Starting 10 June 2022, the merger by incorporation of the Serbian company Alkemy Digital Hub D.o.o. into Alkemy SEE D.o.o. took effect, aimed at simplifying the business processes in the Balkans area.

In order to provide employees with a participatory instrument that can align the interests of workers with those of the Alkemy Group, increasing the sense of belonging, participation and engagement of Group employees, as well as obtaining the loyalty of each and every employee and increasing the average duration of the contract of employment, starting last 1 July, Alkemy S.p.A. has launched a voluntary share purchase plan for employees, called "MyShare". Those adhering to MyShare dedicate part of their monthly salary (up to 5% or 400 euros) to buying Alkemy shares on the market, which, if held uninterruptedly for at least 36 months, grant one free share from the Company for every 4 shares purchased. This plan has to date been offered to employees of the Parent Company and, starting 2023, will be extended subsequently to employees of the other Italian companies and, finally, to those of the external subsidiaries.

Last 7 July, the Parent Company became the sole shareholder of Alkemy Iberia S.L., through the



purchase of 10% of its capital by the minority Spanish shareholders, following the exercise of the put option by the latter. The next step envisaged is to perform, by the end of this year, the merger by incorporation of this latter company into the Spanish related company Ontwice Interactive Service S.L., with the aim of simplifying and concentrating operations on the Iberian market.

Last 19 July, the Parent Company signed a binding agreement for the purchase of 100% of the share capital of INNOCV Solutions S.L. ("INNOCV"), a company based in Madrid, market leaders in Spain in the digital transformation segment, in tech and data analytics. The operation was completed on 27 July 2022, upon the simultaneous payment of 5 million euros, with a contractual provision for additional price supplements ("earn-outs") for up to a maximum additional 11 million euros, to be recognised and paid in multiple tranches through to 2027, according to the performance achieved by Innocv in 2022 - 2025. For this operation, the Company was financially backed by IntesaSanPaolo, which disbursed a loan of Euro 5 million with a five-year term, with 12 months pre-amortisation and repayment through 16 quarterly instalments of equal amount.

The operation comes as part of the reorganisation project, strengthening Alkemy's presence in Spain, which began in 2022 with the entrance of Ruth Blanch as new Chief Executive Officer of Alkemy Iberia S.L.: a new form of industrialisation has in fact been launched of the Spanish business, seeking to integrate the entire geographic area of Southern Europe, laying the basis for the incremental results expected starting 2023, also consequent to the extension of the Group's perimeter on the Iberian market.

Last 30 September, the company DGI ehf with registered office in Reykjavik, was disposed of following the effective inactivity seen during the current year, as a result of the cessation of the business reasons that had been behind its establishment. This company was sold to a third party for a price close to the book value (250,000 Icelandic króna).



Key income statement figures

The Group's reclassified income statement for the first nine months of 2022, compared with the figures recognised at 30 September 2021, is as follows:

	Figures in thousands of euros	
	30 Sep. 2022	30 Sep. 2021
Net revenue	74,660	67,497
Services, goods and other operating costs	34,280	32,930
Personnel expense	32,476	27,209
Gross operating profit (loss) (Adjusted EBITDA)	7,904	7,358
Amortisation, depreciation and impairment losses	2,370	1,687
Adjusted operating profit	1,637	5,671
Loss (gain) on equity investments	-	308
Financial income (expense)	123	352
Non-recurring expense (income)	425	958
Pre-tax profit	4,986	4,053
Income taxes	1,351	1,432
Profit for the period	3,635	2,621
Other items recognised in equity	192	25
Comprehensive income	3,827	2,646
Comprehensive income attributable to non-controlling investors	(5)	15
Comprehensive income attributable to the owners of the parent	3,832	2,631

The Group's financial performance for the first nine months of 2022 shows total net revenue of 74,660 thousand euros, as compared with 67,497 thousand euros for the previous period, up 7,163 thousand euros (+10.6%), due to the Italy sector for 5,445 thousand euros and for 1,718 thousand euros to the foreign sector.

Revenue recorded in Italy, which accounts for 68% of consolidated revenue (67.1% in the same period of 2021), totals 50,753 thousand euros (45,308 thousand euros in the corresponding period of the previous year), up 5,445 thousand euros (+12%); this result is mainly due (i) to the inorganic growth consequent to the acquisition, during the second quarter of 2021, of the majority share of Design Group Italia S.r.l. ("DGI") and eXperience Cloud Consulting S.r.l. (XCC), whose greater consolidated revenues in the first nine months of 2022 are worth 3,674 thousand euros, and (ii) to the holding out of key Italian customers and the related active contracts (1,773 thousand euros).

Abroad, revenues come to 23,907 thousand euros, compared with the 22,189 thousand euros booked for the same period of 2021 (+7.7%).

The comprehensive increase of 1,718 thousand euros in revenues achieved by the foreign companies is mainly the result of the combined provisions of (i) the reduction in revenues of the Spanish subsidiaries (-2,616 thousand euros compared with the comparison period, -24.3%), (ii) the inorganic growth consequent to the acquisition of Innocv Solutions S.L., which took place during the month, in the second half of July 2022 (+1,646 thousand euros) and (iii) the increase in revenues of the Mexican subsidiaries (compared with the comparison period, +2,692 thousand euros, i.e. +25.5%, of which 1,677 thousand euros due to the favourable trend of the euro-Mexican peso exchange



rate). Note that the effect of the euro-Serbian dinar exchange rate has had insignificant impacts.

Operating costs (net of non-recurring items) went from 60,139 thousand euros during the first nine months of 2021 to 66,756 thousand euros in the first nine months 2022, up 6,617 thousand euros (+11%), in line with the growth of revenues achieved and the different consolidation scope. More specifically, costs for services, goods and other operating costs net of non-recurring items, which came to 34,280 thousand euros in the first nine months of 2022 (32,930 thousand euros in the first nine months 2021), rose by 4.1% on the same period of the previous year and personnel expense (net of non-recurring items), of 32,476 thousand euros in the first nine months of 2022 (27,209 thousand euros in the first nine months of 2021) rose by 19.4% on the same period of the previous year as a consequence mainly to the different consolidation scope. The incidence of operating costs on revenue, net of non-recurring costs, therefore increased slightly by 0.3 percentage points.

The increase in revenue and careful management of operating costs have led to a better gross operating profit (adjusted EBITDA) of 7,904 thousand euros, up 7.4% on the adjusted EBITDA of the first nine months of 2021, of 7,358 thousand euros. The adjusted EBITDA Margin³ for the first nine months of 2022 came to 10.6%, down 0.3 percentage points on the corresponding period of the previous year (10.9%).

Note that the specified favourable euro-Mexican peso exchange rate has resulted in an increase in adjusted EBITDA of 199 thousand euros, calculated at equal rates with respect to the comparison period.

Adjusted EBIT, gross of financial income and expense and non-recurring expenses, comes to 5,534 thousand euros, slightly down on the result of the first nine months of 2021 (5,671 thousand euros).

Period financial expense, net of the related income, comes to 123 thousand euros as compared with 352 thousand euros for the corresponding period of the previous year.

Non-recurring expense comes to 425 thousand euros and refers to extraordinary costs relative to staff for 256 thousand euros (Euro 944 thousand in the comparison period) and extraordinary costs relative to acquisitions for 169 thousand euros (Euro 14 thousand in the comparison period).

The pre-tax profit comes to 4,986 thousand euros, up 933 thousand euros (+23%) on the pre-tax profit of the corresponding period (4,053 thousand euros).

The net period result is positive for 3,635 thousand euros, as compared with 2,621 thousand euros for the corresponding period of the previous year.

³ The adjusted EBITDA Margin is calculated by comparing the adjusted gross operating profit to total revenue and income.



Reclassified statement of financial position

Below is the Group's reclassified statement of financial position at 30 September 2022, compared with that at 31 December 2021:

	Figures in thousands of euros	
	30 Sep. 2022	31 Dec. 2021
Non-current assets	68,063	53,077
Current assets	40,782	40,199
Current liabilities	(26,377)	(28,784)
Net working capital	14,405	11,415
Post-employment benefits	(6,017)	(6,361)
Provision for risks, charges and deferred tax liabilities	(240)	(240)
Net invested capital	76,211	57,891
Equity	39,998	36,699
Non-current financial debt	34,155	21,853
Current financial debt (position)	2,058	(661)
Net financial debt	36,213	21,192
Total sources of finance	76,211	57,891

The reclassified statement of financial position data at 30 September 2022 indicate net invested capital of 76,211 thousand euros, to be compared with 57,891 thousand euros at 31 December 2021, which consists of:

- 68,063 thousand euros in non-current assets (53,077 thousand euros at 31 December 2021) of which 55,989 thousand euros for goodwill and 4,807 thousand euros for right-of-use assets (at the end of the previous year, they respectively came to 41,249 thousand euros and 5,332 thousand euros);
- 14,405 thousand euros of net working capital (11,415 thousand euros at 31 December 2021, +26.2%);
- 6,017 thousand euros of severance indemnity (6,361 thousand euros at 31 December 2021, -5.4%).

Working capital comes to 14,405 thousand euros (11,415 thousand euros at 31 December 2021) and the related increase on the previous year is mainly due to the reduction in other current liabilities (in particular deferred income).

Shareholders' equity, of 39,998 thousand euros, records an increase of 3,299 thousand euros on 31 December 2021, mainly due to the positive comprehensive net result for the period (3,827 thousand euros) and the change in the fair value of certain put options (-375 thousand euros); more details are given in the next paragraph.

The net financial position (negative) is 36,213 thousand euros and the related reduction of 15,021 thousand euros on 31 December 2021 (negative for 21,192 thousand euros), mainly due to the extraordinary transactions performed in the third quarter, is detailed in the next paragraph.



Main financial figures

The table below details the net financial debt at 30 September 2022 compared with that at 31 December 2021:

	Figures in thousands of euros	
	30 Sep. 2022	31 Dec. 2021
Bank deposits	9,540	10,453
Cash on hand	6	5
Cash	9,546	10,458
Current financial assets	303	84
Bank loans and borrowings	(14,102)	(10,916)
Put option liabilities	(15,460)	(6,575)
Loans and borrowings from other financial backers	(959)	(353)
Lease liabilities from application of IFRS 16	(3,634)	(4,009)
Non current financial liabilities	(34,155)	(21,853)
Bank loans and borrowings	(7,455)	(5,450)
Put option liabilities	(3,029)	(2,906)
Loans and borrowings from other financial backers	(88)	(52)
Lease liabilities from application of IFRS 16	(1,335)	(1,473)
Current financial liabilities	(11,907)	(9,881)
Net financial debt	(36,213)	(21,192)

The Group's net financial position at 30 September 2022 amounts to 36,213 thousand euros (21,192 thousand euros at 31 December 2021), with an increase of 15,021 thousand euros. This change, presented and explained in the Statement of Cash Flows given over the next few pages, is mainly due to:

- -9,008 thousand euros for the increase in put option and earn-out liabilities, as per the combined provisions (i) of such subscribed earn-out to be recognised to the former shareholders of Innocv Solutions S.L. for -10,132 thousand euros, (ii) of such exercise of options over the company Alkemy Iberia S.L. for a total of +2,918 thousand euros, (iii) of the entry of new put liabilities for the companies Alkemy Play S.r.l. and Kreativa D.o.o. for -1,701 thousand euros and (iv) interest accrued during the period for -93 thousand euros;
- -5,833 thousand euros for the increase in bank loans in place, mainly as per the combined provisions (i) of invoice advances and factoring (with recourse) implemented during the period for a total of -4,028 thousand euros, (ii) of the obtaining of three new loans for a total of -6,408 thousand euros, (iii) the reimbursement of the instalments envisaged by the amortisation plans (+5,790 thousand euros) and (iv) the extension of the consolidation scope for -1,024 thousand euros;
- +513 thousand euro for the reduction in financial liabilities for the application of IFRS 16, mainly due to the payment of charges during the period;
- -912 thousand euros for the decrease in cash and cash equivalents.

Significant subsequent events

Useful information on the following significant events that took place after the close of the first nine months of 2022, is provided.



On 21 October 2022, the merger by acquisition was resolved of the Spanish company Alkemy Iberia S.L. into Ontwice S.L., both owned fully by Alkemy S.p.A.; this transaction, which will take effect by 31 December 2022, will mean that the acquiring company changes its business name to Alkemy Iberia.

On 18 October 2022, the Parent Company subscribed two cap derivatives to hedge the risk of an increase in interest rate applicable to the two loans specified, for a total of Euro 6 million, disbursed by Intesa SanPaolo and BPM, subscribed last July and which serve to complete the purchase of the entire capital of INNOCV and 10% of Alkemy Iberia.

Outlook

As at the date of approval of these consolidated interim report at 30 September 2022, despite the fact that the government pandemic emergency measures have come to an end, workers of the Italian and foreign companies of the Group continue to mainly work from home, even if a progressive return on site is underway, and to the customer businesses, with different levels according to the geographic areas. The expectation remains that of having an additional increase in work on site, but with the awareness that there will be no return to a pre-pandemic situation now that workers have become irreversibly accustomed to smart working.

The evolution of operations during the last quarter of 2022 will mainly depend on exogenous factors that are not related to the pandemic emergency, which has now effectively been solved, but rather to the evolution of the war in Ukraine. The economic effects deriving from this war are helping drive the increase in inflation caused above all by the widespread increase in the prices of energy products: there are therefore significant negative impacts on almost all economic segments and, in general, on the companies' expectations, which are not always positive due to the widespread general uncertainty of the markets. At present, only limited significant effects have been seen on Alkemy Group customers, although some are suffering more directly the difficulties consequent to the inflation, with possible fallout on the purchase of the services proposed by the Group.

Taking into account the results achieved during the first nine months of 2022 and the current progress made on the orders in the portfolio and contracts started during the early months of the third quarter, save any further turns for the worse, which are not currently predictable, the Group confirms its expectation to continue organic growth, both in terms of revenues and margins.



Alkemy S.p.A.

Consolidated financial statements
at 30 September 2022 and comments



Financial statements

Consolidated income statement

		Figures in thousands of euros	
	Note s	30 Sep. 2022	30 Sep. 2021
Revenue from sales and services	1	73,593	66,506
Other revenue and income	2	1,067	991
Total revenue and income		74,660	67,497
Services, goods and other operating costs	3	(34,449)	(32,944)
- of which non-recurring		(169)	(14)
Personnel expense	4	(32,732)	(28,153)
- of which non-recurring		(256)	(944)
Total costs and other operating costs		(67,181)	(61,097)
Gross operating profit		7,479	6,400
Amortisation/depreciation	5	(2,160)	(1,636)
Provisions and impairment losses	6	(210)	(51)
Operating profit		5,109	4,713
Net gains (losses) on equity investments	7	-	(308)
Financial income	8	832	234
Financial expense	9	(955)	(586)
Pre-tax profit (loss)		4,986	4,053
Income taxes	10	(1,351)	(1,432)
Profit/(loss) for the period		3,635	2,621
Attributable to:			
- Owners of the parent		3,640	2,606
- Non-controlling investors		(5)	15



Consolidated statement of comprehensive income

	Figures in thousands of euros	
	30 Sep. 2022	30 Sep. 2021
Profit/(loss) for the period	3,635	2,621
Items that will be reclassified to profit or loss:		
Foreign operations - foreign currency translation differences	192	25
Total items that will be reclassified to profit or loss	192	25
Total other comprehensive income (expense)	192	25
Comprehensive income/(expense)	3,827	2,646
Attributable to:		
- Owners of the parent	3,832	2,631
- Non-controlling investors	(5)	15



Statement of financial position

	Figures in thousands of euros	
Assets	30 Sep. 2022	31 Dec. 2021
Non-current assets		
Property, plant and equipment	2,258	1,809
Right-of-use assets	4,807	5,332
Goodwill	55,989	41,249
Intangible assets with a finite useful life	1,654	863
Equity investments	5	5
Non-current financial assets	382	1,789
Deferred tax assets	2,715	1,789
Other non-current receivables and assets	253	241
Total non-current assets	68,063	53,077
Current assets		
Trade receivables	36,507	36,040
Current financial assets	303	84
Tax assets	2,116	1,274
Other current assets	2,159	2,885
Cash	9,546	10,458
Total current assets	50,631	50,741
Total assets	118,694	103,818



	Figures in thousands of euros	
Liabilities and Shareholders' Equity	30 Sep. 2022	31 Dec. 2021
Equity		
Share capital	596	596
Reserves	35,441	31,517
Profit/(loss) for the period	3,640	4,263
Equity attributable to owners of the parent	39,677	36,376
Equity attributable to non-controlling investors	321	323
Total equity	39,998	36,699
Non-current liabilities		
Financial liabilities	15,061	11,269
Lease liabilities	3,634	4,009
Put option and earn-out liabilities	15,460	6,575
Employee benefits	6,017	6,361
Provisions for risks and charges	222	222
Deferred tax liabilities	18	18
Total non-current liabilities	40,412	28,454
Current liabilities		
Financial liabilities	7,543	5,502
Lease liabilities	1,335	1,473
Put option and earn-out liabilities	3,029	2,906
Trade payables	14,253	14,184
Tax liabilities	2,501	2,281
Other liabilities	9,623	12,319
Total current liabilities	38,284	38,665
Total liabilities	78,696	67,119
Total liabilities and equity	118,694	103,818



Consolidated statement of cash flows

	Figures in thousands of euros	
	30 Sep. 2022	30 Sep. 2021
Cash flow from operating activities		
Profit/(loss) for the period	3,635	2,621
Financial income	(832)	(234)
Loss (gain) on equity investments	-	308
Financial expense	955	586
Income taxes	1,351	1,432
Amortisation/depreciation	2,160	1,636
Provisions and impairment losses	210	51
Cost for share-based payments	275	593
Decrease (increase) in trade receivables	1,507	6,295
Increase (decrease) in trade payables	183	(2,599)
Decrease (increase) in other assets	(134)	(408)
Increase (decrease) in other liabilities	(4,366)	(3,142)
Interest paid	(145)	(171)
Income tax paid	(1,147)	(413)
Net cash flows from operating activities	3,652	6,555
Cash flows from investing activities		
(Investments) divestments of property, plant and equipment and intangible assets	(1,690)	(1,052)
Decrease (increase) in financial assets	1,735	(167)
Change in the consolidation scope net of cash and cash equivalents	(4,361)	(1,949)
Net cash flows used in investing activities	(4,316)	(3,168)
Cash flows from (used in) financing activities		
Change in financial liabilities	4,644	313
Change in financial liabilities pursuant to IFRS 16	(1,244)	(973)
Change in treasury shares	(435)	(759)
Dividends paid to non-controlling investors	(542)	(1,023)
Other changes in equity	-	883
Share capital increases	-	8
Exercise of put options	(2,672)	(4,916)
Other changes in lending	-	(36)
Net cash flows from (used in) financing activities	(249)	(6,503)
Net increase/(decrease) in cash and cash equivalents	(912)	(3,115)
Opening net cash and cash equivalents	10,458	18,840
Closing net cash and cash equivalents	9,546	15,725

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



Statement of changes in equity

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

	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 2021	596	(1,743)	202	31,215	1,843	4,263	36,376	323	36,699
Allocation of profit for the period	-	-	-	-	4,263	(4,263)	-	-	-
Purchase of treasury shares	-	(435)	-	-	-	-	(435)	-	(435)
Assignment of treasury shares	-	385	-	-	(133)	-	252	-	252
Stock options	-	-	-	13	-	-	13	-	13
Change in put option liabilities	-	-	-	-	(375)	-	(375)	-	(375)
Change in long-term incentive plan reserves	-	-	-	10	-	-	10	-	10
Other movements	-	-	-	-	4	-	4	3	7
Other comprehensive profit (loss)	-	-	-	192	-	-	192	-	192
Profit for the period	-	-	-	-	-	3,640	3,640	(5)	3,635
Balance at 30 September 2022	596	(1,793)	202	31,430	5,602	3,640	39,677	321	39,998



Notes to the consolidated financial statements

Basis of presentation and consolidation standards

The Alkemy Group Interim Financial Report at 30 September 2022 has been prepared as STAR issuer, in accordance with the provisions of Borsa Italiana Notice no. 7587 of 21 April 2016 "STAR Issuers: information on interim management statements"; the related contents are consistent with that established by Art. 154-ter, paragraph 5 of Italian Legislative Decree no. 58, dated 24 February 1998.

The Interim Financial Report is prepared on the basis of the booking and measurement criteria envisaged by the International Financial Reporting Standards (IFRSs) adopted by the European Union. The accounting standards adopted for the preparation of this Interim Financial Report are the same as those adopted for the preparation of the Group's annual Consolidated financial statements for the year ended at 31 December 2021, apart from the new standards in force from 1 January 2022, which had no significant impact on the period.

This Interim Financial Report has not been reviewed by the Independent Auditing Firm.

The Interim Financial Report is approved by Alkemy's Board of Directors on 14 November 2022 and on that same date, the same body authorises its publication.



Consolidated income statement

1. Revenue from sales and services

Revenue from sales and services comes to 73,593 thousand euros (66,506 thousand euros in the first nine months of 2021) and relate entirely to the sale of services. The increase in turnover realised during the first nine months of 2022 is 7,087 thousand euros (+10.7%) on the same period of the previous year and is mainly due (i) to inorganic growth following the acquisition of the majority share of Design Group Italia S.r.l. and eXperience Cloud Consulting S.r.l. (during the second quarter of 2021) and INNOCV Solution S.L. for a total of 5,322 thousand euros and the holding out of the key Italian and foreign accounts, in particular in respect of the Mexican subsidiaries (+2,708 thousand euros, of which 1,677 thousand euros due to the favourable trend of the Euro-Mexican Peso exchange rate, compared with the comparative period).

Note that the effect of the euro-Serbian dinar exchange rate is not significant.

2. Other revenue and income

Other revenue and income totals 1,067 thousand euros (991 thousand euros at 30 September 2021), as follows:

	Figures in thousands of euros	
	30 Sep. 2022	30 Sep. 2021
Revenue for capitalised costs	605	370
Tax asset	250	361
Government grants	6	158
Other revenue	206	102
Total other revenue and income	1,067	991

Revenue for capitalised costs came to 605 thousand euros and mainly relate to the internal implementation of software and platforms relative to the pursuit of the Group's commercial activities.

The tax asset is accrued on the investments made by the Parent Company in 4.0 training pursuant to Art. 1, paragraph 78-81 of Italian Law no. 145 of 30.12.2018.

Other revenue mainly refers to contingent assets and other operating income.



3. Services, goods and other operating costs

Services, goods and other operating costs comes to 34,449 thousand euros (32,944 thousand euros at 30 September 2021), as detailed below:

	Figures in thousands of euros	
	30 Sep. 2022	30 Sep. 2021
Services	34,032	32,635
Purchase of raw materials	166	121
Lease costs	106	43
Other operating costs	145	145
Total	34,449	32,944

Services

Costs for services come to 34,032 thousand euros (32,635 thousand euros at 30 September 2021) and are detailed below:

	Figures in thousands of euros	
	30 Sep. 2022	30 Sep. 2021
Services for customers	29,703	29,688
Maintenance services	461	267
Marketing services	453	98
Other consultancy	432	392
Travel and transfer expenses	420	198
Administrative services	385	273
Consultancy and legal expenses	345	441
Meal vouchers	340	186
Insurance	259	181
Postal, telephone and data transmission services	184	165
Collaborators' fees	180	57
Costs for non-recurring services	169	14
Audit fees	137	148
Cleaning expenses	97	73
Condominium and supervisory expenses	93	81
Payslip processing	75	101
Utilities	75	37
Banking services	58	35
Statutory Auditors' fees	47	47
Commercial services	46	73
Other services	73	80
Total services	34,032	32,635

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



Other operating costs

Other operating costs come to 145 thousand euros (145 thousand euros at 30 September 2021) and regard costs from previous years, sanctions, stamp duty and levies.

4. Personnel expense

Personnel expense comes to 32,732 thousand euros (28,153 thousand euros at 30 September 2021) and consist of the following:

	Figures in thousands of euros	
	30 Sep. 2022	30 Sep. 2021
Wages and salaries	23,382	19,373
Non-recurring wages and salaries	256	944
Directors' fees	1,285	1,352
Social security expenses	6,203	4,907
Costs for defined benefit plans	1,297	929
Cost for share-based payments	276	594
Other personnel expense	33	54
Total personnel expense	32,732	28,153

This item includes all costs incurred during the period, directly or indirectly relating to employees and collaborators, as well as directors' fees for 1,285 thousand euros.

In general, the increase in these items is mainly due to the change in consolidation scope, as specified previously.

The average number of employees during the period was 783, as compared with 613 in the same period of the previous year.

904 employees were on the workforce at 30 September 2022, as compared with 708 in the same period of the previous year.

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

5. Amortisation/depreciation

Amortisation/depreciation comes to 2,160 thousand euros (1,636 thousand euros at 30 September 2021) and consists of:

- 1,256 thousand euros (1,031 thousand euros at 30 September 2021) relating to the application of standard IFRS 16;
- 468 thousand euros (291 thousand euros at 30 September 2021) for the depreciation of property, plant and equipment;
- 436 thousand euros (314 thousand euros at 30 September 2021) for the amortisation of intangible assets.



6. Provisions and impairment losses

Impairment losses recorded come to 210 thousand euros (51 thousand euros at 30 September 2021) and refer to the impairment of trade receivables.

7. Net gains (losses) on equity investments

Net gains (losses) on equity investments are zero at 30 September 2022. At 30 September 2021, they came to -308 thousand euros and referred to the equity measurement and the adjustment to the fair value of the associate Design Group Italia S.r.l., now a subsidiary and fully consolidated.

8. Financial income

Financial income comes to 832 thousand euros (234 thousand euros at 30 September 2021) and refers mainly (i) 313 thousand euros to the adjustment of the value of derivatives, stipulated in the second quarter of 2021 to hedge interest rates on loans and (ii) 447 thousand euros to the effects of exchange gains (191 thousand euros during the comparative period), mainly traceable to the subsidiary Ontwice Interactive Services S.A. (Mexico City); the latter effectively causes most of the exchange losses (439 thousand euros compared with 165 thousand euros during the comparative period), included under financial expenses, as detailed in the following item.

Exchange gains and losses, whose effective values offset each other, increase on the previous period and relate to purchases and sales made in USD by the Mexican subsidiaries; they reflect the greater volatility of the Mexican currency compared with the dollar, as compared with the first nine months of 2021.

9. Financial expense

Financial expense comes to 955 thousand euros (586 thousand euros at 30 September 2021) and is detailed below:

	Figures in thousands of euros	
	30 Sep. 2022	30 Sep. 2021
Exchange losses	439	165
Interest expense on loans	276	145
Interest from put option liabilities	93	154
Interest on leases	83	87
Interest expense on employee benefits (IAS 19)	42	14
Other financial expense	22	21
Total financial expense	955	586

The increase in the item is mainly due to the greater exchange losses, as described in the previous paragraph and the increase in interest expense paid to banks consequent to both the growing loans in place and the higher market interest rates.



10. Income taxes

Taxes come to 1,351 thousand euros (1,432 thousand euros as at 30 September 2021) and are detailed as follows:

	Figures in thousands of euros	
	30 Sep. 2022	30 Sep. 2021
Current income tax	765	933
Current IRAP tax	209	159
Change in deferred tax assets	354	377
Change in deferred tax liabilities	(1)	3
Previous years' tax	24	(40)
Total taxes	1,351	1,432

Net financial debt

In accordance with the requirements laid down by CONSOB communication of 28 July 2006 and in compliance with the ESMA update in regard to the "Guidance on disclosure obligations in accordance with the Prospectus Regulation" and with CONSOB's "Attention Note 5/21" dated 29 April 2021, below is the Group's Net financial position at 30 September 2022:

	Figures in thousands of euros	
	30 Sep. 2022	31 Dec. 2021
A Cash	9,526	10,458
B Cash equivalents	-	-
C Other current financial assets	303	84
D Cash and cash equivalents (A + B + C)	9,849	10,542
E Current financial liabilities (including debt instruments but excluding the current portion of non-current financial liabilities)	6,386	5,314
F Current portion of non-current financial liabilities	5,521	4,567
G Current financial debt (E + F)	11,907	9,881
H Net current financial debt (G - D)	2,058	(661)
I Non-current financial liabilities (excluding the current portion and debt instruments)	34,155	21,853
J Debt instruments	-	-
K Trade payables and other non-current liabilities	-	-
L Non-current financial debt (I + J + K)	34,155	21,853
M Total financial debt (H + L)	36,213	21,192

Milan, 14 November 2022

for the Board of Directors
the Chief Executive Officer
Duccio Vitali



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

The Manager appointed to prepare the company's accounting documents, Claudio Benasso, attests, in accordance with paragraph two, Article 154-bis of the Consolidated Law on Finance (TUF), that the accounting information contained in this Alkemy Group interim report at 30 September 2022, coincides with the documentary evidence, ledgers and accounting records.

Milan, 14 November 2022

signed Claudio Benasso

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