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

Alkemy S.p.A.

2022 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
Duccio Vitali	Chief Executive Officer
Massimo Canturi	Director with special duties
Riccardo Lorenzini	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.

Letter from the Chief Executive Officer

Shareholders,

2022 was the third year running we will remember for extraordinary events that had a major impact on the decisions taken by all – including governments and businesses.

The international events and fears caused by a war on the edges of the European Union have offered a source of great uncertainty, further worsened by the indirect effects of the conflict, first and foremost energy price trends. This uncertainty has affected both the stock markets and investments made by businesses which, wherever possible, have naturally chosen to postpone the start-up of new projects. This trend, however, did not slow Alkemy's development; indeed, in this less-than-positive year, it in any case recorded growth in excess of 10%.

Amidst this macroeconomic context, Alkemy mainly focussed its resources on two fronts: on the one hand, on the customer portfolio management, making it possible to extend the scope of projects in place, and on the other, on M&As, whereby the Group strengthened its presence both in Spain and in the Balkans.

More specifically, the acquisition of 100% of InnoCV, a company based in Madrid, is of major strategic importance. In addition to taking us to a workforce of more than 200 in Spain, thereby allowing us to boast a position as one of the most important independent agencies on the Iberian peninsula, InnoCV is also a key partner of Celonis, the market's most important process mining solution. The operation therefore allows us to offer out customers worldwide the opportunity not only of growing in terms of customer portfolio and turnover, but also of exploiting the digitisation of processes, also with a view to optimising and limiting costs.

Alkemy will also remember 2022 as the year that allowed us to achieve a series of important milestones: turning 10 on 18 May 2022, passing turnover of 100 million euros and achieving a total workforce that numbered more than 1,000 people at 31 December.

More than a milestone, perhaps this should be seen by Alkemy as a new point of departure. Indeed, the real measure of our success will be the creation of values for our shareholders in the long-term.

Alkemy has been established to make the most of a unique market opportunity: to construct the Italian leader of the digital transformation. A player that can, thanks to a unique portfolio of competences, assist medium and large enterprises as they evolve their business model, enabling them to make the most of the opportunities offered by up technology, digital progress and innovation in general. At the same time, Alkemy seeks to be a place where talents from various areas and training backgrounds can express their full potential, feeling properly "at home". It is a place where growth, profit and competitiveness are pursued with an ethical model of doing business, where, as we like to say, being people who are good is not enough and cannot suffice if we are not also, at the same time, good people.

Indeed, it is in this direction that again in 2022 we launched an important initiative, expanding the shareholder base to include our people through the MyShare programme, which allows those who have worked for Alkemy for at least 12 months to receive up to 5% of their salary in shares. Just 6 months after its launch, 14% of our people have already adhered to the initiative.

And this initiative reinforces our belief that the best way to create long-term value for our shareholders is to pursue our growth project, keeping Alkemy independent, public and with a broad shareholder base.

As I close, please allow me to say just a few words to thank those who make all this possible: the Alkemy people for their commitment and passion shown each and every day in their work, our customers who continue to give us their business and their trust and you, our shareholders, for your support and encouragement that has never been lacking, and this year is no different.

Duccio Vitali
Chief Executive Officer of Alkemy S.p.A.

Highlights

Below is the key performance data of the Alkemy Group in 2022:

	Figures in thousands of euros	
	2022	**2021**
Net revenue	106,574	95,185
Adjusted Gross operating profit (EBITDA)	11,821	10,535
Adjusted operating profit	8,258	7,640
Profit for the year	5,614	4,271
Average number of employees	809	655

	Figures in thousands of euros	
	2022	**2021**
Italy revenue	69,830	64,037
Abroad revenue	36,744	31,148
Net revenue	106,574	95,185

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
Net invested capital	77,535	57,891
Net financial debt	(34,129)	(21,192)
Equity	43,406	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) Adjusted 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 habits. 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 over 1000 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 has 11 offices: in addition to the Milan headquarters, it also operates in Turin, Rome, Naples, Potenza, Cagliari and Rende (Cosenza), Madrid, Belgrade, Mexico City and New York.

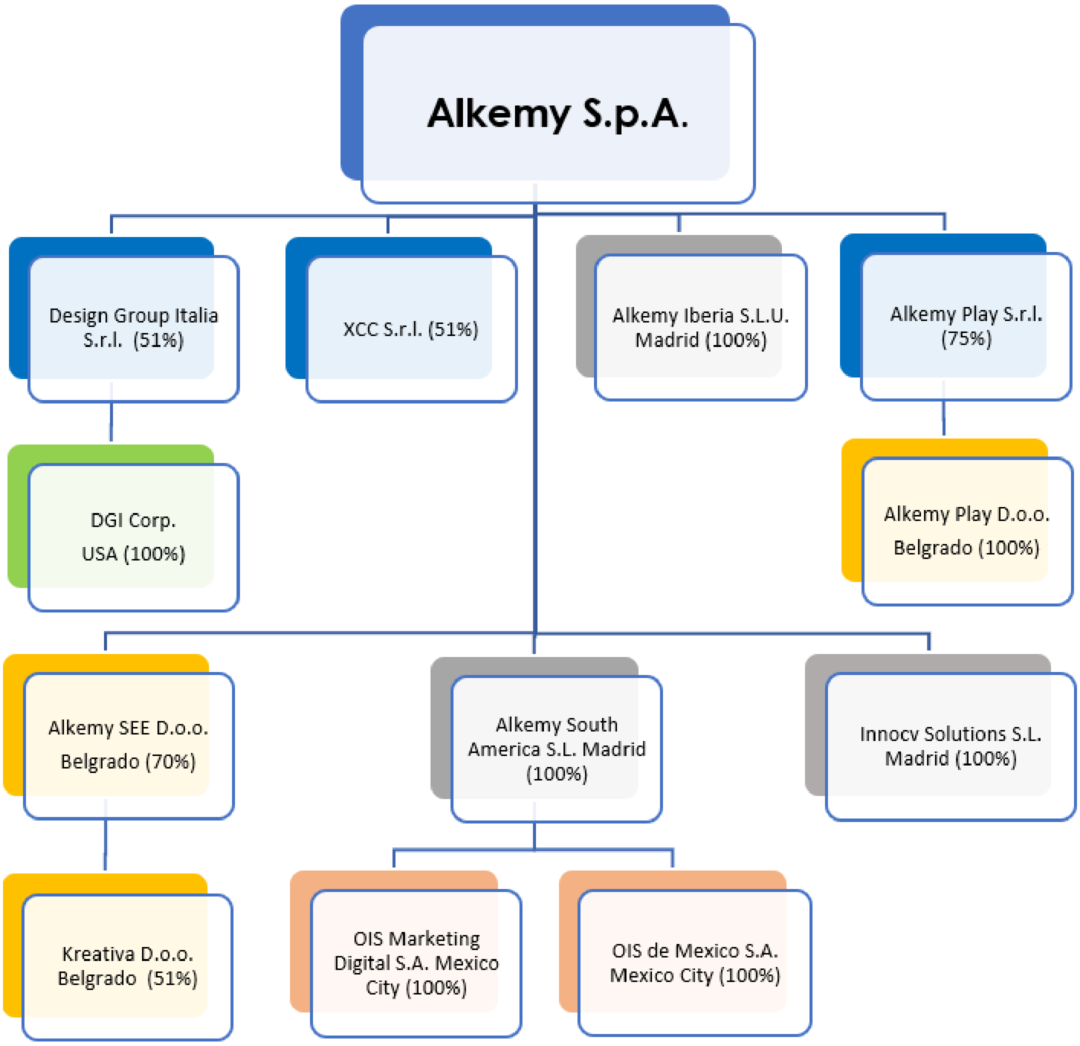
December 2017 saw Alkemy début on the Borsa Italiana AIM Italia market to raise the capital necessary to finance the growth and expansion of the corporate competences, leaving control over the business with the managers and consequently guaranteeing independence and the possibility of perpetrating the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

From when it was listed, in just two years, Alkemy has managed to almost double 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 2022, the Alkemy Group structure is as follows:



Alkemy Play S.r.l.: company established in 2017, operating in digital communication services for SMEs. The company controls a legal entity that operates in the development of IT and technological services in Serbia, **Alkemy Play D.o.o.**.

Alkemy SEE D.o.o.: company based in Belgrade, established in 2016 with capital held 30% by the Chief Executive Officer, a local entrepreneur; it operates in strategic consultancy and digital advisory services. The company holds a 51% stake in **Kreativa D.o.o.**.

Alkemy Iberia S.L.U.: formerly Ontwice Interactive Service S.L., merged during the year with Alkemy Iberia S.L. taking on its name. The company is based in Madrid and operates in strategic consultancy and digital advisory and is one of Spain's most important digital agencies.

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 stake 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 a legal entity operating in the USA: **DGI Corp.**.

Innocv Solution S.L.: , a company acquired during the year, based in Madrid, market leaders in Spain in the digital transformation segment, in tech and data analytics.

Business areas

In response to the continuous evolutions of the market on which the Company operates and to anticipate the needs of its customers, in February 2020, having laid the basis in 2019, Alkemy modified its mission from "digital enabling" to "enabling evolution". In other words, the Company is now focussed in enabling the evolution of its customers' business, with a new offer for a post-digital scenario too, designed to stimulate the relevant progress and update.
Starting April 2021, with completion scheduled during the third quarter, a new Group organisation has started operating in Italy, structured by function (rather than competence), with the aim of ensuring a better focus on key accounts, with the establishment of a dedicated sales structure ("go-to-market"), supported by a pre-sales/business development unit and a delivery structure, whose priority aim is to execute projects/services offered commercially, through competence centres representing and applying the various disciplines practised within the Group, specifically:

- **Consulting:** it analyses, designs and quantitatively assesses (business case and business plan) innovative solutions aiming to transform the customer's business model thanks to the use of the digital and omnichannel leverages, liaising closely with the CEOs and Executive Managers to define innovative, alternative strategies to achieve significant results in the long-term;
- **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.

Report on Operations

FY 2022 performance

During FY 2022, the national and European economic markets maintained a high degree of uncertainty, with non-positive impacts on business and companies' expectations; in fact, while on the one hand, the pandemic emergency has now waned with the reduction in infections and the easing of government restrictions, on the other, the continuation of the war in Ukraine, accompanied by the strong rise in inflation, has kept major market tensions and negativity in place.

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 FY 2022 with 12% growth in revenue and income over 2021 and with an improvement seen in margins, resulting in adjusted consolidated EBITDA of 11,821 thousand euros (10,535 thousand euros in the comparison year, +12.2%) and a positive generation of operative cash flow (+5.3 million euros). Mainly following the mergers and acquisitions implemented during Q3 2022 (in Spain and in Serbia), detailed below, the Net Financial Debt at 31 December 2022 came to Euro 34.1 million, compared with Euro 21.2 million at the end of 2021.

Finally, please note that at the end of FY 2022, the Group's average number of employees increased by more than 23% (809 vs 655 at 31 December 2021), as confirmation of management's positive expectations in terms of the business performance in future periods.

Reclassified income statement

The Group's reclassified income statement for 2022, compared with the figures of 2021, is as follows (3):

	Figures in thousands of euros	
	2022	**2021**
Net revenue	**106,574**	**95,185**
Services, goods and other operating costs	49,147	46,749
Personnel expense	45,606	37,901
Adjusted Gross operating profit (EBITDA)	**11,821**	**10,535**
Amortisation, depreciation and impairment losses	3,563	2,895
Adjusted operating profit	**8,258**	**7,640**
Loss (gain) on equity investments	-	308
Net Financial expenses (income)	408	543
Non-recurring expense	752	1,020
Pre-tax profit	**7,098**	**5,769**
Income taxes	1,484	1,498
Profit for the year	**5,614**	**4,271**
Other items recognised in equity	695	145
Comprehensive income for the year	**6,309**	**4,416**
Comprehensive income attributable to non-controlling interests	31	8
Comprehensive income attributable to the owners of the parent	6,278	4,408

The Group's consolidated revenue for 2022 total 106,574 thousand euros, as compared with 95,185 thousand euros during the previous year, up 11,389 thousand euros (+12%), with an increase of 5,793 thousand euros in revenue generated in Italy and 5,596 thousand euros in revenue generated abroad.

Revenue in Italy, which accounts for 65.5% of consolidated revenue (67.3% in 2021), totals 69,830 thousand euros (64,037 thousand euros in the previous year), up 5,793 thousand euros (+9.1%); this result is mainly due (i) to the inorganic growth consequent to the 2,876 thousand euros in revenue achieved in 2022 by Design Group Italia S.r.l. ("DGI") and eXperience Cloud Consulting S.r.l. (XCC), as a result of their consolidation for the whole year (the acquisition of the majority shares in the two companies took place during the second quarter of 2021), as well as (ii) to the retention of the key Italian accounts and related active contracts (2,918 thousand euros).

Abroad, revenue come to 36,744 thousand euros, compared with the 31,148 thousand euros in 2021 (+18%).

The overall increase of 5,596 thousand euros in revenue achieved by the foreign companies is mainly the result of the combined provisions of (i) the reduction in revenue of the Spanish subsidiaries, mainly due to the decline in revenue with one customer (-3,783 thousand euros compared with the previous year, -24.9%), (ii) the inorganic growth consequent to the acquisition of Innocv Solutions S.L., which

(3) Costs for services, goods and other operating costs as well as personnel expense, are stated net of non-recurring items

took place in July 2022 (+4,209 thousand euros) and (iii) the increase in revenue of the Mexican subsidiaries (+3,728 thousand euros on 2021, +25.6%, of which 2,131 thousand euros due to the favourable trend of the euro-Mexican peso exchange rate), (iv) the increase in revenue of DGI Inc. (+1,091 thousand euros on the previous year, when revenue had come in at 104 thousand euros). Note that the effect of the euro-Serbian dinar and the euro-dollar exchange rate had no significant impact.

Operating costs (net of non-recurring items) went from 84,650 thousand euros during 2021 to 94,753 thousand euros in 2022, up 10,103 thousand euros (+11.9%), in line with the growth in revenue achieved and the different consolidation scope. More specifically, costs for services, goods and other operating costs (net of non-recurring items), which came to 49,147 thousand euros in 2022 (46,749 thousand euros in 2021), rose by 5.1% on the previous year and personnel expense (net of non-recurring items), of 45,606 thousand euros in 2022 (37,901 thousand euros in 2021) rose by 20.3% on the previous year, mainly due to the different consolidation scope. The incidence of operating costs on revenue, net of non-recurring costs, came to 88.9%, in line with last year.

The increase in revenue and careful management of operating costs have led to a better adjusted gross operating profit (adjusted EBITDA) of 11,821 thousand euros, up 12.2% on the 10,535 thousand euros adjusted EBITDA of 2021. The adjusted EBITDA Margin (4) for 2022 came to 11.1%, in line with FY 2021.

Note that the specified favourable euro-Mexican peso exchange rate has resulted in an increase in adjusted EBITDA of 252 thousand euros, calculated at equal rates with respect to the previous year.

Adjusted EBIT, gross of financial income and expense and non-recurring expenses, comes to 8,258 thousand euros, an increase of 618 thousand euros on 2021 (7,640 thousand euros).

Financial expense, net of the related income, comes to 408 thousand euros as compared with 543 thousand euros for the previous year.

Non-recurring expense comes to 752 thousand euros and refers to non-recurring costs relative to staff of 459 thousand euros (Euro 944 thousand in 2021) and non-recurring costs relative to acquisitions of 293 thousand euros (Euro 76 thousand in the previous year).

The pre-tax profit comes to 7,098 thousand euros, up 1,329 thousand euros (+23%) on the 2021 pre-tax profit (5,769 thousand euros).

The profit for the year totals 5,614 thousand euros, as compared with 4,271 thousand euros in 2021.

Reclassified statement of financial position

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

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

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
Non-current assets	**66,710**	**53,077**
Current assets	45,617	40,199
Current liabilities	(29,021)	(28,784)
Net working capital	**16,596**	**11,415**
Post-employment benefits	(5,543)	(6,361)
Provision for risks, charges and deferred tax liabilities	(228)	(240)
Net invested capital	**77,535**	**57,891**
Equity	**43,406**	**36,699**
Non-current financial debt	29,942	21,853
Current financial (position)	4,187	(661)
Net financial debt	**34,129**	**21,192**
Total sources of finance	**77,535**	**57,891**

The reclassified statement of financial position data at 31 December 2022 indicate net invested capital of 77,535 thousand euros, to be compared with 57,891 thousand euros at 31 December 2021, which consists of:

- 66,710 thousand euros in non-current assets (53,077 thousand euros at 31 December 2021) of which 54,868 thousand euros for goodwill and 4,633 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);
- 16,596 thousand euros, net working capital (11,415 thousand euros at 31 December 2021);
- 5,543 thousand euros, severance indemnity (6,361 thousand euros at 31 December 2021);
- for Euro 228 thousand, for the provisions for risks and deferred tax liabilities, to compared with 240 thousand euros at 31 December 2021.

Equity of 43,406 thousand euros increased by 6,707 thousand euros on 31 December 2021 (+18.3%), mainly due to:

- +6,309 thousand euros in comprehensive income for the year;
- -183 thousand euros due to the combination of (i) +252 thousand euro for the assignment of treasury shares under the Long-Term Incentive Plan and (ii) -435 thousand euro for the purchase of treasury shares;
- +251 thousand euros for the increase in the long-term incentive plan reserve;
- +313 thousand euros in fair value gains on put option liabilities.

The net financial debt is 34,129 thousand euros (debt of 21,192 thousand euros at 31 December 2021) and its change with respect to the previous year end is detailed in the next paragraph.

Main financial figures

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

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
Bank deposits	9,110	10,453
Cash on hand	5	5
Cash and cash equivalents	**9,115**	**10,458**
Current financial assets	**291**	**84**
Bank loans and borrowings	(11,918)	(10,916)
Put option and earn-out liabilities	(13,436)	(6,575)
Loans and borrowings from other financial backers	(1,163)	(353)
Lease liabilities from application of IFRS 16	(3,425)	(4,009)
Non-current financial liabilities	**(29,942)**	**(21,853)**
Bank loans and borrowings	(8,935)	(5,450)
Put option and earn-out liabilities	(3,225)	(2,906)
Loans and borrowings from other financial backers	(88)	(52)
Lease liabilities from application of IFRS 16	(1,345)	(1,473)
Current financial liabilities	**(13,593)**	**(9,881)**
Net financial debt	**(34,129)**	**(21,192)**

The Group's net financial debt at 31 December 2022 is 34,129 thousand euros (21,192 thousand euros at 31 December 2021), having worsened by 12,937 thousand euros. This change, detailed and explained in the Statement of Cash Flows given over the next few pages, is mainly due to:

- -1,343 thousand euros for the decrease in cash and cash equivalents;
- +712 thousand euro for the reduction in financial liabilities as a result of the application of IFRS 16, mainly due to the effect of the lease payments during the year, partly offset by new leases;
- -5,333 thousand euros for the increase in bank loans and borrowings and loans and borrowings from other financial backers, mainly due to the combination of (i) the agreement of new loans for a total of -6,858 thousand euros, (ii) the invoice discounting performed by the Parent in December for a total of -2,886 thousand euros, (iii) the extension of the consolidation scope, following the acquisition in particular of all shares in Innocv Solutions S.L. for Euro -1,024 thousand and (iv) the repayment of instalments envisaged by the bank loan amortisation plans and invoice discounting (+5,670 thousand euros);
- -7,180 thousand euros to the increase in put option and earn-out liabilities as the combined effect of (i) the recognition of the new put option liability by the company Alkemy Play S.r.l. in the amount of +501 thousand euros, (ii) the recognition of the new earn-out by the company Innocv Solutions S.L for 10,131 thousand euros), (iii) interest accrued for +441 thousand euros, (iii) the exercise of the put option for 35% of Alkemy Iberia S.L. for -2,773 thousand euros and (iv) the fair value loss of -1,119 thousand euros.

There are financial covenants 17or three of the loans in place, equal to 8,190 thousand euro at 31 December 2022, as detailed in explanatory note 27 to the consolidated financial statements and the separate financial statements, to which reference should be made.

Significant events during the year

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, which is the sole shareholder; on 4 March 2022, the shareholders' meeting of the merged company and the Parent's Board of Directors, held in an extraordinary session, both approved said merger.
As envisaged by the merger deed, the merger was completed on 1 June 2022, with accounting and tax effects as 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 owned by its CEO, paying 2,173 thousand euros (1,700 thousand euros at closing and the remainder in 2022); at the same time, the succession of Alkemy Iberia S.L.'s outgoing CEO was agreed, and he remained on the company's Board of Directors until 22 April, the date when the financial statements at 31 December 2021 were approved. A new Country Manager was then 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 her 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 arrangements 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 of Alkemy Play S.r.l. held 26 April 2022 approved the financial statements at 31 December 2021, showing a loss for the year of more than 0.3 million euros; as envisaged in the aforementioned new shareholder agreements, during the first ten days of May, this loss was therefore covered, after reducing the quota capital, by means of the forgiveness of amounts due by the parent and the subsequent recapitalisation for Euro 10,000, of which Euro 7,500 by Alkemy S.p.A. and Euro 2,500 by the non-controlling investors. This recapitalisation therefore altered the investment held, which went form 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 businesses of the two companies. This transaction was then executed on 15 September 2022, and the NewCo established last March with the operating business unit of KU merged into KNF. Following this merger, 51% of the capital of the merger 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.

30 March 2022 marked the start of the third tranche of the buyback plan by Alkemy S.p.A., and it was concluded on 13 April 2022. Following this tranche, with the purchase of 25,000 treasury shares, Alkemy S.p.A. held, at that date, a total of 183,268 treasury shares, equal to 3.267% of the share capital.

Alkemy S.p.A.'s separate financial statements at 31 December 2021, which were approved by the Company's Board of Directors on 22 March 2022, were submitted to the Shareholders' Meeting on 26 April 2022. The shareholders resolved to approve them and to carry forward the profit for the year. With the approval of these financial statements, the term of office of the company's board of directors and board of auditors ended 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 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 1 July 2022, 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 steadily 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 and, starting 2023, will be extended subsequently to employees of the other Italian companies and, finally, to those of the foreign subsidiaries.

On 7 July 2022, the Parent became the sole shareholder of Alkemy Iberia S.L., through the purchase of 10% of its capital from the non-controlling 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 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.

On 19 July 2022, the Parent 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 transaction 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 transaction, the Company was financially backed by IntesaSanPaolo, which disbursed a loan of 5 million euros with a five-year term, with a 12-month interest-only period and repayment through 16 quarterly instalments of equal amount.

The transaction 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.

On 30 September 2022, the company DGI ehf with registered office in Reykjavik, was sold 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 carrying amount (250,000 Icelandic krona).

On 21 October 2022, the merger of the Spanish company Alkemy Iberia S.L. into Ontwice S.L., both owned fully by Alkemy S.p.A., was resolved; this transaction, which entailed the change of the merging company's name to Alkemy Iberia S.L.U., was completed on 30 December 2022.

On 18 October 2022, the Parent entered into two cap derivatives to hedge interest rate risk on the two loans mentioned above, for a total of 6 million euros, disbursed by Intesa SanPaolo and BPM and agreed last July for the purchase of the entire capital of INNOCV and 10% of Alkemy Iberia.

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

In Italy, where most of the Group's operations take place, the digital market is less mature than the rest of the continent. If we look at the European Union average, the levels of basic digital competence are "very low", in fact according to the DESI, Italy comes in 20th out of the 27 EU Member States, particularly behind France, the Anglo-Saxon countries and Northern Europe.

According to our own study, which measures the degree of digital maturity in the main companies listed on the Milan stock exchange, only 26% of companies can be said to be "fully 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 fully 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.

If we will need to wait for next year to see the first results expected from the public investments, the contingency situation 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 2020 8.9% reduction in the GDP, recovering slightly 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).

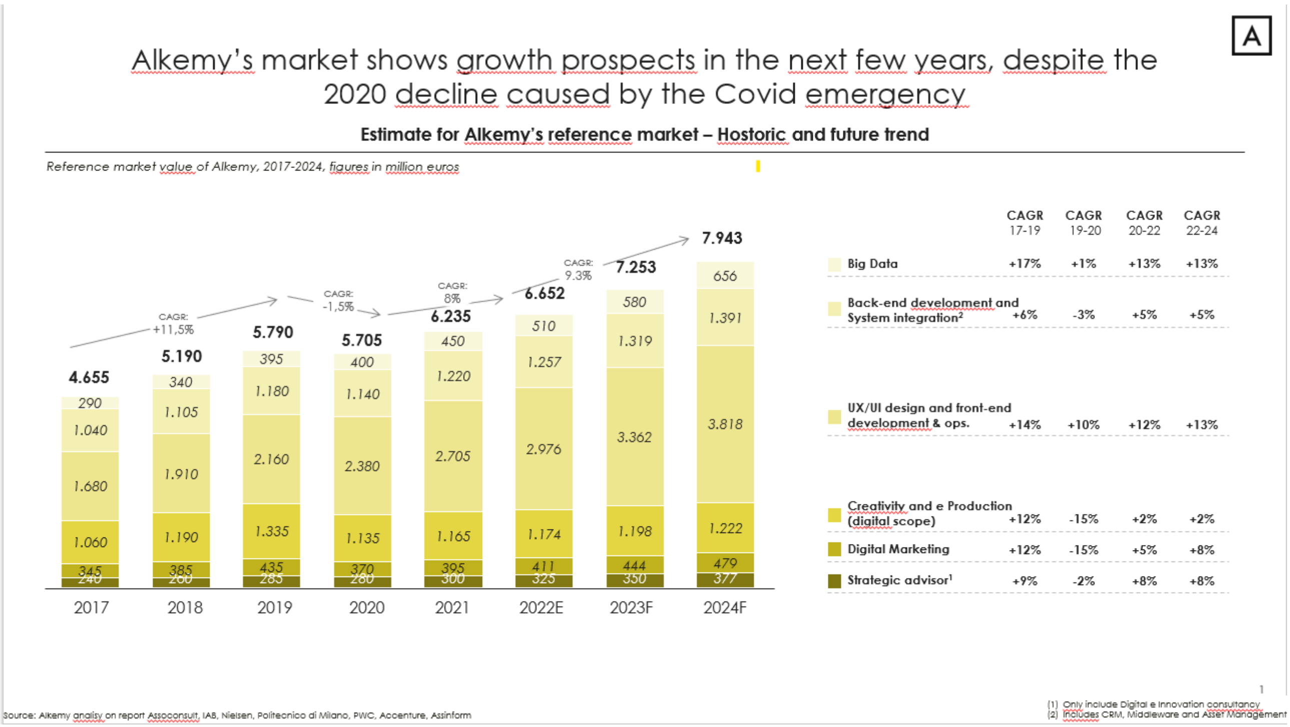
The growth rate expected to characterise Italy over the next few years could be even more significant precisely thanks to the new habits that have been consolidated and the drive on investments in the digital transition, and this would allow for both a partial recovery of the gap with respect to other 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 2022, Alkemy's reference national market was worth approximately 6.7 billion euros, up 6.7% on 2021, slowed with respect to the forecasts from communication and digital marketing, which suffered uncertainty, despite recovering the reduction due to the impacts of the health emergency experienced in 2019-2020, with a progressive growth trend. The annual growth expected for the period 2022-2024 is 9.3%.

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

- the Balkans (Slovenia, Croatia, Bosnia-Herzegovina, Serbia, Montenegro, Albania, Macedonia): 0.5 billion euros, with annual growth expected for the period 2022-2024 of 9.0%;
- Iberian peninsula: 5.0 billion euros, with annual growth expected for the period 2022-2024 of 10.5%;
- Mexico: 3.1 billion euros, with annual growth expected for the period 2022-2024 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.



Competitors

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

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

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

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

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

- "digital" structures of major multinational enterprises: these players have a primarily technological background and a large offer portfolio, in addition to significant capacity to implement strategies and operative processes thanks to their size. They are also enriching their creative and communication skills through the acquisition of communication agencies. These operators include, in particular, Accenture Interactive, Deloitte Digital and the Reply division assigned to this activity;

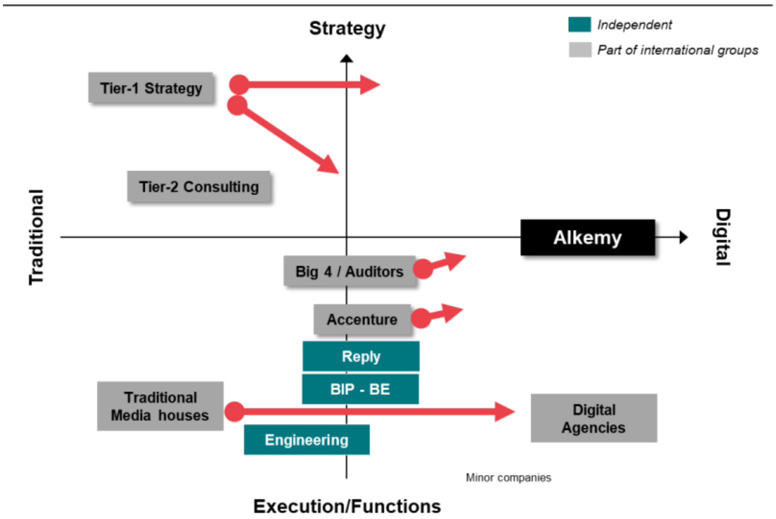
- medium-sized digital players: generally part of large communication groups whose dimension in Italy is currently smaller than the large technological players. These operators include, for example, BIP, Razorfish, H-Art, Simple Agency, Ogilvy Interactive or WeAreSocial;
- traditional consulting companies: players with a strong position in traditional strategy and process consultancy services, which are evolving their business model, organically or through acquisitions and partnerships, so as to be able to offer execution services on digital.

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

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

Strategic positioning of main players



Source: Alkemy analysis on official Annual Reports and press releases of the mentioned companies – 2017/2019

Positioning

- Alkemy is already the reference local player for the digital transformation.
- Alkemy has developed a unique positioning by target (CEO) and by breadth of offer (from strategy definition to execution).

Similar players in more mature markets

Player	🌐	Ownership	Turnover– M€
Accenture Song	US	Accenture	~9,100
Deloitte. Digital	US	Deloitte	~2,500
REPLY	IT	Reply	~1,480
Globant	AR	Public	~ 1,150
Digitas	UK	Publicis Groupe	~ 900
R/GA	US	Interpublic	~550
AKQA	UK	WPP	~450

Alkemy on the stock market

Alkemy S.p.A.'s shares were listed on the AIM Italia (Alternative Investment Market) from 5 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:

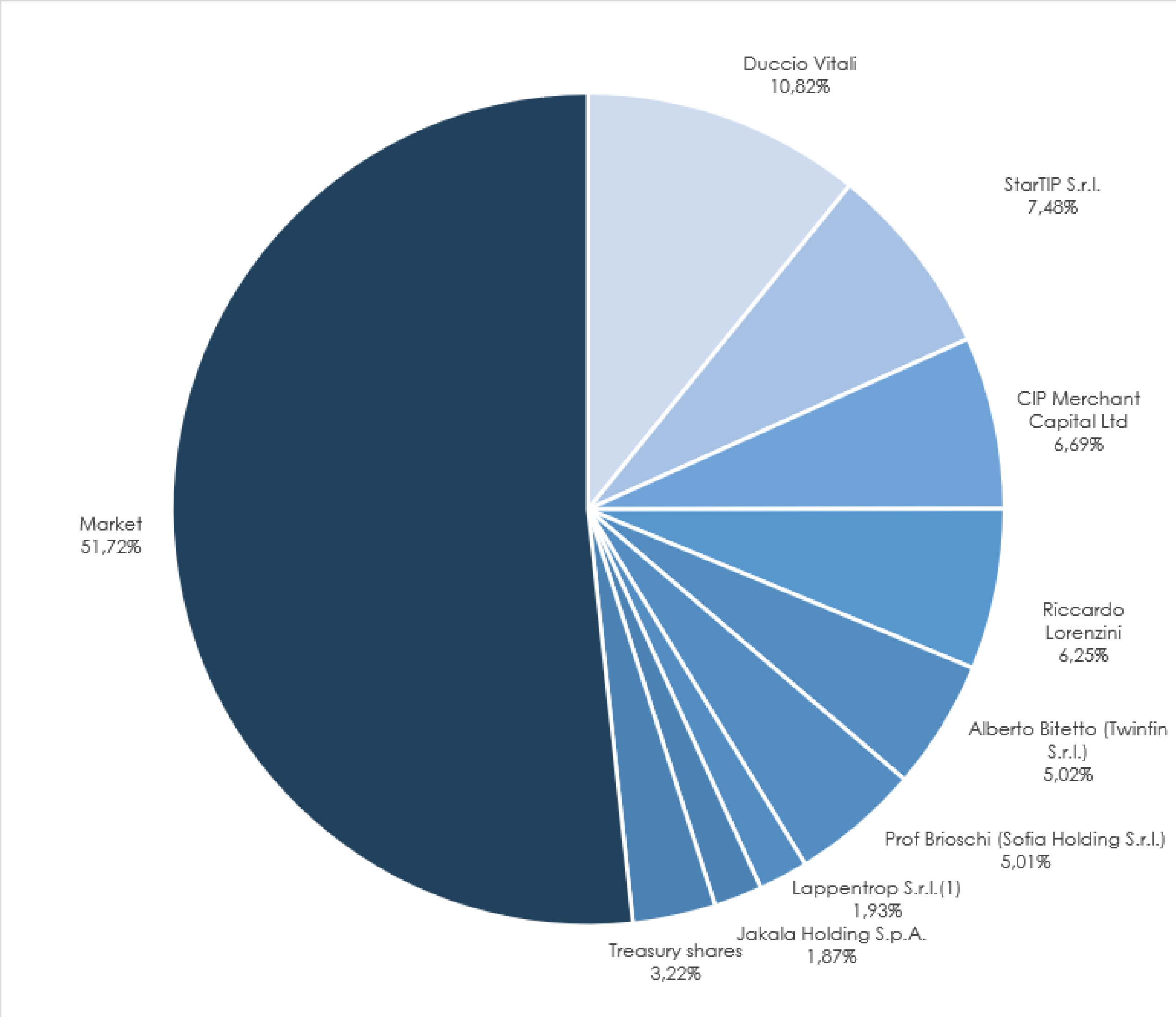
- considerable transparency and solid communicative vocation;
- high levels of liquidity (at least 35% float);
- Corporate Governance (the set of rules governing company management) in line with international standards.

The Company's share capital is represented by 5,685,460 ordinary shares, conferring, at 31 December 2022, a total of 6,782,050 voting rights and, specifically:

(i) 4,588,870 ordinary shares, without multiple votes, conferring 4,588,870 voting rights

(ii) 1,096,590 ordinary shares, with multiple votes, conferring 2,193,180 voting rights.

Ownership structure (significant shareholdings) at 31.12.2022



[(1)] *Lappentrop S.r.l. is related to Alessandro Mattiacci, Chairman of Alkemy S.p.A.*

<u>Alkemy share</u>

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 31.12.2022: €11.02
Capitalisation at the date of admission: €63,489,127.50
Capitalisation at 31.12.2022: €62,653,769.20

Alkemy share performance

In 2022, as a consequence of the major uncertainty experienced internationally, the Alkemy share performed negatively, as indeed did the whole of the reference market.

More specifically, during the first quarter and mainly before the outbreak of conflict in Ukraine, the security had maintained a stable performance. With the start of the conflict and despite the publication of the preliminary 2021 results, on 11 February 2022, the market recorded an about-turn and began a decline, which resulted in a quarter closing down 17% from the start of the year, essentially in line with the performance of the STAR segment (-15% since the start of the year).

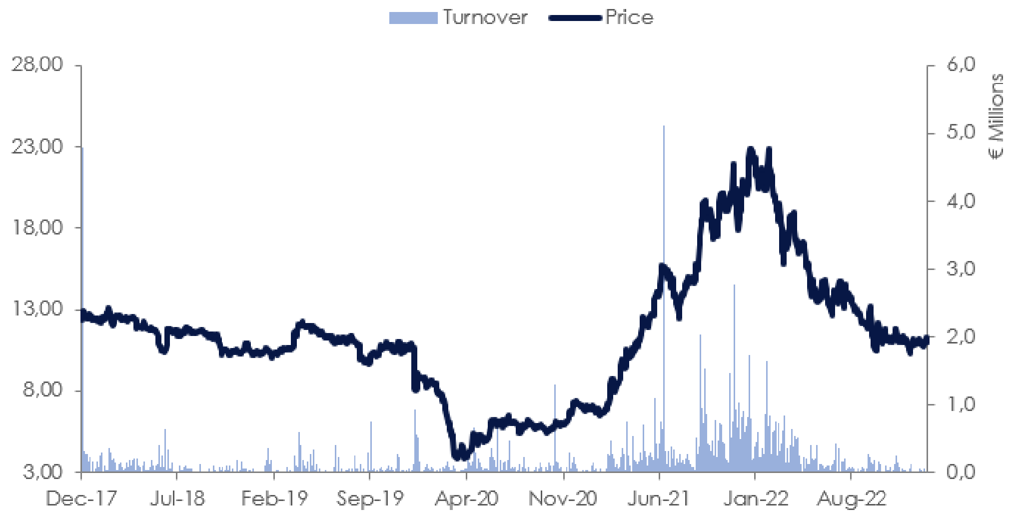
Given the great uncertainty, neither the 2021 results published on 22 March 2022, nor the publication of the results of Q1 2022 on 13 May 2022, although positive, managed to reverse the security's negative trend. Indeed, Alkemy closed the first half of 2022 at 14.00 euros, down 36% from the start of the year, recording performance that followed the same trend as that recorded by the STAR segment during the same period (-29% since the start of the year).

In the second quarter of 2022, the negative trend slowed somewhat and the Alkemy security oscillated in the third quarter in the area of 10-14 euros, also thanks to the publication of the first half results on 13 September 2022. During the fourth quarter, another decline was recorded, albeit a minimal one, in the Alkemy security, which oscillated in the area of 10-12 euros, before then closing the year at 11.02 euros, down -50% on the start of 2022.

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 2.326 million Alkemy shares were traded in 2022, a 57% decrease on the 5.349 million shares traded in 2021. The value of trades in 2022 came to 39.015 million euros, down by 53% on 2021's 83.208 million euros.

The graph below shows the performance of the Alkemy security and the turnover of trades from the date of admission to trading to 31 December 2022 and the daily turnover of trades.



Analyst Coverage

- Intermonte, IPO Report November 2017 (Joint Global Coordinator & Specialist)
  Research Analyst: Gianluca Bertuzzo
  INITIAL COVERAGE: 1 February 2018

- Banca Imi, IPO Report November 2017 (Joint Global Coordinator)
  Research Analyst: Gabriele Berti
  INITIAL COVERAGE: 6 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 16.20 euros with an OUTPERFORM recommendation dating back to November 2022 (previously target price of 19.00 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 18.00 euros with a BUY recommendation dating back to September 2022 (previously target price of 21.50 euros with a BUY recommendation).

- Mediobanca: bases the valuation of the Alkemy share on the DCF model and peer analysis. The target price is 18.20 euros with an OUTPERFORM recommendation dating back to January 2023 (previously target price of Euro 19.40 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 going about 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.

Risk connected with competitiveness

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 doubtful debt 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 payables and other liabilities, the cash flows expected from the related contracts are within 12 months.

Three loans (8,190 thousand euro at 31 December 2022) envisage compliance with two financial covenants and, in particular: (i) Leverage Ratio, i.e., Net Financial Position/gross operating profit <3 and (ii) Gearing Ratio, i.e., ratio of Net Financial Position and Equity <1. The covenants were fully respected as at 31 December 2022.

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 "cap" options in place (at fixed rate, already paid), in connection with some medium-term loans stipulated from 2019 onwards to hedge the risk of future rises in interest rates, in connection with an equal number of loans that are worth approximately 89% of the bank debt for loans in place at 31 December 2022.

Current 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 monitoring 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 2022, the Group met its current financial needs and partly those tied to mergers and acquisitions 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 mergers and acquisitions, the Group's policy adopted to date was to make priority use of Own Funds, if such should be surplus to current requirements and, only secondarily, of medium-term bank debt (with 6-12 months of pre-amortisation) for the remainder. The reasoning behind this choice is, on the one hand, the desire not to have non-recurring operations interfere with the Group's ordinary operations, and, on the other, to maintain a suitable period of time for the 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 7 cap options to hedge the risk of a rise in interest rates for the majority of the medium-term loans stipulated starting 2020.

The Group is also marginally exposed to the currency risk on assets expressed in a currency other than the euro, mainly relating to the 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 2022, the Group invested in tangible and intangible assets for a total amount of 2,542 thousand euros (1,940 thousand euros in 2021), as follows:

- property, plant and equipment for 921 thousand euros (1,125 thousand euros in 2021), mainly relating to hardware purchases for internal use;
- intangible fixed assets , for 1,614 thousand euros (725 thousand euros in 2021), mainly relating to the purchase of software and internal implementation of platforms relevant to the conduct of the commercial business of the Group's companies.

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

Below is the key data on the Parent's operations in 2022:

	Figures in thousands of euros	
	2022	**2021**
Net revenue	59,517	46,811
Adjusted Gross operating profit (EBITDA)	6,504	2,262
Adjusted operating profit	4,137	363
Profit for the year	2,424	(147)
Average number of employees	415	271

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
Net invested capital	70,512	55,338
Net financial debt	(29,515)	(17,381)
Equity	40,997	37,957

Key income statement figures

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

	Figures in thousands of euros	
	2022	**2021**
Net revenue	**59,517**	**46,811**
Services, goods and other operating costs	26,779	26,004
Personnel expense	26,234	18,545
Adjusted Gross operating profit	**6,504**	**2,262**
Amortisation, depreciation and impairment losses	2,367	1,899
Adjusted operating profit	**4,137**	**363**
Gain (loss) on equity investments	1,948	2,162
Net gains (losses) on options	(2,538)	(1,777)
Net Financial income (losses)	(309)	(244)
Non-recurring expense	(399)	(1,020)
Pre-tax profit	**2,839**	**(516)**
Income taxes	(415)	368
Profit for the year	**2,424**	**(147)**
Other items recognised in equity	307	70
Comprehensive income for the year	**2,730**	**(78)**

2022 revenue came to 59,517 thousand euros, up 12,706 thousand euros on 2021 (+27.1%), mainly due to the specified merger of the subsidiary Nunatac S.r.l. as well as the general retention of key accounts and the related active contracts.

Operating costs, represented by costs for services, goods and other costs and personnel expense (net of non-recurring items) total 53,013 thousand euros, up 8,464 thousand euros on the previous year (+19%), less than proportional to the increase in revenue. In particular, the 2022 personnel expense was 26,234 thousand euros, up 7,689 thousand euros on the previous year (+41.5%), mainly due to the inclusion of former-Nunatac staff.

Adjusted gross operating profitEBITDA was 6,504 thousand euros (2,262 thousand euros in 2021), up 4,242 thousand euros, mainly due to the merged company and the greater efficiency of operating costs achieved during the year.

Amortisation, depreciation and impairment losses came to 2,367 thousand euros, up 468 thousand euros on 2021 (+24.6%). This item includes:

- depreciation of property, plant and equipment (480 thousand euros) and amortisation of intangible assets (568 thousand euros) for a total of 1,048 thousand euros (+63.2% on 2021);
- depreciation of right-use assets (IFRS 16) for offices, cars and hardware, for 1,150 thousand euros (+19.5% on 2021);
- the increase in the loss allowance of 169 thousand euros, allocated mainly in view of potential future losses also connected with specific disputed loans at the reporting date.

The gains on equity investments comes to 1,948 thousand euros (2,162 thousand euros in 2021) and includes 2,018 thousand euros in dividends resolved by Alkemy Iberia S.L.U. in 2022, relative to FY 2021 and -70 thousand euros as the effect of the impairment of the equity investment held in Alkemy Play S.r.l., following impairment testing.

The net losses on options recorded during the year came to 2,538 thousand euros (1,777 thousand euros in 2021) and are the consequence for the most part of the effective use in 2022 of the derivatives representing the rights to acquire the residual shares of the subsidiary Alkemy Iberia S.L. from the non-controlling investors, as envisaged in the related investment contracts, and the fair value adjustment of the derivatives on the put and call options for the non-controlling investments in DGI S.r.l., XCC S.r.l. and Alkemy Play S.r.l.

Non-recurring expenses recognised during the year come to 399 thousand euros (1,020 thousand euros in 2021) and are mainly due to non-recurring costs relating to staff and expenses connected with the M&As completed in 2022.

The Company therefore recorded a pre-tax profit of 2,839 thousand euros (pre-tax loss of 516 thousand euros in 2021), which net of tax (net charge of 415 thousand euros as compared with a net benefit of 368 thousand in 2021) gave rise to profit of 2,424 thousand euros , as compared with the loss of 147 thousand euros for 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 reclassified Statement of financial position of the Company at 31 December 2022, compared with that at the previous year end is as follows:

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
Non-current assets	**62,181**	**47,328**
Current assets	31,818	28,123
Current liabilities	(18,957)	(17,331)
Net working capital	**12,861**	**10,792**
Post-employment benefits	(4,508)	(2,740)
Provision for risks, charges and deferred tax liabilities	(24)	(43)
Net invested capital	**70,512**	**55,338**
Equity	**40,997**	**37,957**
Non-current financial debt	23,120	12,967
Current financial (position)	6,395	4,414
Net financial debt	**29,515**	**17,381**
Total sources of finance	**70,512**	**55,338**

Non-current assets have gone from 47,328 thousand euros to 62,181 thousand euros, up 14,853 thousand euros on 31 December 2021. This change is mainly due to:

- +8,043 thousand euros for the overall increase in equity investments in subsidiaries, mainly as a result of the combination of (i) the purchase of 100% of Innocv Solutions S.L. (+15,131 thousand euros), (ii) the purchase of the remaining shares of Alkemy Iberia S.L. (+2,773 thousand euros), (iii) the merger of the subsidiary Nunatac S.r.l. (-10,121 thousand euros) and (iv) the impairment losses on the equity investment in Alkemy Play S.r.l. (-70 thousand euros);
- +6,603 thousand euros for the increase in goodwill following the merger of Nunatac S.r.l.;
- +528 thousand euros for the valuation and different maturity of the derivatives relative to the options;
- -463 thousand euros for the reduction in the right-of-use relative in particular to the effect of the annual depreciation, partly offset by the agreement of new non-current car hire contracts.

Net working capital rises from 10,792 thousand euros at 31 December 2021 to 12,861 thousand euros at the reporting date, following the changes in current assets and liabilities, as explained below.

Current assets of 31,818 thousand euros (28,123 thousand euros at 31 December 2021) rise by 13.1% (3,695 thousand euros), mainly due to:

- the increase in trade receivables for +5,382 thousand euros, in connection with the increased turnover and the merger;

- the different maturities of the derivatives relative to the options for -1,718 thousand euros.

Current liabilities rose by 1,626 thousand euros (+9.4%), going from 17,330 thousand euros at 31 December 2021 to 18,957 thousand euros at the reporting date. This increase is mainly due to the increase in trade payables (560 thousand euros) and the different maturity of derivatives relative to the options (765 thousand euros).

The increases impacting equity (+3040 thousand euros) are mainly due to:

- the comprehensive income for the year (+2,730 thousand euros);
- the increase in the Long Term Incentive Plan reserve for +251 thousand euros;
- the effect of the merger with Nunatac S.r.l. for +228 thousand euros;

Net financial debt went from 17,381 thousand euros at 31 December 2021 to 29,515 thousand euros, with a worsening of 12,134 thousand, as better specified in the next paragraph and the statement of cash flows.

It is also specified that the net financial debt reported in the notes to the separate financial statements has been calculated according to the provisions of the latest ESMA guidelines, and that it differs from the net financial det previously described and detailed below, as it does not consider financial assets consisting of loans to subsidiaries.

Key financial figures

The Company's net financial debt at 31 December 2022 is 29,515 thousand euros and includes:

- the balance of cash and cash equivalents for 4,271 thousand euros;
- intragroup loans, granted to the subsidiaries for 961 thousand euros
- current bank loans and borrowing, including invoice discounting, for a total of 19,783 thousand euros, obtained from various banks and detailed in the notes, of which 11,275 thousand euros is non-current and 8,508 thousand euros is current;
- earn-out liabilities to former-non-controlling investors of Innocv Solutions S.L. for 9,939 thousand euros;
- lease liabilities for a total of 3,875 thousand euros, of which 2,867 thousand euros is non-current and 1,008 thousand euros is current;
- liabilities for the infra-group loan in place, granted by the subsidiary Alkemy South America S.L. for 1,150 thousand euros.

The table below details the net financial debt at 31/12/2022 compared with that at the previous year end.

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
Bank deposits	4,270	3,305
Cash on hand	1	1
Cash and cash equivalents	**4,271**	**3,306**
Financial assets	**961**	**900**
Bank loans and borrowings	(11,275)	(10,488)
Earn-out liabilities	(9,939)	-
Lease liabilities from application of IFRS 16	(2,867)	(3,379)
Non-current financial liabilities	**(24,081)**	**(13,867)**
Bank loans and borrowings	(8,508)	(5,385)
Loans and borrowings from other financial backers	(1,150)	(1,400)
Lease liabilities from application of IFRS 16	(1,008)	(935)
Current financial liabilities	**(10,666)**	**(7,720)**
Net financial debt	**(29,515)**	**(17,381)**

Reconciliation of profit for the year and equity of the Parent and the Group

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

	Figures in thousands of euros	
	Equity at 31 Dec. 2022	**Profit (loss) for 2022**
Alkemy S.p.A. (Parent)	**40,997**	**2,424**
Contribution made by consolidated equity investments	8,931	3,803
Derecognition of carrying amount of equity investments	(38,238)	-
Derecognition of dividends distributed to the parent	(75)	(3,217)
Goodwill	36,744	-
Elimination of derivatives and options on non controlling interests	(4,789)	2,564
Other	(162)	41
Result and equity attributable to non-controlling interests	(400)	(31)
Consolidated Financial Statements of the Alkemy Group	**43,007**	**5,583**

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 FY 2022 "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.

Research and development

During the year, the Group started research and development (R&D) activities.

Treasury shares

The meeting of the Shareholders of Alkemy S.p.A. held on 26 April 2022 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 2022, 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 25,000 treasury shares (0.4% of the Company's share capital), for a total outlay of 435 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 32,404 shares, worth 385 thousand euros, to the Parent Company's Chairman, CEO and the Director with delegations, in execution of the "Long Term Incentive Plan", in connection with 50% of the shares accrued by them on the profit for 2021.

At 31 December 2022, the Company held 150,864 treasury shares, accounting for 2.65% of the share capital (158,268 at 31 December 2021, equal to 2.78% of the share capital) for an equivalent value of 1,793 thousand euros, deriving from buy-back plans carried out by the Company.

The company's equity includes a specific restricted 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.

The last stock option plan was available for exercise by 31 December 2022 but the beneficiaries did not do so as conditions were not advantageous. To date, no stock option plan is in place.

Significant subsequent events

No significant events took place after year end.

Outlook

The evolution of operations during 2023 will mainly depend on exogenous factors that are not related to the pandemic emergency, which has now effectively been resolved, 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 2022 and the current progress made on the orders in the portfolio and new contracts activated, save any further turns for the worse, which are not currently predictable, the Group confirms its positive expectations, looking to continue organic growth, both in terms of revenues and margins.

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 Alkemy S.p.A.'s profit for the year of Euro 2,423,612.

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 2022.

Milan, 27 March 2023

On behalf of the Board of Directors

the Chief Executive Officer

Duccio Vitali

Alkemy S.p.A.

Consolidated financial statements

at 31 December 2022

Financial statements

Consolidated income statement

	Notes	2022	2021
		Figures in thousands of euros	
Revenue	1	104,852	93,955
Other income	2	1,722	1,230
Total revenue and other income		**106,574**	**95,185**
Services, goods and other operating costs	3	(49,440)	(46,825)
- of which non-recurring		(293)	(76)
Personnel expense	4	(46,065)	(38,845)
- of which non-recurring		(459)	(944)
Total costs and other operating costs		**(95,505)**	**(85,670)**
Gross operating profit		**11,069**	**9,515**
Amortisation/depreciation	5	(3,226)	(2,408)
Provisions and impairment losses	6	(337)	(487)
Operating profit		**7,506**	**6,620**
Net gains (losses) on equity investments	7	-	(308)
Other financial income	8	1,308	455
Other financial expense	9	(1,716)	(998)
Pre-tax profit (loss)		**7,098**	**5,769**
Income taxes	10	(1,484)	(1,498)
Profit (loss) for the year		**5,614**	**4,271**
- Owners of the parent		5,583	4,263
- Non-controlling investors		31	8
Earnings (loss) per share	11		
Basic		1.01	0.78
Diluted		1.01	0.78

The explanatory notes given below are an integral part of these financial statements.
In accordance with CONSOB Resolution no. 15519 of 27 July 2006, the effects of related party transactions on the Consolidated Income Statement are highlighted in the specific table of the Consolidated Income Statement given in annex 2 and are also described in the paragraph on "Related party transactions" in the Report on Operations.

Consolidated statement of comprehensive income

	Note	2022	2021
		Figures in thousands of euros	
Profit (loss) for the year		**5,614**	**4,271**
Items that will be reclassified to profit or loss:			
Foreign operations - foreign currency translation differences		105	46
Total items that will be reclassified to profit or loss	25	**105**	**46**
Items that will not be reclassified to profit or loss			
Actuarial gains (losses)		776	130
Related tax		(186)	(31)
Total	25	**590**	**99**
Other comprehensive income (expense) net of tax		**695**	**145**
Comprehensive income		**6,309**	**4,416**
Attributable to:			
- Owners of the parent		6,278	4,408
- Non-controlling investors		31	8

The explanatory notes given below are an integral part of these financial statements.

Statement of financial position

Assets	Notes	31 Dec. 2022	31 Dec. 2021
		Figures in thousands of euros	
Property, plant and equipment	12	2,209	1,809
Right-of-use assets	13	4,633	5,332
Goodwill	14	54,868	41,249
Intangible assets	15	1,934	863
Equity investments	16	5	5
Other financial assets	17	588	1,789
Deferred tax assets	18	2,206	1,789
Other assets	19	267	241
Non-current assets		**66,710**	**53,077**
Trade receivables	20	41,541	36,040
Other financial assets	21	291	84
Tax assets	22	2,065	1,274
Other assets	23	2,011	2,885
Cash and cash equivalents	24	9,115	10,458
Current assets		**55,023**	**50,741**
Total assets		**121,733**	**103,818**

The explanatory notes given below are an integral part of these financial statements.
In accordance with CONSOB Resolution no. 15519 of 27 July 2006, the effects of related party transactions on the Consolidated Statement of Financial Position are highlighted in the specific table of the Consolidated Statement of Financial Position given in annex 2 and are also described in the paragraph on "Related party transactions" in the Report on Operations.

Liabilities and Equity	Note	31 Dec. 2022	31 Dec. 2021
		Figures in thousands of euros	
Equity	25		
Share capital		596	596
Reserves		36,828	31,517
Profit/(loss) for the year		5,583	4,263
Equity attributable to owners of the parent		**43,007**	**36,376**
Equity attributable to non-controlling investors	26	399	323
Total equity		**43,406**	**36,699**
Financial liabilities	27	13,081	11,269
Lease liabilities	29	3,425	4,009
Put option and earn-out liabilities	30	13,436	6,575
Employee benefits	31	5,543	6,361
Provisions	32	100	222
Deferred tax liabilities	33	128	18
Non-current liabilities		**35,713**	**28,454**
Financial liabilities	27	9,023	5,502
Lease liabilities	29	1,345	1,473
Put option and earn-out liabilities	30	3,225	2,906
Trade payables	34	16,217	14,184
Tax liabilities	35	1,622	2,281
Other liabilities	36	11,182	12,319
Current liabilities		**42,614**	**38,665**
Total liabilities		**78,327**	**67,119**
Total liabilities and equity		**121,733**	**103,818**

The explanatory notes given below are an integral part of these financial statements.
In accordance with CONSOB Resolution no. 15519 of 27 July 2006, the effects of related party transactions on the Consolidated Statement of Financial Position are highlighted in the specific table of the Consolidated Statement of Financial Position given in annex 2 and are also described in the paragraph on "Related party transactions" in the Report on Operations

Consolidated statement of cash flows

	Notes	31 dec. 2022	31 dec. 2021
Cash flow from operating activities			
Profit/(loss) for the year		5,614	4,271
Financial income	8	(1,308)	(455)
Net gain (losses) on equity investments	7	-	308
Financial expense	9	1,716	998
Income taxes	10	1,484	1,498
Amortisation/depreciation	5	3,226	2,408
Provisions and impairment losses	6	337	487
Cost for share-based payments	4	518	769
Decrease (increase) in trade receivables	20	(3,642)	(2,008)
Increase (decrease) in trade payables	34	2,046	(678)
Decrease (increase) in other assets	22, 23	522	(3)
Increase (decrease) in other liabilities	35, 36	(3,215)	1,402
Cash flows from operating activities		**7,298**	**8,997**
Interest paid	8, 9	(407)	(250)
Income tax paid	10	(1,623)	(1,331)
Net cash flows from operating activities		**5,268**	**7,416**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	12, 15	(2,542)	(1,940)
Decrease (increase) in financial assets	17, 21	1,737	303
Change in the consolidation scope net of cash and cash equivalents acquired		(4,361)	(1,949)
Net cash flows used in investing activities		**(5,166)**	**(3,586)**
Cash flows from financing activities			
Change in financial liabilities	27	4,050	(259)
Change in financial liabilities pursuant to IFRS 16	29	(1,714)	(1,347)
Change in treasury shares	25	(435)	(759)
Other changes		-	(55)
Dividends paid to non-controlling investors		(613)	(1,031)
Other changes in equity	25	-	884
Share capital increases	25	-	8
Payment of put options	30	(2,733)	(9,653)
Net cash flows from (used in) financing activities		**(1,445)**	**(12,212)**
Net increase/(decrease) in cash and cash equivalents		**(1,343)**	**(8,382)**
Opening balance		**10,458**	**18,840**
Closing balance		**9,115**	**10,458**

The explanatory notes given below are an integral part of these financial statements.
The statement of cash flows was prepared in accordance with the indirect method.

Statement of changes in equity

Figures in thousands of euros

	Notes	Share capital	Treasury shares	Legal reserve	Other riserves	Retained earnings	Profit/(loss) for the year	Equity attributable to owners of the parent	Equity attributable to non-controlling investors	Total equity
Balance at 31 Dec. 2020		**588**	**(1,093)**	**202**	**29,418**	**235**	**1,792**	**31,142**	**254**	**31,396**
Allocation of profit for the year		-	-	-	-	1,792	(1,792)	-	-	-
Repurchase of treasury shares	25	-	(759)	-	-	-	-	(759)	-	(759)
Assignment of treasury shares	25	-	109	-	-	(30)	-	79	-	79
Stock options	4	8	-	-	690	274	-	972	-	972
Change in put option liabilities	30	-	-	-	-	289	-	289	61	350
Long Terms Incentive Plan	4	-	-	-	962	-	-	962	-	962
Dividends to non-controlling investors		-	-	-	-	(717)	-	(717)	-	(717)
Other comprehensive income (expense)		-	-	-	145	-	-	145	-	145
Profit for the year		-	-	-	-	-	4,263	4,263	8	4,271
Balance at 31 Dec. 2021		**596**	**(1,743)**	**202**	**31,215**	**1,843**	**4,263**	**36,376**	**323**	**36,699**

Figures in thousands of euros

	Notes	Share capital	Treasury shares	Legal reserve	Other riserves	Retained earnings	Profit/(loss) for the year	Equity attributable to owners of the parent	Equity attributable to non-controlling investors	Total equity
Balance at 31 Dec. 2021		**596**	**(1,743)**	**202**	**31,215**	**1,843**	**4,263**	**36,376**	**323**	**36,699**
Allocation of profit for the year		-	-	-	-	4,263	(4,263)	-	-	-
Repurchase of treasury shares	25	-	(435)	-	-	-	-	(435)	-	(435)
Assignment of treasury shares	25	-	385	-	-	(133)	-	252	-	252
Stock options	4	-	-	-	(37)	51	-	14	-	14
Change in put option liabilities	30	-	-	-	1,164	(851)	-	313	-	313
Long Terms Incentive Plan	4	-	-	-	251	-	-	251	-	251
Other movements		-	-	-	(4)	(38)	-	(42)	45	3
Other comprehensive income (expense)		-	-	-	695	-	-	695	-	695
Profit for the year		-	-	-	-	-	5,583	5,583	31	5,614
Balance at 31 Dec. 2022		**596**	**(1,793)**	**202**	**33,284**	**5,135**	**5,583**	**43,007**	**399**	**43,406**

The explanatory notes given below are an integral part of these financial statements.

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 2022.

The draft consolidated financial statements at 31 December 2022 were approved by the Board of Directors on 27 March 2023, which also authorised their publication.

Reporting standards

Basis of preparation

The consolidated financial statements at 31 December 2022 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 schemes used, as described above, are those considered best able to represent the elements that determined the Group's equity and financial structure and economic result. This format is the same used for the presentation of the separate financial statements of Alkemy S.p.A.

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 16 February 2022, Alkemy S.p.A. purchased 24.99% of the capital of the Spanish subsidiary Alkemy Iberia S.L.;
- On 22 February 2022, Alkemy S.p.A. and Smog S.r.l. signed a new shareholders' agreement regulating the relations between them in the management of the company Alkemy Play S.r.l. for the next three years, as well as the agreement of a new put & call option held by the minority shareholder, whose stake held has gone from 49% to 25% following the specified loss coverage;
- 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;

- On 1 June 2022, the merger took effect between the Parent Company and Nunatac S.r.l., with accounting and tax effects from 1 January 2022;
- From 10 June 2022, the merger by acquisition took effect of the Serbian company Alkemy Digital Hub D.o.o. into Alkemy SEE D.o.o.;
- On 30 September 2022, the company DGI ehf was sold given that it had been found to be effectively inactive this year.
- The merger by acquisition of the Spanish company Alkemy Iberia S.L. into Ontwice S.L. took effect on 30 December 2022 with retroactive effect as at 1 January 2022. The operation resulted in the acquiring company changing its name to Alkemy Iberia S.L.U..

At 31 December 2022, the scope of consolidation was as follows:

Company name	% held	Registered office
Direct subsidiaries:		
Alkemy Play S.r.l.	75%	Milan
Alkemy SEE D.o.o.	70%	Serbia – Belgrade
Alkemy Iberia S.L.U.	100%	Spain - Madrid
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
Innocv Solutions S.L.	100%	Spain - Madrid
Indirect subsidiaries:		
Alkemy Play D.o.o.	75%	Serbia – Belgrade
Kreativa D.o.o.	36%	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 Corp.	51%	USA - New York

Measurement criteria and accounting policies

Non-current assets

Property, plant and equipment

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

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

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

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

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

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

Buildings	3%
Plant and 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 (right-of-use assets and lease liabilities)

Accounting model for the lessor

At the commencement date of a lease, the Group recognises the right-of-use asset and lease liability. The right-of-use asset is initially measured at cost, including the amount of the initial measurement of the lease liability, adjusted by any lease payments made at or before the commencement date.

The right-of-use asset is thereafter amortised on a straight-line basis from the commencement 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 present value of lease payments not paid at the commencement date, which includes fixed payments (including in-substance fixed payments) and variable lease 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 reassessed, the Group adjusts the right-of-use asset accordingly. If the carrying amount of the right-of-use asset is reduced to zero, the Group recognises the change in profit or loss.

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 assumed. 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".

Development costs can be capitalised as long as the cost is reliably able to be determined and it can be shown that the asset is able to produce future economic benefits. Intangible assets that are generated internally deriving from the development of Group products (such as IT solutions) are recognised under assets but only where all the following conditions are met:

the asset must be identifiable (such as, for example, software or new processes); it is likely that the asset created will generate future economic benefits and the cost of developing the asset can be reliably measured.

These intangible assets are amortised according to their marketing or use.

Business combinations:

The acquisition of subsidiaries is booked in accordance with accounting standard IFRS 3 according to the acquisition method when all assets and goods acquired satisfy the definition of corporate assets and the Group controls them. The consideration transferred and identifiable net assets acquired are usually noted at fair value. The carrying amount of any goodwill is impairment tested once a year to identify any impairment losses. Any gains deriving from a bargain purchase are recognised immediately in profit or loss, while the costs related to the merger, other than those relating to the issue of debt securities or equity instruments, are expensed in profit or loss as incurred.

The consideration transferred excludes amounts relating to the termination of a pre-existing contract. As a rule, such amounts are recognised in profit or loss.

The contingent consideration (or "earn-out") is noted at fair value on the date of acquisition. If the contingent consideration that meets the definition of financial instrument is classified in 'equity, it is not subsequently measured and the future extinguishing is recognised directly as equity. The other contingent consideration is measured at fair value at each year end date and changes in fair value are recognised in profit or loss.

Investments in other companies

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 reporting date, the Group reviews the carrying amount of its property, plant and equipment and intangible assets (including goodwill) to determine if there is any indication that they may be impaired.

Should this be the case, their recoverable amount is estimated in order to calculate the potential amount of the impairment. The recoverable amount of goodwill is instead estimated each year and whenever there is indication of impairment.

In order to identify any impairment losses, assets are grouped into the smallest identifiable group of assets generating cash flows, largely 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 recoverable amount of 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 amount. The impairment is recognised in profit or loss.

When there is no longer any reason for an impairment loss to be maintained, the carrying amount of the asset (or of the cash generating unit), with the exception of goodwill, is reinstated in accordance with the new estimate of its recoverable amount; however, this amount cannot exceed the net carrying amount that the asset would have had if the impairment loss had not been recognised, net of any amortisation/depreciation that should have been calculated before the previous impairment. The impairment gain is recognised in profit or loss.

Financial instruments

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

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

Put option liabilities are entered according to IAS 32, paragraph 23, which rules that a contract containing the obligation for the entity to acquire its own equity instruments (in the case in point, referring to non-controlling interests) in exchange for cash or other financial asset, gives rise to a financial liability for the current value of the amount of the redemption (i.e. the current value of the forward purchase price, the strike price of the option or other redemption method).

In the case of a transferred put option, the financial liability is initially measured at the present value of the option strike price and reclassified from 'equity. Thereafter, the liabilities is measured in compliance with IFRS 9. More specifically, in application of that standard:

- shares subject to put options transferred in relation to equity attributable to non-controlling investors' are considered as already acquired from the company/group, even if the non-controlling investors should retain the risks and benefits linked with ownership of the shares and continue to be exposed to the equity risk;
- the liability deriving from the onset of the obligation and any subsequent changes to such not due to the simple passage of time, is recognised as a balancing entry in the equity reserve;
- changes in the liability that depend on the passage of time (the discounting of the strike price) are recognised in profit or loss.

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.

<u>Derivatives</u>

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.

Other financial assets

Other 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 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.

Issued capital

Share capital is recognised at nominal value, less any share capital proceeds to be received.

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. Similarly, in the event of the assignment of treasury shares under the employee incentive plans, the reduction of the negative reserve has, as a balancing entry in equity, the specific reserve 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 plan grant date. This fair value is allocated to profit or loss over in the vesting period envisaged by the plan, with the corresponding increase in equity.

Share-based payments (share-based incentive plans)

Employee benefits (long term incentive plan – LTIP) include, as they are substantially a form of remuneration, 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 1 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 benefit" plan.

The group's obligations are determined separately for each plan, estimating the present 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 is 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

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.

Provisions are booked when the Group has an obligation as a result of a past event and it is likely that it will be called to fulfil such obligation. Provisions are made on the basis of the best estimate of the costs involved in fulfilling such obligation at the reporting date and are discounted when the effect is significant.

Recognition of revenue and costs

Revenue is measured taking into account the price specified in the contract with the customer. The Group recognises 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.

Costs are allocated according to criteria similar to that used to recognise revenue and in any case on an accruals basis.

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 in the years in which the Group 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 income and taken to profit or loss over 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.

Tax

The parent Alkemy S.p.A. and its subsidiaries XCC S.r.l., DGI 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. Transactions, in addition to the mutual responsibilities and commitments of the consolidating company and subsidiaries, are defined by the tax consolidation scheme agreement.

Current tax represents the estimated amount of income tax due, calculated on taxable profit for the year, 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 recognition of assets or liabilities in a transaction other than a business combination, which does not impact the accounting profit (or loss) nor the taxable profit (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 reversal 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 amount of deferred tax assets to be recognised is reviewed at each year-end 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 translation into euros of the financial statements of companies in foreign currencies:

Currency	2022 average rate	2022 closing rate
Mexican peso	21.19	20.86
Serbian dinar	117.42	117.32
Icelandic krona	142.24	151.50
US dollar	1.05	1.07

Dividends

Dividends are recognised in the reporting period in which their distribution is resolved.

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) for the year 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.

Collateral

The term "collateral" is used to mean obligations arising from guarantees given or received by the company with reference to a certain contract whereby the guarantor shall be held specifically liable with assets given as guarantee.

New standards, amendments and interpretations applicable from annual periods starting on or after 1 January 2022

Below is a list of the standards, amendments, interpretations and improvements in force starting 1 January 2022, for which there has been no significant impact on the Group's 2022 Annual Financial Report.

Improvements to the IFRSs (2018-2020 cycle): Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (published in May 2020);

Property, plant and equipment – Proceeds before intended use (Amendments to IAS 16) (published in May 2020);

Onerous contracts – Costs necessary to fulfil a contract (Amendments to IAS 37)*:* (published in May 2020);

Reference to the Conceptual Framework (Amendments to IFRS 3)*:* (published in May 2020).

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 2022

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

Definition of accounting estimates (Amendments to IAS 8) (published in February 2021). The amendments apply to annual periods starting on or after 1 January 2023;

IFRS 17 – Insurance contracts (including amendments published in June 2020) (published in June 2020). The amendments apply to annual periods starting on or after 1 January 2023;

Disclosure of accounting policies (Amendments to IAS 1) (published in February 2021). The amendments apply to annual periods starting on or after 1 January 2023;

Deferred taxes relating to assets and liabilities deriving from a single transaction (Amendments to IAS 12) (published in May 2021). The amendments apply to annual periods starting on or after 1 January 2023;

First time adoption of IFRS 17 and IFRS 9 – Comparative information (Amendments to IFRS 17) (published in December 2021). The amendments apply to annual periods years starting on or after 1 January 2023.

The foregoing standards and amendments are not expected to have any significant impact on the Group.

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

IFRS 14 Regulatory deferral accounts (published in January 2014). Approval process suspended whilst awaiting the new accounting standard on rate-regulated activities;

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28) (published in September 2014). Approval process suspended whilst awaiting conclusion of the IASB project on the equity method;

Classification of liabilities as current or non-current (Amendments to IAS 1) and non current liabilities with covenants (Amendments to IAS 1) (published respectively in January 2020, July 2020 and October 2022). Approval date to be determined;

Lease liability in a sale and leaseback (Amendments to IFRS 16) (published in September 2022). Approval date to be determined.

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 2022 and 31 December 2021 is as follows:

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
Other non-current financial assets	588	1,789
Other non-current assets	267	241
Trade receivables	43,640	38,077
Other current financial assets	291	84
Other current assets	2,011	2,885
Total exposure	**46,797**	**43,076**
Loss allowance	(2,099)	(2,037)
Total exposure net of the loss allowance	**44,698**	**41,039**

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

Below is a breakdown of financial assets at 31 December 2022 and 31 December 2021, grouped by category and due date:

									Figures in thousands of euros
			Past due						
	Carrying amount 31 Dec. 2022	**Failing due**	**0 - 30**	**30 - 90**	**90 - 180**	**180-365**	**More than 365**	**Total past due**	**Loss allowance**
Non-current financial assets	588	588	-	-	-	-	-	-	-
Other non-current assets	267	267	-	-	-	-	-	-	-
Trade receivables	41,541	29,729	4,507	4,838	871	1,738	1,957	13,911	(2,099)
Current financial assets	291	291	-	-	-	-	-	-	-
Other current assets	2,011	2,011	-	-	-	-	-	-	-
Total financial assets (*)	**44,698**	**32,886**	**4,507**	**4,838**	**871**	**1,738**	**1,957**	**13,911**	**(2,099)**

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

			Scaduto							Figures in thousands of euros
	Carrying amount 31 Dec. 2022	Failing due	0 - 30	30 - 90	90 - 180	180-365	More than 365	Total past due	Loss allowance
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

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, the stipulation of bank loans and bank overdrafts.

Financial liabilities at 31 December 2022 and 31 December 2021, including interest payable, divided up by contractual due date, are as follows:

Figures in thousands of euros

	Carrying amount 31 Dec. 2022	Contractual financial flows	Current portion	from 1 to 2 years	from 2 to 5 years	More than 5 years
Bank loans and borrowings	20,853	22,000	9,492	5,939	6,456	113
Lease liabilities	4,770	4,941	1,422	1,285	2,234	-
Put option and earn-out liabilities	16,661	18,622	4,061	5,494	9,067	-
Loans and borrowings from other financial backers	1,251	1,267	108	93	715	351
Total financial liabilities	**43,535**	**46,830**	**15,083**	**12,811**	**18,472**	**464**

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**

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

Financial liabilities at 31 December 2022 and 31 December 2021, as resulting from the statement of financial position, divided up by contractual due date, are as follows:

	Carrying amount 31 Dec. 2022	Current portion	from 1 to 2 years	from 2 to 5 years	More than 5 years
Bank loans and borrowings	20,853	8,935	5,605	6,200	113
Lease liabilities	4,770	1,345	1,231	2,194	-
Put option and earn-out liabilities	16,661	3,225	4,825	8,611	-
Loans and borrowings from other financial backers	1,251	88	102	710	351
Total financial liabilities	**43,535**	**13,593**	**11,763**	**17,715**	**464**

	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**

Three loans (8,190 thousand euros at 31 December 2022) envisage compliance with two covenants and, in particular: (i) Leverage Ratio, i.e., Net Financial Position/EBITDA <3, to be calculated annually and (ii) Gearing Ratio, i.e., ratio of Net Financial Position and Equity <1. The covenants were fully respected as at 31 December 2022.

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 "cap" options in place (at fixed rate, already paid), in connection with some medium-term loans stipulated from 2019 onwards to hedge the risk of future rises in interest rates, in connection with an equal number of loans that are worth approximately 89% of the bank loans and borrowings in place at 31 December 2022.

Financial liabilities of 43,535 thousand euros at 31 December 2022 and 31,734 thousand euros at 31 December 2021 include variable rate loans of 15,230 thousand euros and 16,425 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 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 2022 and 31 December 2021 are shown in the table below:

		Figures in thousands of euros
	+ 50 basis points	**- 50 basis points**
Greater (lesser) interest on variable rate loans – 2022	61	(61)
Total	**61**	**(61)**

		Figures in thousands of euros
	+ 50 basis points	**- 50 basis points**
Greater (lesser) interest on variable rate loans – 2021	55	(55)
Total	**55**	**(55)**

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 2022 and 31 December 2021, the tables below show the fair value hierarchy for the Group's assets and liabilities measured at fair value:

			Figures in thousands of euros
	Level 1	**Level 2**	**Level 3**
Assets measured at fair value			
Hedging derivatives	-	576	-
Liabilities mesured at fair value			
Earn-out liabilities	-	-	(9,939)
Balance at 31 Dec. 2022	**-**	**576**	**(9,939)**

			Figures in thousands of euros
	Level 1	**Level 2**	**Level 3**
Assets measured at fair value			
Hedging derivatives	-	55	-
Balance at 31 Dec. 2021	**-**	**55**	**-**

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 2022, the Parent and Subsidiary Design Group Italia ID S.r.l. received capital grants respectively of 881 thousand euros and 61 thousand euros, for a total of 942 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	**2022 amount collected**	**Reason**
Ministry of Education, University and Research	637	SecureOpenNet project
Ministry of Economic Development	149	Nextshop project
Sardinia Region	95	DEEP project
Lombardy Region	57	FOODNET project
Lombardy Region	4	Training
	942	

The Parent has also received financing grants for 114 thousand euros from the Ministry of Economic Development in connection with the Horizon project.

The grants for the above projects refer entirely to research and development carried out by the Group during previous years.

A complete disclosure on revenue from government grants 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 2022 and 2021, broken down by segment as required by IFRS 8, indicating any inter-segment adjustments.

Figures in thousands of euros

2022	Italy	Abroad	Inter-segment adjustments	Total
Revenue	68,767	36,495	(410)	**104,852**
Other income	1,392	383	(52)	**1,722**
Total operating revenue and other income	**70,159**	**36,878**	**(462)**	**106,574**
Services, goods and other operating costs	(28,554)	(21,361)	475	**(49,440)**
- of which non-recurring	(242)	(51)	-	**(293)**
Personnel expense	(34,316)	(11,747)	(2)	**(46,065)**
- of which non-recurring	(205)	(253)	-	**(459)**
Total costs and other operating costs	**(62,870)**	**(33,109)**	**473**	**(95,505)**
Gross operating profit	**7,289**	**3,769**	**11**	**11,069**
Amortisation/depreciation	(2,819)	(405)	(2)	**(3,226)**
Provisions and impairment losses	(286)	(51)	-	**(337)**
Operating profit	**4,185**	**3,312**	**9**	**7,506**
Net gains (losses) on equity investments	2,018	-	(2,018)	**-**
Other financial income	791	537	(20)	**1,308**
Other financial expense	(1,128)	(597)	9	**(1,716)**
Pre-tax profit (loss)	**5,865**	**3,253**	**(2,020)**	**7,098**
Income taxes	(556)	(930)	1	**(1,484)**
Profit (loss) for the year	**5,310**	**2,323**	**(2,019)**	**5,614**

Figures in thousands of euros

2021	Italy	Abroad	Inter-segment adjustments	Total
Revenue	64,510	31,029	(1,584)	**93,955**
Other income	955	290	(15)	**1,230**
Total operating revenue and other income	**65,465**	**31,319**	**(1,599)**	**95,185**
Services, goods and other operating costs	(28,901)	(19,524)	1,601	**(46,825)**
- of which non-recurring	(76)	-	-	**(76)**
Personnel expense	(31,047)	(7,797)	(1)	**(38,845)**
- of which non-recurring	(944)	-	-	**(944)**
Total costs and other operating costs	**(59,949)**	**(27,321)**	**1,600**	**(85,670)**
Gross operating profit	**5,517**	**3,997**	**1**	**9,515**
Amortisation/depreciation	(2,149)	(259)	-	**(2,408)**
Provisions and impairment losses	(508)	22	-	**(487)**
Operating profit	**2,859**	**3,760**	**1**	**6,620**
Net gains (losses) on equity investments	908	-	(1,216)	**(308)**
Other financial income	111	348	(3)	**455**
Other financial expense	(614)	(388)	3	**(998)**
Pre-tax profit (loss)	**3,264**	**3,720**	**(1,215)**	**5,769**
Income taxes	(563)	(935)	-	**(1,498)**
Profit (loss) for the year	**2,701**	**2,786**	**(1,215)**	**4,271**

Italy segment

The Italy segment includes the following companies: Alkemy S.p.A., Alkemy Play S.r.l., XCC S.r.l., DGI S.r.l.. Also includes Alkemy Play D.o.o. (Serbia) insofar as operating exclusively for the Italian parent company by the same name.

Revenues from the Italy segment of 2022 came to 70,159 thousand euros, with an increase of 4,694 thousand euros compared with the previous year (+7.2%), mainly due to the inorganic growth following the acquisition of the majority shares of Design Group Italia S.r.l. (DGI) and eXperience Cloud Consulting S.r.l. (XCC) during the second quarter of 2021.

Revenue of 68,767 thousand euros comprises revenue from sales and services (64,510 thousand euros in 2021) and 1,392 thousand euros for other revenue and income (955 thousand euros in 2021); details are given in the comments to the accounts.

Operating costs, represented by costs for services, goods and other items and for personnel expenses, total 62,870 thousand euros, up 2,921 thousand euros (+4.6%) on the previous year, mainly in connection with the specified 2021 acquisitions.

Gross operating profit came to 7,289 thousand euros (5,517 thousand euros in 2021) up 1,772 thousand euros.

Amortisation, depreciation and impairment losses came to 3,105 thousand euros, up by a total of 447 thousand euros on 2021 (+16.8%). This item includes:

- amortisation/depreciation for property, plant and equipment and intangible fixed assets with a finite useful life for a total of 2,819 thousand euros (2,149 thousand euros in 2021);
- the accrual made for 286 thousand euros, allocated essentially to cover potential future losses connected with specific disputed loans at the reporting date (508 thousand euros in 2021).

The Italy segment therefore recorded a pre-tax profit of 5,865 thousand euros (profit of 3,264 thousand euros in 2021), which, less tax, gave rise to a profit of 5,310 thousand euros, as compared with 2,701 thousand euros for the previous year.

Abroad segment

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

The following companies are included: Alkemy Iberia S.L.U. (Spain) Alkemy South America S.L. (Spain), Innocv Solutions S.L. (Spain), OIS Digital S.L. (Mexico), OIS Service S.L. (Mexico), Kreativa D.o.o. (Serbia), Alkemy SEE D.o.o. (Serbia) and DGI Corp. (USA).

2022 Abroad segment revenue came to 36,878 thousand euros as compared with 31,319 thousand euros in 2021 (+17.7%). The increase in revenue is mainly due to the positive performance of the

Mexican and US subsidiaries and the change in the consolidation scope following the July 2022 acquisition of Innocv Solutions S.L., as better detailed over the next few pages.

Operating costs and personnel expense go from 27,321 thousand euros to 33,109 thousand euros.

Gross operating profit margin therefore comes to 3,769 thousand euros, as compared with 3,997 thousand euros of the previous year.

Operating profit, including financial income and expense, comes to 3,312 thousand euros, as compared with last year's 3,760 thousand euros.

The profit for the year totals 2,323 thousand euros, as compared with 2,786 thousand euros in 2021.

Additionally, in order to assure a complete disclosure, below are the trade receivables at 31 December 2022 and at 31 December 2021, divided up by segment:

Figures in thousands of euros

31 dec. 2022	Italy	Abroad	Inter-segment	Total
Trade receivables	31,009	11,042	(511)	**41,541**

Figures in thousands of euros

31 dec. 2021	Italy	Abroad	Inter-segment	Total
Trade receivables	29,325	7,697	(982)	**36,040**

Notes to the consolidated financial statements

Consolidated income statement

1. Revenue

Revenue comes to 104,852 thousand euros (93,955 thousand euros in 2021) and relates entirely to the sale of services.

Turnover in the year is up 10,897 thousand euros (+11.6%) on the previous year. The increase is mainly due (i) to inorganic growth following the acquisition of the controlling investment in 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 6,779 thousand euros and (ii) to the retention of the key Italian and foreign accounts, in particular in respect of the Mexican subsidiaries (+3,726 thousand euros, of which 2,131 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 and the euro-US dollar exchange rate had no significant impact.

2. Other income

Other income totals 1,722 thousand euros (1,230 thousand euros in 2021), as follows:

	Figures in thousands of euros	
	2022	**2021**
Revenue for capitalised costs	1,025	492
Tax asset	335	375
Government grants	18	150
Other revenue	344	213
Total other revenue	**1,722**	**1,230**

Revenue on capitalised costs comes to 1,025 thousand euros and mainly relates to the internal implementation of software and platforms relative to the conduct of commercial business by the Group companies, in particular: the development of techniques applicable to the optimisation of marketing campaigns, as an alternative or in support of the current techniques typically employed; the development of a single tool that can extract, validate and perform the statistical analysis of website tracking and performance data at customer level; the development of a single tool that allows users to track and analyse the position of its website in Google search results for specific keywords; the development of a tool relative to web health monitoring; the development of a single tool that allows for the extraction, validation and statistical analysis of website tracking and performance data at a customer level, which can also be used by it as a tool to analyse the pages of search results; the customisation of the CRM Salesforce software entirely on the cloud, based on Contract Management & Customer Centricity processes under the scope of the Retail & Design segment; the development of a tool that allows HR and employees to maximise and increase the efficiency of their work in connection with the Employee Experience and an input interface into which the information can be entered, as is necessary to budget for salary-backed loans, which interfaces with the main national banks.

The tax credit accrued on the investments in 4.0 training pursuant to Art. 1, paragraph 53 Law 205/2017 and Art. 4 paragraph 1, MD/2018 amounts to 335 thousand euros (375 thousand euros in 2021) and mainly relates to investments made (i) for 250 thousand euros by the Parent and (ii) for 52 thousand euros by the subsidiary XCC S.r.l..

Government grants of 18 thousand euros (150 thousand euros in 2021) refer to the Fondir grant (26 thousand euros in 2021).

In 2021, the item also included 124 thousand euros in reference to the portion of the grant related to income, relative to the subsidised project financing "SecureOpenNets".
Other revenue comes to 344 thousand euros (213 thousand euros in 2021) and mainly regards prior year income and other operating revenue.

3. Services, goods and other operating costs

Services, goods and other operating costs comes to 49,440 thousand euros (46,825 thousand euros in 2021), as detailed hereto:

	Figures in thousands of euros	
	2022	**2021**
Services	48,819	46,254
Purchase of raw materials	223	197
Lease costs	170	80
Other operating costs	228	294
Total	**49,440**	**46,825**

Services

Costs for services come to 48,819 thousand euros (46,254 thousand euros in 2021) and are detailed below:

	Figures in thousands of euros	
	2022	**2021**
Services for customers	42,693	41,820
Marketing services	703	204
Maintenance services	659	595
Travel and transfer expenses	639	400
Other consultancy	590	479
Administrative services	555	411
Restaurant vouchers	501	277
Insurance	383	257
Consultancy and legal expenses	372	546
Postal, telephone and data transmission services	351	243
Costs for non-recurring services	293	76
Audit and attestation fees	245	182
Condominium and supervisory expenses	133	115
Cleaning expenses	129	127
Utilities	111	74
Payslip processing	104	155
Banking services	76	50
Statutory Auditors' fees	68	60
Commercial services	61	72
Collaborators' fees	28	72
Other services	125	39
Total services	**48,819**	**46,254**

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 increase of 2,565 thousand euros (+5.5%) is related to the Group's inorganic growth and the business growth.

Purchase of raw materials

Costs for the purchase of raw materials total 223 thousand euros (197 thousand euros in 2021) and mainly regard consumables for the office.

Lease costs

Lease costs come to 170 thousand euros (80 thousand euros in 2021) 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 228 thousand euros (294 thousand euros in 2021) and mainly regard prior year expense and credit losses.

4. Personnel expense

Personnel expense comes to 46,065 thousand euros (38,845 thousand euros in 2021), up 7,220 thousand on 2021 (+18.6%), of which 5,515 thousand euros relate to changes in the consolidation scope; they comprise:

	2022	2021
	Figures in thousands of euros	
Wages and salaries	32,924	26,670
Non-recurring personnel expense	459	944
Directors' fees	1,636	2,024
Social security expenses	8,579	6,918
Costs for defined benefit plans	1,862	1,423
Cost for share-based payments	517	769
Other personnel expense	88	97
Total personnel expense	**46,065**	**38,845**

This item includes all costs incurred during the year, directly or indirectly relating to employees and collaborators, as well as directors' fees for 1,636 thousand euros.

"Non-recurring personnel expense" includes all costs incurred for incentives to take redundancy, recognised and paid in full during the year, as well as the one-off adjustment costs envisaged on the basis of the collective bargaining agreements of the Italian companies.

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

The average number of employees during 2022 was 809 (655 in 2020).

The Group had 899 employees at 31 December 2022, as compared with 730 in the previous year.

The table below shows the average number of employees in 2022, divided up by category.

	2022	2021
Managers	17	14
Middle managers	108	87
Office employees	684	554
Total	**809**	**655**

The amount of average wages and salaries per employee, net of directors' fees, costs for share-based payments and non-recurring personnel expense, remained constant with respect to 2021.

5. Amortisation/depreciation

Amortisation/depreciation comes to 3,226 thousand euros (2,408 thousand euros in 2021) and consists of:

- 1,700 thousand euros (1,429 thousand euros in 2021) relate to the amortisation/depreciation of right-of-use assets;
- 866 thousand euros (530 thousand euros in 2021) for the amortisation of intangible fixed assets;
- 660 thousand euros (449 thousand euros in 2021) for the depreciation of property, plant and equipment.

6. Provisions and impairment losses

Provisions recognised in profit or loss come to 337 thousand euros (487 thousand euros in 2021) and refer to the impairment of trade receivables (280 thousand euros) and provisions (57 thousand euros).

7. Net gains (losses) on equity investments

Net gains (losses) on equity investments come to zero during 2022 compared to a net loss of 308 thousand euros in 2021 relative to:

- -235 thousand euros due to the fair value loss on the equity investment in Design Group Italia held before acquiring the non-controlling investment, as envisaged by IFRS 3;
- -73 thousand euros due to the equity measurement of the same investment at 31 May 2021, to include the results of the company, which was already an associate before its consolidation.

8. Other financial income

Other financial income comes to 1,308 thousand euros (455 thousand euros in 2021) and is detailed below:

	Figures in thousands of euros	
	2022	**2021**
Exchange gains	542	358
Fair value gains on derivatives	353	22
Earn-out gain	306	-
Capital gains	-	31
Other financial income	107	44
Total other financial income	**1,308**	**455**

Exchange gains come to 542 thousand euros (358 thousand euros in 2021) and essentially refer to the subsidiary Ontwice Interactive Services S.A. Mexico City, which also generated most of the exchange losses, totalling 579 thousand euros (333 thousand euros in 2021), included in financial expense, as detailed below.

Exchange gains and losses, whose effective values offset each other, increase on the previous year 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 2021.

Fair value gains on derivatives come to 353 thousand euros (22 thousand euros in 2021) and relate to the fair value gains on instruments entered into to hedge loan interest rates, the increase in which is explained in the next note.

Gains on earn-outs come to 306 thousand euros (zero in 2021) and refer to the difference between the carrying amount of the earn-out liability, to be paid to the former non-controlling investors of Innocv Solutions S.L. and the fair value gain on such in 2022.

9. Other financial expense

Other financial expense comes to 1,716 thousand euros (998 thousand euros in 2021) and is detailed below:

	Figures in thousands of euros	
	2022	**2021**
Exchange losses	579	333
Interest from put option and earn-out liabilities	441	280
Interest expense on loans	464	194
Interest on leases	107	117
Interest expense on employee benefits (IAS 19)	64	23
Interest expense on current accounts	17	7
Other financial expense	44	44
Total other financial expenses	**1,716**	**998**

The increase in the item reflects the increased exchange losses, as described in the paragraph above, and the increase in interest expense on loans and put option and earn-out liabilities, in line with the general upwards trend in interest rates.

10. Income taxes

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

	Figures in thousands of euros	
	2022	**2021**
Current income tax	750	1,388
Current IRAP tax	317	271
Substitute tax on the posting of goodwill	-	138
Previous years' tax	(10)	(41)
Change in deferred tax assets	323	(116)
Change in deferred tax liabilities	104	(142)
Total taxes	**1,484**	**1,498**

In order to understand the performance of income tax, below is a reconciliation of the theoretical and effective tax charge for 2022 and 2021:

	Figures in thousands of euros	
	2022	**2021**
Pre-tax profit	**7,098**	**5,768**
Current tax rate	24%	24%
Theoretical tax charge	**1,704**	**1,384**
Temporary differences deductible in subsequent years:	201	573
Temporary differences reversed from previous years	(429)	(436)
Permanent differences	(866)	(459)
Effect deriving from other items and foreign tax rates different to the theoretical tax rate	140	326
Actual tax charge	**750**	**1,388**
Effective rate on the income statement	11%	24%

In order to better understand the reconciliation of the tax burden recognised and the theoretical tax burden, no consideration is given to IRAP (regional tax on productivity), 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 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 per share is shown in the table below:

	Figures expressed in units of euros	
	2022	**2021**
Profit		
Group profit for the year	5,583,000	4,263,000
Group profit for the year, attributable to ordinary shares	5,583,000	4,263,000
Number of shares		
Average number of outstanding ordinary shares	5,530,892	5,492,345
Adjusted average number of ordinary shares	5,530,892	5,475,802
Basic earnings per share	1.01	0.78
Diluted earnings per share	1.01	0.78

Statement of financial position

Assets

Non-current assets

12. Property, plant and equipment

The item totals 2,209 thousand euros (1,809 thousand euros at 31 December 2021); changes are shown below:

Figures in thousands of euros

	Lands and buildings	Plant and machinery	Other assets	Total
Balance at 31 Dec. 2020	**73**	**13**	**769**	**855**
Change in the scope of consolidation	-	-	188	188
Investments	-	6	1,209	1,215
Amortisation/depreciation	(4)	(8)	(437)	(449)
Balance at 31 Dec. 2021	**69**	**11**	**1,729**	**1,809**
Change in the scope of consolidation	-	-	130	130
Investments	-	7	914	921
Amortisation/depreciation	(4)	(3)	(652)	(659)
Other movements	-	(1)	9	8
Balance at 31 Dec. 2022	**65**	**14**	**2,130**	**2,209**

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

"Other" mainly includes computers and IT equipment purchased for Group employees, as well as furniture and furnishings of the 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 4,633 thousand euros (5,332 thousand euros at 31 December 2021); changes are shown below:

Figures in thousands of euros

	Buildings	Other assets	Total
Balance at 31 Dec. 2020	**2,593**	**529**	**3,122**
Change in the scope of consolidation	913	111	1,024
Investments	2,130	485	2,615
Amortisation/depreciation	(1,045)	(384)	(1,429)
Balance at 31 Dec. 2021	**4,591**	**741**	**5,332**
Change in the scope of consolidation	51	1	52
Investments	291	725	1,016
Amortisation/depreciation	(1,205)	(495)	(1,700)
Other movements	(13)	(54)	(67)
Balance at 31 Dec. 2022	**3,715**	**918**	**4,633**

"Other assets" includes 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 on land and buildings mainly relates to the ISTAT adjustments envisaged by contract.

14. Goodwill

Goodwill comes to 54,868 thousand euros (41,249 thousand euros at 31 December 2021), as detailed hereto:

Figures in thousands of euros	31 Dec. 2022	31 Dec. 2021
Goodwill of the ITALY CGU	**27,598**	**27,598**
- Goodwill of Bizup	6,883	6,883
- Goodwill of Nunatac	6,603	6,603
- Goodwill of XCC	4,885	4,885
- Goodwill of DGI	4,610	4,610
- Goodwill of Alkemy Tech	2,898	2,898
- Goodwill of Seolab	1,167	1,167
- Goodwill of Between	552	552
Goodwill of the SPAIN CGU	**23,051**	**9,455**
- Goodwill of Ontwice Interactive Service	9,455	9,455
- Goodwill of Innocv	13,596	-
Goodwill of the MEXICO CGU	**3,218**	**3,218**
- Goodwill of Alkemy South America	3,218	3,218
Goodwill of the BALKANS CGU	**1,001**	**978**
- Goodwill of Kreativa	1,001	978
Total goodwill	**54,868**	**41,249**

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 mainly due to the acquisition of all shares of Innocv Solution S.L., whose goodwill of 13,596 thousand euros was recognised following the related purchase price allocation, as the difference between the carrying amount of the equity investment in Alkemy S.p.A. (15,131 thousand euros) and the equity of the subsidiary at the date of acquisition (1,535 thousand euros).

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

Goodwill has been allocated to the 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 entries refer, has been verified through the value in use, determined by applying the unlevered discounted cash flow. If the recoverable amount exceeds the carrying amount of the CGU's goodwill, 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 projected growth rate at the end of the explicit forecasting period.
Discounting regarded expected cash flows as resulting from the 2023-2025 three-year plan approved by the Board of Directors on 23 February 2023.
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 2022.
The hypotheses underlying this plan consider, amongst others:

- The changes in the Group perimeter;
- the best estimate of the 2022 pre-closure data;
- for FY 2023, the data of the annual budget presented to and approved by the administrative body of Alkemy S.p.A. on 12 January 2023;
- for 2024 and 2025, the data considered derive from general economic and equity logics, valid for each Group company, which assume the ordinary continuity of business (equal commercial offer, equal organisational structure, same customer type, constant investments over the three years), in "normal" market conditions (i.e. without: pandemics, new conflicts, additional energy shocks, hyperinflation) with the usual percentage increases in year-on-year revenues and costs, in line with contractual forecasts, and a slight percentage improvement in overall 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 and earn-out 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 1.9% for the CGU – Italy, 2% 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 2022, the Group applied a rate of 11.3% for the CGU – Italy, 11.2% for the CGU – Spain, 16.5% for the CGU – Mexico and 13.9% 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 2022, the capitalisation of Alkemy came to 62,653,769 euros, as compared with Group ''equity of 43 million euros and, therefore, above the Group valuation with the DCF 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 terminal value gross operating profit, in respect of changes in results envisaged by the three-year plan (average gross operating profit for 2023-2025, average for 2024-2025 and gross operating profit for 2025).
These analyses did not show any impairment loss on goodwill.
In order to ensure 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, there begin to be impairment losses on 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.

2022 PARAMETER		**CGU Italy**	**CGU Spain**	**CGU Mexico**	**CGU Balkans**
	basic	11.34%	11.24%	16.49%	13.91%
WACC	break-even	12.10%	13.00%	76.80%	25.70%
	delta	*0.76%*	*1.76%*	*60.31%*	*11.79%*
	basic	1.90%	2.00%	2.00%	2.00%
G-rate	break-even	1.10%	0.00%	-251.90%	-14.10%
	delta	*-0.80%*	*-2.00%*	*-253.90%*	*-16.10%*
Reduction in BP and Tv gross operating profit	break-even	-4.40%	-14.40%	-72.40%	-41.20%

Below are the results for 2021.

2021 PARAMETER		**CGU Italy**	**CGU Spain**	**CGU Mexico**	**CGU Balkans**
	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 BP and TV gross operating profit	break-even	-25.20%	-50.40%	-68.80%	-57.40%

15. Intangible assets

Intangible assets amount to 1,934 thousand euros (863 thousand euros at 31 December 2021). Below are details on changes therein:

Figures in thousands of euros

	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other	Total
Balance at 31 Dec. 2020	**196**	**21**	**433**	**650**
Change in the scope of consolidation	2	-	16	18
Investments	315	-	410	725
Amortisation/depreciation	(216)	(6)	(308)	(530)
Balance at 31 Dec. 2021	**297**	**15**	**551**	**863**
Change in the scope of consolidation	9	-	314	323
Investments	335	(1)	1,280	1,614
Amortisation/depreciation	(296)	(4)	(566)	(866)
Balance at 31 Dec. 2022	**368**	**11**	**1,555**	**1,934**

Industrial patents and intellectual property rights

This item mainly includes the costs incurred for the purchase of company management software.

Concessions, licences, trademarks and similar rights

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

Other

This item includes deferred costs that, due to their different nature, do not fit under any of the other items of this category. More specifically, the item includes: (i) the costs incurred by the 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-size enterprises and (ii) the costs relating to the internal implementation of software and platforms inherent to the conduct of the commercial business of the Group companies, for which reference is made to note 2 of these consolidated financial statements for details on the increases in the year.

16. Equity investments in associates and other companies

The item totals 5 thousand euros, in line with last year.
The amount refers to the investment in the consortium company ICT SUD S.c.r.l., held by the Parent.

17. Other financial assets

Other non-current financial assets come to 588 thousand euros (1,789 thousand euros at 31 December 2021) and are detailed below:

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
Amounts due from insurance companies	-	1,729
Derivatives	576	55
Amounts due from employees	12	5
Total other financial assets	**588**	**1,789**

Amounts due from insurance companies, equal to 1,729 thousand euro as at 31 December 2021, were collected in full in 2022 and referred to insurance policies signed to cover directors' and employees' severance indemnity in reference to the subsidiary Nunatac S.r.l., now merged into the Parent.

Derivatives refer to the hedging transactions implemented in connection with certain medium/long-term bank loans, as described in the previous paragraphs. Their increase of 521 thousand euros is mainly (for 353 thousand euros) due to fair value gains and (for 175 thousand euros) to two new instruments agreed with Intesa Sanpaolo to hedge interest rates on an equal number of loans stipulated in 2022.

18. Deferred tax assets

Deferred tax liabilities amount to 2,206 thousand euros (1,789 thousand euros at 31 December 2021).

Their overall increase in the year, of 417 thousand euros, is mainly (+783 thousand euros) due to the change in the consolidation scope following the acquisition of Innocv Solutions S.L. and (-225 thousand euros) to the use of prior year losses by the Parent to cover the profits resulting from the national tax consolidation.

Below is a breakdown of deferred tax assets:

Figures in thousands of euros

	Temporary differences at 31 December 2022	Tax effect 31 Dec. 2022	Temporary differences at 31 .	Tax effect 31 Dec. 2021
Personnel expense	925	228	1,471	355
Loss allowance and provisions for other risks	2,082	501	2,390	590
Prior year losses	594	142	1,528	367
Tax assets	3,134	783	-	-
Consolidation adjustments and other items	1,828	553	1,743	477
Total	**8,563**	**2,206**	**7,133**	**1,789**

They are due to the temporary differences between the carrying amounts of the assets and liabilities used to prepare the financial statements and the respective tax values (mainly loss allowances and outstanding directors' fees), as well as on tax losses that can be carried forward.

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

19. Other non-current and assets

These come to 267 thousand euros (241 thousand euros at 31 December 2021) and mainly relate to guarantee deposits for leased offices.

Current assets

20. Trade receivables

Trade receivables come to 41,541 thousand euros (36,040 thousand euros at 31 December 2021), as detailed herewith:

Figures in thousands of euros

	31 Dec. 2022	31 Dec. 2021
Italy	25,227	26,029
EU	8,493	6,561
Non-EU	7,821	3,450
Total trade receivables	**41,541**	**36,040**

There are no amounts due after one year.
The increase in trade receivables is linked to the change in the consolidation scope and the increase in Group turnover.

Trade receivables are stated net of a loss allowance of 2,099 thousand euros (2,037 thousand euros at 31 December 2021). The loss allowance was calculated on the basis of the lifetime expected credit losses, from initial recognition and during subsequent measurements. The estimate is mainly prepared by determining the average expected credit losses, 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 Dec. 2021	**(2,037)**
Accruals	(280)
Uses	231
Others	(14)
Balance at 31 Dec. 2022	**(2,099)**

21. Other financial assets

Other current financial assets come to 291 thousand euros (84 thousand euros at 31 December 2021) and mainly refer to securities held by the subsidiary Innocv Solutions S.L..

22. Tax assets

Tax assets come to 2,065 thousand euros (1,274 thousand at 31 December 2021) and are detailed as follows:

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
VAT asset	1,090	793
Tax asset pursuant to DL.145/2013	758	325
Tax assets	188	123
Other tax assets	29	33
Total tax assets	**2,065**	**1,274**

The tax asset pursuant to DL. 145/2013 of 758 thousand euros is mainly for (i) 465 thousand euros, subsidised project financing for investments made in research and development by Italian companies, pursuant to Decree Law no. 145/2013 and in training 4.0 pursuant to Art. 1, paragraph 53 Law 205/2017 and Art. 4 paragraph 1 MD/2018 and (ii) for 287 thousand euros to technological innovation projects for investments made by the Spanish subsidiary Innocv Solutions S.L..
The increase in current tax assets is mainly due to the effects deriving from the above investments, as well as the increased VAT receivable, in particular of the Mexican subsidiary, following the rise in turnover volumes.
It is noted that at the end of this year and the comparative year, there are no tax assets due beyond 5 years.

23.Other current assets

Other assets of 2,011 thousand euros (2,885 thousand euros at 31 December 2021) are detailed as follows:

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
Government grants	1,674	2,612
Impairment of government grants	(497)	(497)
Prepayments	603	675
Other	231	95
Total other current assets	**2,011**	**2,885**

Government grants decreased by 938 thousand euros due to payments received of equal amount. It is noted that at the end of this year and the comparative year, there are no other current assets due beyond 5 years.
There is no accrued income. Prepayments total 603 thousand euros and are summarised below:

	Figures in thousands of euros
	31 Dec. 2022
Hire, rental and licence costs	229
Services for customers	163
IT costs	49
Stock exchange costs	37
Insurance	19
Other	107
Total prepayments	**603**

24. Cash and cash equivalents

The balance of 9,115 thousand euros (10,458 thousand euros at 31 December 2021) is detailed hereto:

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
Bank deposits	9,110	10,453
Cash and petty cash	5	5
Total cash and cash equivalents	**9,115**	**10,458**

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 at 31 December 2021 and 2022 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 (same amount at the previous year end), is fully paid-up and is represented by 5,685,460 shares (same number as at the previous year end), with no nominal value.

Treasury shares

The negative reserve for treasury shares comes to 1,793 thousand euros, for a total of 150,864 treasury shares, accounting for 2.65% of the share capital (1,743 thousand euros for a total of 158,268 treasury shares or 2.78% of the share capital at 31 December 2021). The change is due (i) to the purchase of treasury shares worth 435 thousand euros, in the number of 25,000 treasury shares and (ii) for 385 thousand euros, in the number of 32,404, to the assignment of treasury shares to the Chairman, CEO and Director with special duties of the Parent in execution of the "Long Term Incentive Plan", in connection with 50% of the shares accrued by them on the profit for 2021.

Legal reserve

The legal reserve amounts to 202 thousand euros (unchanged on 31 December 2021).

Other reserves

Other reserves come to 33,284 thousand euros (31,215 thousand euros at 31 December 2021), as follows:

- share premium reserve of 27,372 thousand euros (31,849 thousand euros at 31 December 2021);
- reserve for the Long Term Incentive Plan of 1,213 thousand euros (962 at 31 December 2021);
- FTA reserve of 147 thousand euros (no change on 31 December 2021);
- release of goodwill of 4,473 thousand euros (zero at 31 December 2021)
- actuarial gains of 308 thousand euros (losses of 282 thousand euros at 31 December 2021); the item relates to the discounting of post-employment benefits, envisaged by IAS 19.
- reserve for the translation of financial statements of foreign operations of 65 thousand euros (-40 thousand euros at 31 December 2021).

At 31 December 2021, the item also included other negative reserves of 1,164 thousand euros relative to the put option liability of the companies established in 2017, the amount of which flowed into profits carried forward following the cessation of the conditions that had led to its being established.
At 31 December 2021, '''equity also included the stock option reserve, of 37 thousand euros, which was reduced to zero with the 14 thousand euros increase due to the cost of the stock option plans in place in 2022 and the 51 thousand euros decrease following the closure of the 2017-2020 stock option plan, reclassified to retained earnings.
The change in the share premium reserve for 4,477 thousand euros is correlated with the creation of the unavailable reserve for the release of goodwill, which took place in 2021.
The change in the reserve for the long-term incentive plan, for 251 thousand euros, is due to the combination of (i) the accrual of the year of +503 thousand euros and (ii) the reduction in the reserve following the specified assignment of treasury shares, equal to -252 thousand euros.

Retained earnings

Retained earnings come to 5,135 thousand euros (1,843 thousand euros at 31 December 2021); the change for the year is mainly due to:

- +4,263 thousand euros, as a result of the allocation of the profit for 2021, in accordance with the resolution passed by the shareholders' meeting of the Parent on 26 April 2022;
- +313 thousand euros, due to fair value gains on put option liabilities;
- +51 thousand euros, following the end of the 2019-2022 stock option plans;
- -1,164 thousand euros, following the aforementioned derecognition of the other negative reserves for the same amount;
- -133 thousand euros, due to the difference between the carrying value of the aforementioned 32,404 treasury shares assigned in execution of the "Long Term Incentive Plan" and their carrying amount in the Long Term Incentive Plan, determined on the basis of the contractual provisions.

26. Equity attributable to non-controlling investors

Equity attributable to non-controlling interests comes to 399 thousand euros (323 thousand euros at 31 December 2021) and mainly refers to the portion pertaining to the non-controlling investors of the subsidiaries in the Balkans area.

27. Financial liabilities

Current and non-current financial liabilities come to 22,104 thousand euros (16,771 thousand euros at 31 December 2021) and are broken down below according to due dates:

- 13,081 thousand euros (11,269 thousand euros at 31 December 2021) refer to non-current financial liabilities;
- 9,023 thousand euros (5,502 thousand euros at 31 December 2021) refer to current financial

liabilities.

There are financial liabilities due after 5 years, for the amount of 464 thousand euros.
The increase in financial liabilities for 5,333 thousand euros is mainly due to:

- +6,858 thousand euros to the multi-year loans agreed in the year and better described below;
- +1,024 thousand euros to the extension of the consolidation scope and, therefore, the loan contracts in place at the subsidiary Innocv Solutions S.L. at the time of acquisition, in July 2022;
- +2,886 thousand euros for the invoice discounting carried out in December by the Parent;
- -5,670 thousand euros in repayments made during the year.

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

- 5,010 thousand euros relative to a medium/long-term bank loan obtained from Intesa Sanpaolo in July 2022, with a duration of 60 months, including an interest-only period of 12 months, for a nominal amount of 5,000 thousand euros, to finance the acquisition of 100% of Innocv S.L.. Repayment is in equal quarterly instalments , starting in 2023. The interest rate applied is the 3M Euribor, increased by a spread of 2 basis points. At disbursement, an up-front fee was withheld of 25 thousand euros. The loan contract provides for compliance with 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 covenants are respected at 31 December 2022;
- 3,269 thousand euros (3,449 thousand euros at 31 December 2021), the loan obtained from Banca Intesa Sanpaolo on 17 July 2020 with a term of 60 months, including an interest-only period of 24 months, with repayment of principal in twelve quarterly instalments, the first due on 17 October 2022;
- 3,249 thousand euros (3,494 thousand euros at 31 December 2021) relative to the medium/long-term bank loan obtained from UniCredit in September 2021, with a duration of 60 months, including an interest-only period of 12 months, for a nominal amount of 3,500 thousand euros. Repayment is in equal quarterly instalments , starting in 2022. The interest rate applied is the 3M Euribor, increased by a spread of 1.2 basis points. At disbursement, an up-front fee was withheld of 7 thousand euros;
- 2,886 thousand euros (883 thousand euros at 31 December 2021) relative to the discounting of invoices respectively for 2,436 thousand euros with Unicredit, and for 450 thousand euros with Banca Intesa Sanpaolo in 2022;
- 2,660 thousand euros (4,361 thousand euros at 31 December 2021) relative to a medium/long-term bank loan obtained from Mediocredito Italiano in 2019 for a nominal 7,000 thousand euros. Repayment is in equal half-year instalments , 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 basis points. At disbursement, an up-front fee was withheld of 35 thousand euros. The loan contract provides for 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 covenants are respected at 31 December 2022;

- 999 thousand euros relative to the medium-term loan agreed in July 2022 with Banco BPM in order to complete acquisition of the shares of Alkemy Iberia S.L., with a term of 36 months and with repayment in quarterly instalments and final due date of 30 September 2025;
- 884 thousand euros relative to 3 loans obtained by the subsidiary Innocv Solutions S.L. in 2021 and 2022 from the local Ministry of Economic Development by way of financing grant for the development of technological innovation projects;
- 842 thousand euros (912 thousand euros at 31 December 2021) refer to the nine loans obtained from Mediocredito Centrale related to subsidised project financing, of which one for 98 thousand euros obtained in 2022;
- 711 thousand euros (800 thousand euros at 31 December 2021), respectively for 427 thousand euros from Banca Popolare di Sondrio and for 284 thousand euros from Finlombarda and obtained by the company Design Group Italia ID S.r.l., with a term of 66 months including 12 months of interest-only payments, with the repayment of principal in 12 six-monthly instalments, falling due on 1 October 2026;
- 643 thousand euros relative to 3 loans agreed by the subsidiary Innocv Solutions S.L. in 2019, 2020 and 2022 with Banco Santander;
- 524 thousand euros (631 thousand euros at 31 December 2021) refer to an additional Intesa Sanpaolo loan entered into in 2019 with a term of 30 months, with repayment in five equal six-monthly instalments due in 2024. The loan contract provides for 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 covenants are respected at 31 December 2022;
- 293 thousand euros (576 thousand euros at 31 December 2021) refer to a medium-term loan agreement entered into in 2021 with Banco BPM to facilitate the Group's financial operations, with a term of 42 months, plus a 9-month interest-only period, with repayment in quarterly instalments ending on 29 December 2023;
- 69 thousand euros (86 thousand euros at 31 December 2021) refer to loans and borrowings from other financial backers in the medium/long-term, issued to Ontwice Interactive Services s.l. of Madrid by the Spanish Ministry for the Economy;
- 51 thousand euros (252 thousand euros at 31 December 2021) 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;
- 14 thousand euros relate to Kreativa D.o.o.'s loan from a non-controlling investor.

At 31 December 2021, the item also included the following loans, for which the repayment plan was completed during the year:

- 861 thousand euros relative to the medium-term loan subscribed with Banco BPM in 2020 to

facilitate the Group's financial operations;
- 406 thousand euros relative to the loan disbursed by Intesa on 30 September 2019, for research and development;
- 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.

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 2022:

			Figures in thousands of euros
		31 Dec. 2022	**31 Dec. 2021**
A	Cash	9,115	10,458
B	Cash equivalents	-	-
C	Other current financial assets	291	84
D	**Cash and cash equivalents (A + B + C)**	**9,406**	**10,542**
E	Current financial liabilities (including debt instruments but excluding the current portion of non-current financial liabilities)	7,550	5,314
F	Current portion of non-current financial liabilities	6,043	4,567
G	**Current financial liabilities (E + F)**	**13,593**	**9,881**
H	**Net current financial liabilities (G - D)**	**4,187**	**(661)**
I	Non-current financial liabilities (excluding the current portion and debt instruments)	29,942	21,853
J	Debt instruments	-	-
K	Trade payables and other non-current liabilities	-	-
L	**Non-current financial liabilities (I + J + K)**	**29,942**	**21,853**
M	**Total financial debt (H + L)**	**34,129**	**21,192**

Current financial liabilities include lease liabilities, the current portion of put option liabilities, the aforementioned discounting of invoices 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 bank loans and borrowings, lease liabilities, the non-current portion of put option liabilities and the non-current portion of loans and borrowings from other financial backers.

29. Lease liabilities

Current and non-current lease liabilities total 4,770 thousand euros (5,482 thousand euros at 31 December 2021) and are broken down below according to due dates:

- 3,425 thousand euros (4,009 thousand euros at 31 December 2021) refer to non-current lease liabilities;

- 1,345 thousand euros (1,473 thousand euros at 31 December 2021) refer to current lease liabilities.

The reduction compared with last year, of 712 thousand euros, mainly relates to the lease payments of the year, which more than offset the increases relative to the new subscriptions and the expansion of the consolidation scope.

Note that there are no lease liabilities due beyond 5 years.

30. Put option and earn-out liabilities

The current liabilities to non-controlling investors and for earn-outs total 16,661 thousand euros (9,481 thousand euros at 31 December 2021) 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 Play S.r.l. for a total of 6,722 thousand euros, comprising a contractual structure of put and call options between the Company and the non-controlling investors, as well as the earn-outs to be paid to the previous owners of Innocv S.L. , equal to 9,939 thousand euros.

As is frequently the case in purchases of controlling investments, the contractual arrangements include a put option in favour of the remaining non-controlling investors and a call option in favour of Alkemy. The liabilities 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 in 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 whose recalculation at 31 December 2022 was obtained using the present value of the redemption price method, with the help of an independent expert.

The earn-out liability that arose in 2022 refers to the acquisition of Innocv and has been valued, in accordance with IFRS 3, at its acquisition-date fair value. This liability has been adjusted to the fair value at the reporting date, taking the fair value loss to profit and loss with the help of an independent expert.

The put option relative to 49% of the capital of DGI S.r.l., whose exercise is expected by the end of this coming June 2023, is classified under current financial liabilities.

The remaining put option and earn-out liabilities can contractually be exercised after 31 December 2023.

The increase of 7,180 thousand euros is due to:

- +501 thousand euros for the recognition of the new put option liability of the company Alkemy Play S.r.l.. to be exercised in 2025;
- +10,131 thousand euros for the recognition of the new earn-out liability of the company Innocv Solutions S.L., to be paid in two tranches, respectively in 2024 and 2026;

- +441 thousand euros for the interest relating to the passage of time (unwinding of the discounting of the strike price);
- -2,773 thousand euros for the exercise of the option for 35% of the capital of the company Alkemy Iberia S.L.;
- -1,119 thousand euros relating to the fair value loss of put option and earn-out liabilities.

Note that at 30 September 2022, put option liabilities had been recognised with the non-controlling investors of Kreativa D.o.o. for approximately 1.3 million euros, which, following subsequent agreements reached by the parties in December 2022, were eliminated against goodwill.

31. Employee benefits

Employee benefits come to 5,543 thousand euros (6,361 thousand euros at 31 December 2021) and refer to the post-employment benefits of employees in service.

Changes of the year were as follows:

	Figures in thousands of euros
Balance at 31 Dec. 2020	**5,087**
Accruals	1,423
Actuarial (gains)/losses	(130)
Utilisation of the year	(19)
Balance at 31 Dec. 2021	**6,361**
Accruals	1,862
Actuarial (gains)/losses	(776)
Utilisation of the year	(1,904)
Balance at 31 Dec. 2022	**5,543**

Utilisations of the year include 824 thousand euros for the payment of the end-of-office indemnity to the directors of Nunatac S.r.l., carried out following the specified merger by acquisition into the Parent company, which took place during the year.

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

Economic-financial assumptions		**31 Dec. 2022**	**31 Dec. 2021**
Discount rate		3.77%	0.98%
Remuneration increase rate			
	Alkemy S.p.A.	Inflation + 1%	2.20%
	Alkemy Play S.r.l.	Inflation + 1%	2.20%
	XCC S.r.l.	Inflation + 1%	2.20%
	DGI S.r.l.	Inflation + 1%	2.20%
Increase in the cost of living		2023: 5.9%, 2024: 3.33% and 2025 3%	1.20%

The following demographic assumptions have also been made:

- for the probability of death, those determined by the General State Accountancy called RG48, 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, annual frequencies have been considered of 2.50% for XCC S.r.l. and DGI S.r.l. and 12.5% for other companies;
- for the probability of advances being paid, 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 assumptions 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

Provisions come to 100 thousand euros (222 thousand euros as at 31 December 2021) and mainly relate to:

- 46 thousand euros accrued by the Mexican subsidiary Ontwice Interactive Service de Mexico S.A., following a claim for compensation for damages made by a customer in 2022;
- 54 thousand euros (45 thousand euros at 31 December 2021) for risks relative to an assessment by the labour inspectorate at the Spanish subsidiary Alkemy Iberia S.L.U., following which it received a request for payment of sanctions, against which the subsidiary has lodged an appeal.

Last year, the item also included 152 thousand euros relating to the provision made by what was at the time the Spanish subsidiary Ontwice S.L., following a claim for compensation for damages made by a Spanish customer and which was settled in 2022.

33. Deferred tax liabilities

Deferred tax liabilities amount to 128 thousand euros (18 thousand euros at 31 December 2021) and the related increase compared with the previous year end is mainly due to the increase in the pre-tax profit of the company DGI Inc. and the differences between it and the taxable profit, calculated in accordance with local regulations.

Current liabilities

34. Trade payables

Trade payables come to 16,217 thousand euros (14,184 thousand euros at 31 December 2021).

Below is a breakdown of trade payables by geographical segment

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
Italy	6,894	6,510
EU	4,876	4,775
Non-EU countries	4,447	2,899
Total trade payables	**16,217**	**14,184**

35. Tax liabilities

Tax liabilities come to 1,622 thousand euros (2,281 thousand euros at 31 December 2021) and include liabilities for tax that is both certain and quantified, in relation to VAT, income tax and withholdings applied as tax substitute; the breakdown is as follows:

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
Current tax liabilities	169	715
Withholdings	896	943
VAT	449	520
Other tax liabilities	108	103
Total tax liabilities	**1,622**	**2,281**

The reduction in tax liabilities is mainly due to the lower liabilities for current tax compared with last year, as a consequence of the greater tax provisions paid during the year and calculated on the basis of the 2021 taxable profit, as well as for the tax consolidation scheme agreement signed during the year by the Parent with the subsidiaries XCC S.r.l. and DGI S.r.l..

Note, in fact, that the national tax consolidation scheme is also in place with the subsidiary Alkemy Play S.r.l..

36. Other liabilities

Other current liabilities come to 11,182 thousand euros (12,319 thousand euros at 31 December 2021), detailed as follows:

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
Social security charges	2,127	1,916
Due to employees	5,465	5,213
Accrued expenses and deferred income	2,042	4,722
Other liabilities	1,548	468
Total other liabilities	**11,182**	**12,319**

Due to employees includes the amounts due to employees, directors and collaborators; the item includes accruals for 2022 not yet paid, in relation to bonuses, holidays, permits and 14^{th} month salaries.
Other liabilities total 1,548 thousand euros (468 thousand euros at 31 December 2021) and their 1,080 thousand euro Increases is mainly due to the recognition of the residual liability for dividends to former shareholders of Innocv Solutions S.L. (1,284 thousand euros).

Accrued expenses and deferred income are recognised on an accruals basis. At 31 December 2022, there were no accruals or deferrals with a residual term of more than five years.
Accrued expenses come to 29 thousand euros (211 thousand euros at 31 December 2021).
Deferred income totals 2,013 thousand euros (4,510 thousand euros at 31 December 2021) and essentially relates to revenue from the core business pertaining to 2023 but invoiced in 2022.

37. Guarantees given and other commitments

Guarantees given

At 31 December 2022, there are four insurance sureties for 690 thousand euros of the Parent issued in favour of an equal number of customers, to guarantee the correct fulfilment of its contractual obligations, as well as a bank surety for 80 thousand euros of DGI S.r.l., issued in favour of the Lombardy Region, in order to guarantee the obligations envisaged in connection with a financed project.

At the reporting date, there are no commitments in place.

38. 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 unusual transactions were noted.

The tables below show the commercial and financial transactions carried out in 2022 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:

Figures in thousands of euros

Commercial transactions	Assets	Liabilities	Revenue	Costs
Alkemy play S.r.l.	815	(17)	303	(83)
Alkemy Iberia S.L.U.	5	(53)	7	(75)
Alkemy South America S.L.	-	(3)	-	-
Ontwice Interactive Service de Mexico S.A.	-	-	173	-
Alkemy SEE D.o.o.	238	(38)	52	(28)
Experience Cloud Consulting S.r.l.	260	(59)	125	(96)
Design Group Italia S.r.l.	170	(865)	96	(577)
Total	**1,488**	**(1,035)**	**756**	**(859)**

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 DGI S.r.l., XCC S.r.l. and Alkemy Play S.r.l.. In this respect, the Parent also has an amount due to subsidiaries for the tax consolidation scheme, in the amount of 123 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 2022, indicating interest accrued (income):

Figures in thousands of euros

Financial transactions	Assets	Liabilities	Revenue	Costs
Alkemy play S.r.l.	-	-	3	-
Alkemy Iberia S.L.U.	-	-	2	-
Alkemy South America S.L.	-	(1,150)	-	(3)
Alkemy SEE D.o.o.	330	-	5	-
Experience Cloud Consulting S.r.l.	631	-	11	-
Total	**961**	**(1,150)**	**21**	**(3)**

Note that amounts due to the Parent for dividends at 31 December 2022 total 2,018 thousand euros and relate entirely to the subsidiary Alkemy Iberia S.L..

Fees paid to directors, statutory auditors and key management personnel

The fees paid in 2022 to the Parent's Board of Directors totalled 1,059 thousand euros (1,100 thousand euros in 2021), whilst those due to the Board of Statutory Auditors came to 60 thousand euros (same amount in 2021). The fees due to the Board of Directors also includes the remuneration of the Chief Executive Officer in the role of key management personnel.

The fees due to the other four key managers in force at 31 December 2022 came to 998 thousand euros (1,280 thousand euros of business cost) as compared with 818 thousand euros in 2021 (company cost of 1,054 thousand euros).

39. 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 a notice of amicable settlement 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. The appeal judgement also went in the Company's favour. In addition, the deadline for appeal to the final level of judgement has now passed.

As mentioned in Note 32, in 2021, the Spanish subsidiary Alkemy Iberia S.L.U. was audited by the employment inspectorate hence a provision for risks has been made for 54 thousand euros, which corresponds to the contingent liability connected with such dispute. The total amount demanded by the authorities comes to 84 thousand euros, for which the subsidiary has prepared an appeal and in connection with which the directors have prudently provisioned more than half the amount.

In 2022, the Mexican subsidiary OIS de Mexico S.A. received a claim for compensation for damages from a customer, in connection with which a provision has been made for the risk in the amount of 46 thousand euros, including potential legal costs.

40. Subsequent events

No significant events took place after year end.

Milan, 27 March 2023

On behalf of the Board of Directors

the Chief Executive Officer

Duccio Vitali

Alkemy Group

Fees for auditing services

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 2022 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 2022
Audit and attestation services			
KPMG S.p.A.	Parent – Alkemy S.p.A.	**[1]**	115
KPMG network companies	Subsidiaries		95
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]**	2
Deloitte & Touche S.p.A.	Parent – Alkemy S.p.A.	**[1] – [4]**	57
Total			**285**

[1] See chart 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 preparation of Income, IRAP and 770 forms

[4] Includes methodological support in connection with the impairment test, the fair value measurement of put options and the measurement of goodwill and support in implementing the internal control system pursuant to Law 262/2005 for Spain and Mexico

Annex 1

THE ALKEMY GROUP COMPANIES at 31 December 2021

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

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

For each company, moreover, the following information is given: business name, registered office and share/quota capital. The percentage held by Alkemy, directly or indirectly, is also shown.

Figures expressed in thousands

Business name	Registered office	Currency	Share/quota capital (in local currency)	Held by	Percentage of control
Parent					
Alkemy S.p.A.	Milan	Euro	596		
Subsidiaries consolidated on a line-by-line basis:					
Alkemy Play S.r.l.	Milan	Euro	10	Alkemy S.p.A.	75
Design Group Italia I.D. S.r.l.	Milan	Euro	119	Alkemy S.p.A.	51
eXperience Cloud Consulting S.r.l.	Rome	Euro	10	Alkemy S.p.A.	51
Innocv Solutions S.L.	Madrid	Euro	246	Alkemy S.p.A.	100
Alkemy South America S.L.	Madrid	Euro	89	Alkemy S.p.A.	100
Alkemy Iberia S.L.U.	Madrid	Euro	6	Alkemy S.p.A.	100
Alkemy SEE D.o.o.	Belgrade	Serbian dinar	48,402	Alkemy S.p.A.	70
Ontwice Interactive Service S.A. Mexico City	Mexico City	Mexican peso	100	Alkemy South America S.L.	100
Ontwice Interactive Service Digital S.A. Mexico City	Mexico City	Mexican peso	50	Alkemy South America S.L.	100
Kreativa D.o.o.	Belgrade	Serbian dinar	1,168	Alkemy SEE D.o.o.	51
Alkemy Play D.o.o.	Belgrade	Serbian dinar	625	Alkemy Play S.r.l.	51
Design Group Italia Corp.	New York	USD	10	Design Group Italia I.D. S.r.l.	51

Annex 2

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

In compliance with the provisions pursuant to Consob resolution 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

	2022	related parties	2021	related parties
Revenue	104,852	-	93,955	-
Other income	1,722		1,230	
Total operating revenue and other income	**106,574**	**-**	**95,185**	**-**
Services, goods and other operating costs	(49,440)	(60)	(46,825)	(60)
- of which non-recurring	(293)	-	(76)	-
Personnel expense	(46,065)	(2,339)	(38,845)	(2,154)
- of which non-recurring	(459)	-	(944)	-
Total costs and other operating costs	**(95,505)**	**(2,399)**	**(85,670)**	**(2,214)**
Gross operating profit	**11,069**	**(2,399)**	**9,515**	**(2,214)**
Amortisation/depreciation	(3,226)		(2,408)	
Provisions and impairment losses	(337)		(487)	
Operating profit	**7,506**	**(2,399)**	**6,620**	**(2,214)**
Net gains (losses) on equity investments	-		(308)	
Other financial income	1,308		455	
Other financial expense	(1,716)		(998)	
Pre-tax profit (loss)	**7,098**	**(2,399)**	**5,769**	**(2,214)**
Income taxes	(1,484)		(1,498)	
Profit (loss) for the year	**5,614**	**(2,399)**	**4,271**	**(2,214)**

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. 2022	related parties	31 Dec. 2021	related parties
Property, plant and equipment	2,209		1,809	
Right-of-use assets	4,633		5,332	
Goodwill	54,868		41,249	
Intangible assets	1,934		863	
Equity investments	5		5	
Other financial assets	588	-	1,789	-
Deferred tax assets	2,206		1,789	
Other assets	267		241	
Non-current assets	**66,710**	**-**	**53,077**	**-**
Trade receivables	41,541	-	36,040	-
Other financial assets	291		84	
Tax assets	2,065		1,274	
Other assets	2,011	-	2,885	-
Cash and cash equivalents	9,115		10,458	
Current assets	**55,023**	**-**	**50,741**	**-**
Total assets	**121,733**	**-**	**103,818**	**-**

				Figures in thousands of euros
Liabilities and Equity	**31 Dec. 2022**	**related parties**	**31 Dec. 2021**	**related parties**
Equity				
Share capital	596		596	
Reserves	36,828		31,517	
Profit/(loss) for the year	5,583	(2,399)	4,263	(2,214)
Equity attributable to owners of the parent	**43,007**	**(2,399)**	**36,376**	**(2,214)**
Equity attributable to non-controlling investors	399		323	
Total equity	**43,406**	**(2,399)**	**36,699**	**(2,214)**
Financial liabilities	13,081		11,269	
Lease liabilities	3,425		4,009	
Put option and earn-out liabilities	13,436		6,575	
Employee benefits	5,543		6,361	
Provisions	100		222	
Deferred tax liabilities	128		18	
Non-current liabilities	**35,713**	**-**	**28,454**	**-**
Financial liabilities	9,023		5,502	
Lease liabilities	1,345		1,473	
Put option and earn-out liabilities	3,225		2,906	
Trade payables	16,217	-	14,184	-
Tax liabilities	1,622		2,281	
Other liabilities	11,182	186	12,319	98
Current liabilities	**42,614**	**186**	**38,665**	**98**
Total liabilities	**78,327**	**186**	**67,119**	**98**
Total liabilities and equity	**121,733**	**(2,213)**	**103,818**	**(2,116)**

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 2022.

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, 27 March 2023

Chief Executive Officer	Manager appointed to prepare the company's accounting documents
....	....

Alkemy S.p.A.

Financial statements

at 31 December 2022

Financial statements

Income statement

	Notes	2022	2021
		Figures expressed in euros	
Revenue	1	58,622,634	46,473,253
Other income	2	894,090	337,542
Total operating revenue and other income		**59,516,724**	**46,810,795**
Services, goods and other operating costs	3	(27,021,757)	(26,080,012)
- of which non-recurring		(242,264)	(75,934)
Personnel expense	4	(26,390,525)	(19,488,694)
- of which non-recurring		(156,269)	(944,038)
Total costs and other operating costs		**(53,412,282)**	**(45,568,706)**
Gross operating profit		**6,104,442**	**1,242,089**
Amortisation/depreciation	5	(2,198,356)	(1,606,905)
Provisions and impairment losses	6	(169,000)	(291,636)
Operating profit		**3,737,086**	**(656,452)**
Net gains (losses) on equity investments	7	1,948,302	2,162,074
Net gains (losses) on options	8	(2,537,774)	(1,777,330)
Other financial income	9	426,042	54,004
Other financial expense	10	(734,985)	(298,093)
Pre-tax profit (loss)		**2,838,671**	**(515,797)**
Income taxes	11	(415,059)	368,398
Profit (loss) for the year		**2,423,612**	**(147,399)**
Earnings (loss) per share	12		
Basic		0.44	(0.03)
Diluted		0.44	(0.03)

The explanatory notes given below are an integral part of these financial statements.
In accordance with CONSOB Resolution no. 15519 of 27 July 2006, the effects of related party transactions on the Consolidated Statement of Financial Position are highlighted in the specific table of the Consolidated Statement of Financial Position given in annex 2 and are also described in the paragraph on "Related party transactions" in the Report on Operations

Statement of comprehensive income

	Note	2022	2021
		Figures expressed in euros	
Profit (loss) for the year		**2,423,612**	**(147,399)**
Items that will not be reclassified to profit or loss			
Actuarial gains (losses)		403,475	91,958
Related tax		(96,834)	(22,070)
Total	25	**306,641**	**69,888**
Other comprehensive income (expense) net of tax		**306,641**	**69,888**
Comprehensive income		**2,730,253**	**(77,511)**

The explanatory notes given below are an integral part of these financial statements.

Statement of financial position

		Figures expressed in euros	
Assets	**Notes**	**31 Dec. 2022**	**31 Dec. 2021**
Property, plant and equipment	13	1,581,161	1,295,125
Right-of-use assets	14	3,759,671	4,222,751
Goodwill	15	18,102,969	11,500,045
Intangible assets	16	1,017,701	486,614
Equity investments	17	37,270,281	29,227,486
Other financial assets	18	1,623,442	1,095,517
Deferred tax assets	19	834,474	1,096,852
Other assets	20	205,443	204,268
Non-current assets		**64,395,142**	**49,128,658**
Trade receivables	21	27,615,917	22,234,362
Other financial assets	22	-	1,747,368
Tax assets	23	416,331	356,183
Other assets	24	3,785,671	3,784,868
Cash and cash equivalents	25	4,271,457	3,305,996
Current assets		**36,089,376**	**31,428,777**
Total assets		**100,484,518**	**80,557,435**

The explanatory notes given below are an integral part of these financial statements.
In accordance with CONSOB Resolution no. 15519 of 27 July 2006, the effects of related party transactions on the Consolidated Statement of Financial Position are highlighted in the specific table of the Consolidated Statement of Financial Position given in annex 2 and are also described in the paragraph on "Related party transactions" in the Report on Operations

Statement of financial position

		Figures expressed in euros	
Liabilities and Equity	**Note**	**31 Dec. 2022**	**31 Dec. 2021**
Equity	26		
Share capital		595,534	595,534
Reserves		37,977,388	37,508,686
Profit/(loss) for the year		2,423,612	(147,399)
Equity attributable to owners of the parent		**40,996,534**	**37,956,821**
Financial liabilities	27	11,274,532	10,488,395
Lease liabilities	29	2,866,958	3,378,692
Earn-out liabilities	30	9,938,633	-
Employee benefits	31	4,507,976	2,739,933
Provisions	32	-	27,987
Deferred tax liabilities	33	24,220	14,600
Other liabilities	34	1,252,767	900,348
Non-current liabilities		**29,865,086**	**17,549,955**
Financial liabilities	27	9,658,455	6,785,017
Lease liabilities	29	1,007,650	934,599
Trade payables	35	10,513,035	9,952,606
Tax liabilities	36	682,052	792,694
Other liabilities	37	7,761,706	6,585,743
Current liabilities		**29,622,898**	**25,050,659**
Total liabilities		**59,487,984**	**42,600,614**
Total liabilities and equity		**100,484,518**	**80,557,435**

The explanatory notes given below are an integral part of these financial statements.
In accordance with CONSOB Resolution no. 15519 of 27 July 2006, the effects of related party transactions on the Consolidated Statement of Financial Position are highlighted in the specific table of the Consolidated Statement of Financial Position given in annex 2 and are also described in the paragraph on “Related party transactions” in the Report on Operations

Statement of Cash Flows

Figures expressed in euros

	Notes	31 Dec. 2022	31 Dec. 2021
Cash flow from operating activities			
Profit/(loss) for the year		2,423,612	(147,399)
Dividends and other loss (gain) on equity investments	7	(1,948,302)	(2,162,074)
Expense on (income from) options	8	2,537,774	1,777,330
Other financial income	9	(426,042)	(54,004)
Other financial expense	10	734,985	298,093
Income taxes	11	415,059	(368,398)
Amortisation/depreciation	5	2,198,356	1,606,905
Provisions and impairment losses	6	169,000	291,636
Cost for share-based payments	4	517,133	769,085
Decrease (increase) in trade receivables	20	(2,112,579)	(2,401,452)
Increase (decrease) in trade payables	34	1,366,653	247,124
Decrease (increase) in other assets	23, 24	1,141,226	542,217
Increase (decrease) in other liabilities	36, 37	(3,779,529)	1,434,158
Cash flows from operating activities		**3,237,346**	**1,833,221**
Interest paid	9, 10	(177,546)	(206,072)
Income tax paid	11	(199,581)	(46,166)
Net cash flows from operating activities		**2,860,219**	**1,580,983**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	13, 16	(1,671,333)	(1,321,980)
Decrease (increase) in financial assets		1,183,188	(229,123)
Decrease (increase) in associated company	17	(7,783,000)	(12,236,431)
Dividends received	24	1,216,633	2,043,755
Acquisition of equity investments	17	1,937,698	-
Net cash flows used in investing activities		**(5,116,814)**	**(11,743,779)**
Cash flows from financing activities			
Change in financial liabilities	27	4,787,298	1,334,396
Change in financial liabilities pursuant to IFRS 16	29	(1,129,836)	(921,985)
Change in treasury shares	26	(435,406)	(759,120)
Other changes in equity	26	-	883,292
Share capital increases	26	-	7,945
Net cash flows from financing activities		**3,222,056**	**544,528**
Net increase/(decrease) in cash and cash equivalents		**965,461**	**(9,618,268)**
Opening balance		**3,305,996**	**12,924,264**
Closing balance		**4,271,457**	**3,305,996**

The explanatory notes given below are an integral part of these financial statements.

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

Statement of changes in equity

Figures expressed in euros

	Notes	Share capital	Treasury shares	Legal reserve	Other riserves	Retained earnings	Profit/(loss) for the year	Total equity
Balance at 31 Dec. 2020		**587,589**	**(1,092,788)**	**202,489**	**31,297,166**	**4,963,270**	**822,894**	**36,780,620**
Allocation of profit/loss for the year		-	-	-	-	822,894	(822,894)	-
Repurchase of treasury shares	26	-	(759,120)	-	-	-	-	(759,120)
Assignment of treasury shares	26	-	109,419	-	-	(30,092)	-	79,327
Stock options	4	7,945	-	-	690,614	273,221	-	971,780
Change in long-term incentive plan reserves	4	-	-	-	961,725	-	-	961,725
Other comprehensive income/(expense)	26	-	-	-	69,888	-	-	69,888
Profit for the year		-	-	-	-	-	(147,399)	(147,399)
Balance at 31 Dec. 2021		**595,534**	**(1,742,489)**	**202,489**	**33,019,393**	**6,029,293**	**(147,399)**	**37,956,821**

Figures expressed in euros

	Notes	Share capital	Treasury shares	Legal reserve	Other riserves	Retained earnings	Profit/(loss) for the year	Total equity
Balance at 31 Dec. 2021		**595,534**	**(1,742,489)**	**202,489**	**33,019,393**	**6,029,293**	**(147,399)**	**37,956,821**
Allocation of profit/loss for the year		-	-	-	-	(147,399)	147,399	-
Contribution from merger	26	-	-	-	(164,290)	392,023	-	227,733
Repurchase of treasury shares	26	-	(435,406)	-	-	-	-	(435,406)
Assignment of treasury shares	26	-	385,078	-	-	(132,679)	-	252,399
Stock options	4	-	-	-	(37,125)	50,683	-	13,558
Change in long-term incentive plan reserves	4	-	-	-	250,601	-	-	250,601
Other movements	4	-	-	-	575	-	-	575
Other comprehensive income/(expense)	26	-	-	-	306,641	-	-	306,641
Profit for the year		-	-	-	-	-	2,423,612	2,423,612
Balance at 31 Dec. 2022		**595,534**	**(1,792,817)**	**202,489**	**33,375,795**	**6,191,921**	**2,423,612**	**40,996,534**

The explanatory notes given below are an integral part of these financial statements.

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 2022.

Alkemy's draft separate financial statements at 31 December 2022 were approved by the Board of Directors on 27 March 2023, which also authorised their publication.

Reporting standards

Basis of preparation

The financial statements of Alkemy S.p.A. at 31 December 2022, 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.

Measurement criteria and accounting policies

Non-current assets

Property, plant and equipment

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

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

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

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

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

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

Buildings	3%
Plant and 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 (right-of-use assets and lease liabilities)

<u>Accounting model for the lessor</u>

At the commencement date of a lease, the Group recognises the right-of-use asset and lease liability. The right-of-use asset is initially measured at cost, including the amount of the initial measurement of the lease liability, adjusted by any lease payments made at or before the commencement date.

The right-of-use asset is thereafter amortised on a straight-line basis from the commencement 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 present value of lease payments not paid at the commencement date, which includes fixed payments (including in-substance fixed payments) and variable lease 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 reassessed, the Group adjusts the right-of-use asset accordingly. If the carrying amount of the right-of-use asset is reduced to zero, the Group recognises the change in profit or 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 assumed. 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".

Development costs can be capitalised as long as the cost is reliably able to be determined and it can be shown that the asset is able to produce future economic benefits. Intangible assets that are generated internally deriving from the development of Group products (such as IT solutions) are recognised under assets but only where all the following conditions are met:

- the asset can be identified (such as, for example, software or new processes);
- it is likely that the asset created will generate future economic benefits and the cost of developing the asset can be reliably measured.

These intangible assets are amortised according to their marketing or use.

Equity investments

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 reporting date, the Company reviews the carrying amount of its property, plant and equipment and intangible assets (including goodwill) to determine if there is any indication that they may be impaired.

Should this be the case, their recoverable amount is estimated in order to calculate the potential amount of the impairment. The recoverable amount of goodwill is instead estimated each year and whenever there is indication of impairment.

In order to identify any impairment losses, assets are grouped into the smallest identifiable group of assets generating cash flows, largely 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 recoverable amount of 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 amount. The impairment is recognised in profit or loss.

When there is no longer any reason for an impairment loss to be maintained, the carrying amount of the asset (or of the cash generating unit), with the exception of goodwill, is reinstated in accordance with the new estimate of its recoverable amount; however, this amount cannot exceed the net carrying amount that the asset would have had if the impairment loss had not been recognised, net of any amortisation/depreciation that should have been calculated before the previous impairment. The impairment gain is recognised in profit or loss.

Financial instruments

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

- non-current assets: Equity investments, Other financial assets, Other non-current assets;
- current assets: Trade receivables, Other financial assets, Other current assets, Cash and cash equivalents;
- non-current liabilities : Non-current financial liabilities, Other non-current liabilities ;
- current liabilities: Trade payables, Current financial liabilities, Other current 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 payables and other 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 (fair value through other comprehensive income) are measured at fair value through profit or loss (FVTPL).

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

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.

Issued capital

Share capital is recognised at nominal value, less any share capital proceeds to be received.

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 plan grant date. This fair value is allocated to profit or loss 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-based incentive plans)

Employee benefits (long term incentive plan – LTIP) include, as they are substantially a form of remuneration, 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 1 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.

Earn-out liabilities

The earn-out liabilities deriving from company acquisitions are recorded at fair value. The fair value gains or losses deriving from their subsequent measurement are immediately recognised in profit or loss.

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 present value of future benefits accrued by the employees during the current and previous years. This calculation is carried out using the projected unit credit method.

The components of the defined benefits are recorded as follows:

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

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.

Provisions are booked when the Group has an obligation as a result of a past event and it is likely that it will be called to fulfil such obligation. Provisions are made on the basis of the best estimate of the costs involved in fulfilling such obligation at the reporting date and are discounted when the effect is significant.

Recognition of revenue and costs

Revenue is measured taking into account the price specified in the contract with the customer. The Company recognises 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.

Costs are allocated according to criteria similar to that used to recognise revenue and in any case on an accruals basis.

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 in 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 income and taken to profit or loss over 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.

Tax

The parent Alkemy S.p.A. and its subsidiaries XCC S.r.l., DGI 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. Transactions, in addition to the mutual responsibilities and commitments of the consolidating company and subsidiaries, are defined by the tax consolidation scheme agreement.

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 recognition of assets or liabilities in a transaction other than a business combination, which does not impact the accounting profit (or loss) nor the taxable profit (or tax loss);
- temporary differences relative to investments in subsidiaries, associates and joint ventures to the extent to which the company can control the time-frames for the reversal 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 amount of deferred tax assets to be recognised is reviewed at each year-end 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.

Dividends

Dividends are recognised in the reporting period in which their distribution is resolved.

Earnings per share

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

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

The Company's profit (loss) for the year 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 income (expense).

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.

Collateral

The term "collateral" is used to refer to the guarantee obligations given to or received by the company with

reference to a certain contract that envisages that the guarantor shall specifically answer with the

assets given as guarantee.

New standards, amendments and interpretations applicable from annual periods starting on or after 1 January 2022

Below is a list of the standards, amendments, interpretations and improvements in force starting 1 January 2022, for which there has been no significant impact on the Group's 2022 Annual Financial Report.

Improvements to the IFRSs (2018-2020 cycle): Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (published in May 2020);

Property, plant and equipment – Proceeds before intended use (Amendments to IAS 16) (published in May 2020);

Onerous contracts – Costs necessary to fulfil a contract (Amendments to IAS 37)*:* (published in May 2020);

Reference to the Conceptual Framework (Amendments to IFRS 3)*:* (published in May 2020).

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 2022

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

Definition of accounting estimates (Amendments to IAS 8) (published in February 2021). The amendments apply to annual periods starting on or after 1 January 2023;

IFRS 17 – Insurance contracts (including amendments published in June 2020) (published in June 2020). The amendments apply to annual periods starting on or after 1 January 2023;

Disclosure of accounting policies (Amendments to IAS 1) (published in February 2021). The amendments apply to annual periods starting on or after 1 January 2023;

Deferred taxes relating to assets and liabilities deriving from a single transaction (Amendments to IAS 12) (published in May 2021). The amendments apply to annual periods starting on or after 1 January 2023;

First time adoption of IFRS 17 and IFRS 9 – Comparative information (Amendments to IFRS 17) (published in December 2021). The amendments apply to annual periods starting on or after 1 January 2023.

I foregoing standards and amendments are not expected to have any significant impact on the company.

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

IFRS 14 Regulatory deferral accounts (published in January 2014). Approval process suspended whilst awaiting the new accounting standard on rate-regulated activities;

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28) (published in September 2014). Approval process suspended whilst awaiting conclusion of the IASB project on the equity method;

Classification of liabilities as current or non-current (Amendments to IAS 1) and non current liabilities with covenants (Amendments to IAS 1) (published respectively in January 2020, July 2020 and October 2022). Approval date to be determined;

Lease liability in a sale and leaseback (Amendments to IFRS 16) (published in September 2022). Approval date to be determined.

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 2022 and 31 December 2021 is as follows:

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
Non-current financial assets	1,623	1,096
Other non-current assets	205	204
Trade receivables	29,098	23,585
Current financial assets	0	1,747
Other current assets	3,786	3,785
Total exposure	**34,712**	**30,417**
Loss allowance	(1,482)	(1,351)
Total exposure net of the loss allowance	**33,230**	**29,066**

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

Below is a breakdown of financial assets at 31 December 2022 and 31 December 2021, grouped by category and due date:

			Figures in thousands of euros						
	Carrying amount 31 Dec. 2022	Failing due	Past due						Loss allowance
			0 - 30	30 - 90	90 - 180	180-365	More than 365	Total past due	
Non-current financial assets	1,623	1,623	-	-	-	-	-	-	-
Other non-current assets	205	205	-	-	-	-	-	-	-
Trade receivables	27,616	21,138	3,147	1,824	286	1,185	1,518	7,960	(1,482)
Current financial assets	0	0	-	-	-	-	-	-	-
Other current assets	3,786	3,786	-	-	-	-	-	-	-
Total financial assets (*)	**33,230**	**26,752**	**3,147**	**1,824**	**286**	**1,185**	**1,518**	**7,960**	**(1,482)**

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

			Figures in thousands of euros						
	Carrying amount 31 Dec. 2021	Failing due	Past due						Loss allowance
			0 - 30	30 - 90	90 - 180	180-365	More than 365	Total past due	
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

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 2022 and 31 December 2021, including interest payable, divided up by contractual due date, are as follows:

						Figures in thousands of euros
	Carrying amount 31 Dec. 2022	Contractual financial flows	Current portion	from 1 to 2 years	from 2 to 5 years	More than 5 years
Bank loans and borrowings	19,783	20,900	9,053	5,575	6,159	113
Earn-out liabilities	9,939	11,314	592	4,662	6,060	
Loans and borrowings from other financial backers	1,150	1,164	1,164	-	-	-
Lease liabilities	3,875	4,018	1,069	1,012	1,937	-
Total financial liabilities	**34,747**	**37,396**	**11,878**	**11,249**	**14,157**	**113**

						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**

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

Financial liabilities at 31 December 2022 and 31 December 2021, 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. 2022	Current portion	from 1 to 2 years	from 2 to 5 years	More than 5 years
Bank loans and borrowings	19,783	8,508	5,252	5,910	113
Earn-out liabilities	9,939	-	4,274	5,664	-
Loans and borrowings from other financial backers	1,150	1,150	-	-	-
Lease liabilities	3,875	1,008	966	1,901	-
Total financial liabilities	**34,747**	**10,666**	**10,492**	**13,475**	**113**

					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**

Three loans (8,190 thousand euro at 31 December 2022) envisage compliance with two covenants and, in particular: (i) Leverage Ratio, i.e., Net Financial Position/gross operating profit <3 and (ii) Gearing Ratio, i.e., ratio of Net Financial Position and Equity <1. The covenants were fully respected as at 31 December 2022.

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 "cap" options in place (at fixed rate, already paid), in connection with some medium-term loans stipulated from 2019 onwards to hedge the risk of future rises in interest rates, in connection with an equal number of loans that are worth approximately 89% of the bank loans and borrowings in place at 31 December 2022.

Financial liabilities of 34,747 thousand euros at 31 December 2022 and 21,586 thousand euros at 31 December 2021 include variable rate loans respectively for 14,739 thousand euros and 15,999 thousand euros.

The financial instruments exposed to the interest rate risk have been subjected to sensitivity analysis, which shows the effects on pre-tax profit 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 on variable rate loans –- 2022	57	(57)
Total	**57**	**(57)**

		Figures in thousands of euros
	+ 50 basis points	**- 50 basis points**
Greater (lesser) interest on variable rate loans– - 2021	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 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 2022 and 31 December 2021, 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	-	-	85
Hedging derivatives	-	576	-
Liabilities mesured at fair value			
Earn-out liabilities	-	-	(9,939)
Put and call options	-	-	(2,018)
Balance at 31 Dec. 2022	**-**	**576**	**(11,872)**

			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 mesured at fair value			
Put and call options	-	-	(900)
Balance at 31 Dec. 2021	**-**	**55**	**959**

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 2022, the Company received 881 thousand euros. The table below gives details of data relating to the providers and the amount of cash disbursements:

Provider	2022 amount collected	Reason
	Figures in thousands of euros	
Ministry of Education, University and Research	637	SecureOpenNet project
Ministry of Economic Development	149	Nextshop project
Sardinia Region	95	DEEP project
	881	

The Parent has also received financing grants for 114 thousand euros from the Ministry of Economic Development in connection with the Horizon project.

The grants for the above projects refer entirely to research and development carried out by the Company.

A complete disclosure on revenue from government grants is given in Note 2.

Mergers carried out in the year

With effect 1 June 2022, the company Nunatac S.r.l. (100% owned subsidiary) was merged into Alkemy S.p.A. The merger, which took place by keeping the carrying amounts of the subsidiary unchanged, took accounting and tax effect from 1 January 2022.

The statement of financial position and income statement figures of the merged company at 1 January 2022 are shown in the table below:

	Figures expressed in euros **Nunatac S.r.l. at 1 January 2022**
Assets	
Property, plant and equipment	230,589
Intangible assets with a finite useful life	50,226
Other financial assets	3,133,804
Deferred tax assets	105,093
Other non-current assets	1,174
Total non-current assets	**3,520,885**
Trade receivables	4,830,815
Tax assets	46,384
Other current assets	113,142
Cash and cash equivalents	1,937,698
Total current assets	**6,928,038**
Total assets	**10,448,924**
Liabilities	
Quota capital	50,000
Reserves	1,646,540
Profit for the year	2,049,666
Total equity	**3,746,207**

Financial liabilities	29,618
Employee benefits	2,438,996
Total non-current liabilities	**2,468,614**
Financial liabilities	61,282
Trade payables	586,614
Tax liabilities	200,167
Other liabilities	3,386,039
Total current liabilities	**4,234,102**
Total liabilities and equity	**10,448,924**

Notes to the financial statements

Income statement

1. Revenue

Revenue relates entirely to sales of services and comes to 58,623 thousand euros (46,473 thousand euros at 31 December 2021), of which 757 thousand euros with related parties (2,083 thousand euros at 31 December 2021):

Turnover for 2022 is up 12,149 thousand euros on the previous year. This increase is mainly due to the aforementioned merger of the subsidiary Nunatac S.r.l., as well as the general retention of the key accounts and related active contracts.
Revenue from sales of services to related parties reduced in particular due to the completion of a project carried out in 2021 for the subsidiary Alkemy Iberia S.L.U..

The breakdown of revenue by geographical segment is not significant insofar as almost all revenue is with domestic customers.

2. Other income

Other income totals 894 thousand euros (338 thousand euros in 2021), as follows:

	Figures in thousands of euros	
	2022	**2021**
Revenue for capitalised costs	517	71
Tax asset	250	66
Government grants	10	150
Other revenue	117	51
Total other revenue	**894**	**338**

Revenue on capitalised costs comes to 517 thousand euros (71 thousand euros in 2021) and mainly relate to the internal implementation of software and platforms relative to the conduct of commercial business by the Company, in particular: the development of techniques applicable to the optimisation of marketing campaigns, as an alternative or in support of the current techniques typically employed; the development of a single tool that can extract, validate and perform the statistical analysis of website tracking and performance data at customer level; the development of a single tool that allows users to track and analyse the position of its website in Google search results for specific keywords; the development of a tool relative to web health monitoring; the development of a single tool that allows for the extraction, validation and statistical analysis of website tracking and performance data at a customer level, which can also be used by it as a tool to analyse the pages of search results.

The tax credit, in the amount of 250 thousand euros, accrued on the investments made by the Company in 4.0 training pursuant to Art. 1, paragraph 78-81 of Italian Law no. 145 of 30.12.2018. Last year, the item had accrued on Research and Development expenses, as per Decree Law no. 145/2013 and came to 66 thousand euros.

Government grants of 10 thousand euros (150 thousand euros in 2021) refer to the Fondimpresa grant (26 thousand euros in 2021).

In 2021, the item also included 124 thousand euros in reference to the portion of the grant related to income, relative to the subsidised project financing "SecureOpenNets".
Other revenue comes to 117 thousand euros (351 thousand euros in 2021) and mainly relates to prior year income and other operating revenue.

3. Services, goods and other operating costs

Services, goods and other operating costs comes to 27,022 thousand euros (26,080 thousand euros in 2021), as detailed below:

	Figures in thousands of euros	
	2022	**2021**
Services	26,805	25,914
Purchase of raw materials	119	87
Lease costs	53	18
Other operating costs	45	61
Total	**27,022**	**26,080**

Services

Costs for services come to 26,805 thousand euros (25,914 thousand euros in 2021) and are detailed below:

	Figures in thousands of euros	
	2022	**2021**
Services for customers	22,419	22,982
Marketing services	576	186
Other consultancy	460	453
Restaurant vouchers	432	106
Consultancy and legal expenses	394	494
Travel and transfer expenses	382	212
Maintenance services	354	301
Administrative services	266	131
Insurance	246	109
Costs for non-recurring services	242	76
Postal, telephone and data transmission services	158	123
Audit fees	147	98
Condominium and supervisory expenses	124	110
Cleaning expenses	100	110
Payslip processing	88	98
Utilities	85	61
Statutory Auditors' fees	62	61
Commercial services	61	122
Banking services	37	20
Collaborators' fees	11	60
Other services	161	1
Total services	**26,805**	**25,914**

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" refer 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 119 thousand euros (87 thousand euros in 2021) and mainly regard the purchase of consumables for the offices.

Lease costs
Lease costs come to 53 thousand euros (18 thousand euros in 2021) 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 45 thousand euros (61 thousand euros in 2021) 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 26,391 thousand euros (19,489 thousand euros in 2021) and consists of the following:

	Figures in thousands of euros	
	2022	**2021**
Wages and salaries	18,457	12,529
Non-recurring personnel expense	156	944
Directors' fees	820	850
Social security expenses	5,003	3,440
Costs for defined benefit plans	1,416	910
Cost for share-based payments	517	770
Other personnel expense	22	46
Total personnel expense	**26,391**	**19,489**

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

"Non-recurring wages and salaries" includes all costs incurred for incentives to take redundancy, recognised and paid in full during During the Financial year, as well as the one-off adjustment costs envisaged on the basis of the collective bargaining agreements.

The cost of share-based payments includes the cost relative to the new long-term incentive plan for five 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.

The Company had 417 employees at 31 December 2022, as compared with 281 in the previous year.
The average number of employees during the year was 415 (271 in 2021).
The increase in the number of employees is mainly related to the aforementioned merger of the subsidiary Nunatac S.r.l..

The table below shows the average number of employees in 2022, divided up by category.

	2022	**2021**
Managers	13	11
Middle managers	60	30
Office employees	342	230
Total	**415**	**271**

The decrease in average salaries and wages per employee is correlated to the decrease in bonuses recognised in the year, due to the better results than in 2021.

5. Amortisation/depreciation

Amortisation/depreciation comes to 2,198 thousand euros (1,607 thousand euros in 2021) and refers to:

- 1,150 thousand euros (962 thousand euros in 2021) for the amortisation/depreciation of right-of-use assets;
- 568 thousand euros (350 thousand euros in 2021) for the amortisation of intangible assets.
- 480 thousand euros (293 thousand euros in 2021) for the depreciation of property, plant and equipment.

6. Provisions and impairment losses

Provisions recognised in profit or loss come to 169 thousand euros (292 thousand euros in 2021) and refer to the impairment of trade receivables.

7. Net gains on equity investments

Net gains on equity investments come to 1,948 thousand euros (2,162 thousand euros in 2021) and include 2,018 thousand euros in dividends resolved by the subsidiary Alkemy Iberia S.L.U. in 2022, relative to 2021 and -70 thousand euros as the effect of the impairment of the equity investment held in Alkemy Play S.r.l., made necessary following the impairment testing.

8. Net gains (losses on) options

Net losses on options of 2,538 thousand euros (net losses of 1,777 thousand euros in 2021) include: (i) +353 thousand euros relating to the fair value gain on the instruments hedging the interest rate risk on loans and (ii) -2,891 thousand euros relating to the fair value losses on derivatives representing the rights to acquire 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 controlling investments, the contractual arrangements in fact include a put option in favour of the remaining non-controlling investors and a call option in favour of Alkemy. Options are classified according to their fair value and relative maturity.

These derivatives total -1,933 thousand euros (positive fair value of 958 thousand euros at 31 December 2021) and are as follows:

- 85 thousand euros for non-current options relative to the acquisition of 14% of the capital of the subsidiary XCC S.r.l. (see note 18);
- -1,253 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 34).
- -765 thousand euros for current options relative to the acquisition of the residual shares in the subsidiary DGI S.r.l. (see note 37);

9. Other financial income

Other financial income comes to 426 thousand euros (54 thousand euros in 2021) and is detailed below:

	Figures in thousands of euros	
	2022	**2021**
Fair value gain on earn-outs	306	-
Interest income from associates	20	13
Exchange gain	6	-
Other financial income	94	41
Total financial income	**426**	**54**

The fair value gain on earn-outs comes to 306 thousand euros (zero in 2021) and results from the fair value measurement of the earn-out that will be paid to the former non-controlling investors of Innocv Solutions S.L..

10. Other financial expense

Other financial expense comes to 735 thousand euros (298 thousand euros in 2021) and is detailed below:

	Figures in thousands of euros	
	2022	**2021**
Interest expense on loans	439	183
Interest from earn-out liabilities	114	-
Interest on leases	77	73
Interest expense on employee benefits (IAS 19)	51	12
Exchange losses	16	6
Interest expense on current accounts	13	1
Other financial expense	25	23
Total financial expenses	**735**	**298**

The increase in the item reflects the increase in interest expense on loans, in line with both the increase in loans obtained and the general upwards trend in interest rates, plus the allocation of interest of the year to the aforementioned earn-out.

11. Income taxes

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

	Figures in thousands of euros	
	2022	**2021**
Current income tax	(113)	(573)
Current IRAP tax	247	67
Substitute tax on the posting of goodwill	-	138
Previous years' tax	-	(1)
Change in deferred tax assets	271	34
Change in deferred tax liabilities	10	(33)
Total taxes	**415**	**(368)**

CAMBIARE Substitute tax on the posting of goodwill in Substitute tax on release of goodwill

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

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
Pre-tax profit (loss)	**2,839**	**(516)**
Current tax rate	24%	24%
Theoretical tax charge (benefit)	**681**	**(124)**
Temporary differences deductible in subsequent years:	95	219
Temporary differences reversed from previous years	(311)	(187)
Permanent differences	(578)	(481)
Income from tax consolidation scheme	**(113)**	**(573)**
Effective rate on the income statement	(4%)	(111%)

12. Earnings (loss) per share

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

	Figures expressed in units of euros	
	31 Dec. 2022	**31 Dec. 2021**
Profit		
Profit (loss) for the year	2,423,612	(147,399)
Profit (loss) for the year, attributable to ordinary shares	2,423,612	(147,399)
Number of shares		
Average number of outstanding ordinary shares	5,530,892	5,492,345
Adjusted average number of ordinary shares	5,530,892	5,475,802
Basic earnings per share	0.44	(0.03)
Diluted earnings per share	0.44	(0.03)

Statement of financial position
Assets

Non-current assets

13. Property, plant and equipment

The item totals 1,581 thousand euros (1,295 thousand euros at 31 December 2021); changes relating to the last two years are shown below:

Figures in thousands of euros

	Lands and buildings	Plant and machinery	Other assets	Total
Balance at 31 Dec. 2020	**73**	**13**	**558**	**644**
Investments	-	6	941	947
Amortisation/depreciation	(4)	(8)	(281)	(293)
Other movements	-	-	(3)	(3)
Balance at 31 Dec. 2021	**69**	**11**	**1,215**	**1,295**
Increase from merger	-	-	144	144
Investments	-	5	617	622
Amortisation/depreciation	(4)	(2)	(474)	(480)
Balance at 31 Dec. 2022	**65**	**14**	**1,502**	**1,581**

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

14. Right-of-use assets

Right-of-use assets comes to 3,760 thousand euros (4,223 thousand euros at 31 December 2021), as shown by the following detailed table:

Figures in thousands of euros

	Buildings	Other assets	Total
Balance at 31 Dec. 2020	**2,478**	**419**	**2,897**
Investments	2,009	411	2,420
Amortisation/depreciation	(720)	(242)	(962)
Other movements	(108)	(24)	(132)
Balance at 31 Dec. 2021	**3,659**	**564**	**4,223**
Increase from merger	-	87	87
Investments	204	408	612
Amortisation/depreciation	(774)	(376)	(1,150)
Other movements	-	(11)	(11)
Balance at 31 Dec. 2022	**3,089**	**672**	**3,760**

"Buildings" refer to offices and the increase mainly relates to rent adjustments in accordance with contracts.
"Other assets" include 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 18,103 thousand euros (11,500 thousand euros at 31 December 2021), as detailed hereto:

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
Goodwill of BizUp	6,883	6,883
Goodwill of Nunatac	6,603	-
Goodwill of Alkemy Tech	2,898	2,898
Goodwill of Seolab	1,167	1,167
Goodwill of Between	552	552
Total goodwill	**18,103**	**11,500**

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 value of goodwill increases by 6,603 thousand euros following the aforementioned merger of the subsidiary Nunatac S.r.l..

In order to assess a possible impairment loss, the recoverability of goodwill was checked 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 2023-2025 three-year plan approved by the Board of Directors on 23 February 2023 and integrated with the preliminary data at 31 December 2022.
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 1.90% (1.40% in 2021).
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 2022, the Company used

a discounting rate of 11.34% (9.34% in 2021).
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 terminal value gross operating profit, in respect of changes in results envisaged by the three-year plan (average gross operating profit for 2023-2025, average for 2024-2025 and average for 2025).
These analyses did not show any impairment loss on goodwill.

16. Intangible assets

Intangible assets amount to 1,018 thousand euros (487 thousand euros at 31 December 2021). Below are details on changes in intangible assets therein:

Figures in thousands of euros

	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other	Total
Balance at 31 Dec. 2020	**154**	**21**	**284**	**459**
Investments	282	-	96	378
Amortisation/depreciation	(186)	(6)	(158)	(350)
Balance at 31 Dec. 2021	**250**	**15**	**222**	**487**
Increase from merger	9	-	41	50
Investments	329	-	719	1,048
Amortisation/depreciation	(266)	(4)	(298)	(568)
Other movements	-	-	1	1
Balance at 31 Dec. 2022	**322**	**11**	**685**	**1,018**

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 software licenses and new firewalls.

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

Other
This item includes deferred costs that, due to their different nature, do not fit under any of the other items of this category. In particular, the item includes the costs relating to the internal implementation of software and platforms relative to the conduct of the Company's commercial business; for information see note 2 of these financial statements where details are given on the increases in the year.

17. Equity investments

Equity investments amount to 37,270 thousand euros (29,227 thousand euros at 31 December 2021); they are detailed as follows:

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
Equity investments in subsidiaries	37,265	29,222
Investments in other companies	5	5
Total equity investments	**37,270**	**29,227**

The list of equity investments in subsidiaries 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/quota capital in euros	Equity in euros	Profit (loss) in euros	% held
Alkemy Play S.r.l.	Milan – Via San Gregorio 34	Euro	10	(497)	(270)	75%
Alkemy SEE D.o.o.	Serbia – Belgrade - Sime Igumanova 64	Serbian dinar	413	397	97	70%
Alkemy Iberia S.L.U.	Spain – Madrid - C/ Torregalindo, 1	Euro	6	1,055	537	100%
Innocv solutions S.L.	Spain – Madrid – cl Faraday 7	Euro	246	1,940	406	100%
Alkemy South America S.L.	Spain – Madrid - C/ Torregalindo, 1	Euro	89	1,483	1,175	100%
eXperience Cloud Consulting S.r.l.	Rome - Via del Commercio 36	Euro	10	923	377	51%
Design Group Italia I.D. S.r.l.	Milan – Via A. Aleardi 12/14	Euro	119	1,828	146	51%

The change and the breakdown of equity investments in subsidiaries are as follows:

Figures in thousands of euros					
	31 Dec. 2021	**Reclassifications**	**Decreases**	**Increases**	**31 Dec. 2022**
Alkemy South America S.L.	4,208	-	-	10	4,218
Alkemy Play S.r.l.	173	-	(70)	321	424
Alkemy SEE D.o.o.	357	-	-	-	357
Alkemy Iberia S.L.	7	(2,780)	-	2,773	-
XCC S.r.l.	1,401	-	-	-	1,401
DGI S.r.l.	2,372	-	-	-	2,372
Innocv Solutions S.L.	-	-	-	15,131	15,131
Nunatac S.r.l.	10,121	-	(10,121)	-	-
Alkemy Iberia S.L.U. (formerly Ontwice Madrid S.L.)	10,583	2,780	-	-	13,363
Total equity investments in subsidiaries	**29,222**	**-**	**(10,191)**	**18,235**	**37,265**

The increases in the carrying amount of the equity investments in subsidiaries come to 18,235 thousand euros, as follows:

- 15,131 thousand euros to the purchase of 100% of the shares of Innocv Solution S.L.; on 27 July 2022, the Company paid 5 million euros, with a contractual provision for earn-outs of up to a maximum of an additional 11 million euros, to be recognised and paid in multiple tranches through to 2027, according to the performance achieved by Innocv in 20–2 - 2025;
- 2,773 thousand euros for the purchase of the remaining 34.9% of the subsidiary Alkemy Iberia S.L. previously held by the Company's CEO and local entrepreneurs;
- 321 thousand euros for the forgiveness of the loan to Alkemy Play S.r.l. to cover the latter's prior year losses;
- 10 thousand euros for a capital grant paid to the company Alkemy South America S.L..

The reductions in the carrying amount of the equity investments in the subsidiaries come to 10,191 thousand euros and are 10,121 thousand euros due to the merger of Nunatac S.r.l. and 70 thousand euros to the impairment of the investment held in Alkemy Play S.r.l..

The reclassification between Alkemy Iberia S.L. and Alkemy Iberia S.L.U. (formerly Ontwice) relates to the merger, which involved the two companies in 2022.

The carrying amount of the investments has been specifically tested for impairment to verify the potential recoverability 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 activities, less the total net debt of the

investees.
The period considered covers the three years 2023-2025. 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 11.29% for DGI and Alkemy Play, 11.38% for XCC (9.41% for DGI and Alkemy Play, 9.40% for XCC in 2021), 14.49% for Alkemy South America (12.41% in 2021), 13.91% for Alkemy SEE (11.40% in 2021), 11.24% for Alkemy Iberia and INNOCV (test not performed in 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 1.90% for the companies in Italy (1.40% in 2021), 2% for Spain/Mexico and the Balkans (both 1.6% in 2021).

This analysis revealed the need to apply impairment to only the carrying amount of the investee Alkemy Play S.r.l., for an amount of 70 thousand euros.
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 did not show additional impairment in the equity investments.

18. Other financial assets

Other non-current financial assets come to 1,623 thousand euros (1,096 thousand euros at 31 December 2021) and are detailed below:

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
Loans to subsidiaries	961	900
Derivatives	661	195
Other financial assets	1	1
Total other financial assets	**1,623**	**1,096**

The non-current derivatives come to 661 thousand euros (196 thousand euros at 31 December 2021) and are as follows:

- 576 thousand euros for the non-current hedges for certain loans in place;
- 85 thousand euros for non-current options relative to the acquisition of 14% of the subsidiary XCC S.r.l.

Interest-bearing loans to subsidiaries come to 961 thousand euros (900 thousand euros at 31

December 2021) and are detailed as follows:

- 330 thousand euros (same amount at 31 December 2021) to the subsidiary Alkemy SEE D.o.o.; the loan disbursed in 2018 and 2021 bears interest at a rate of 1.5%;
- 631 thousand euros (200 thousand euros at 31 December 2021) to the subsidiary XCC S.r.l..: the loan disbursed in multiple tranches starting 2021, bears interest at a rate variable of 1.5% + 12M Euribor.

Note that at 31 December 2021, the item also included (i) 321 thousand euros relative to a loan granted to the subsidiary Alkemy Play S.r.l., which the Company forgave during the year and (ii) 50 thousand euros relative to a loan granted to the subsidiary Alkemy Iberia S.L., repaid in 2022.

19. Deferred tax assets

Deferred tax assets amount to 834 thousand euros (1,097 thousand euros at 31 December 2021).
Below is a breakdown of deferred tax assets:

Figures in thousands of euros

	Temporary differences at 31 December 2021	Tax effect 31 Dec. 2022	Temporary differences at 31 Dec. 2021	Tax effect 31 Dec. 2021
Loss allowance	1,225	294	1,201	288
Provision for the impairment of soft financing grants	497	119	497	119
Directors' fees	732	171	845	203
Post-employment benefits	73	17	460	110
ACE	366	88	496	119
Tax losses that can be carried forward	592	141	1,084	248
Other assets	12	3	39	9
Total	**3,497**	**834**	**4,622**	**1,097**

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

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

20. Other non-current assets

Other non-current assets come to 205 thousand euros (204 thousand euros at 31 December 2021) and relate to guarantee deposits.

Current assets

21. Trade receivables

Trade receivables come to 27,616 thousand euros (22,234 thousand euros at 31 December 2021), as detailed herewith:

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
Third parties	26,119	20,340
Related parties	1,497	1,894
Total trade receivables	**27,616**	**22,234**

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. 2022	**31 Dec. 2021**
Italy	24,072	19,047
EU	533	1,663
Non-EU	3,012	1,524
Total trade receivables	**27,616**	**22,234**

Trade receivables are stated net of a loss allowance of 1,482 thousand euros (1,351 thousand euros at 31 December 2021). The loss allowance was calculated on the basis of the lifetime expected credit losses, from initial recognition and during subsequent measurements. The estimate is mainly prepared by determining the average expected credit losses, 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 Dec. 2021	**(1,351)**
Increase from merger	(188)
Accruals	(169)
Uses	226
Others	(0)
Balance at 31 Dec. 2022	**(1,482)**

22. Other financial assets

Other financial assets amount to zero thousand euros (1,747 thousand euros at 31 December 2021). At 31 December 2021, the item mainly included 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..

The instrument related to the non-controlling investment in the Spanish subsidiary was derecognised after the option was recognised in the year, whilst that relating to the Italian subsidiary was reclassified to other non-current liabilities, following the fair value loss.

23. Tax assets

Tax assets come to 416 thousand euros (356 thousand at 31 December 2021) and are detailed as follows:

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
Tax asset pursuant to DL.145/2013	394	267
Tax assets	-	70
Other tax assets	22	19
Total tax assets	**416**	**356**

The tax asset pursuant to DL. 145/2013 of 394 thousand euros relates to the amount accrued in connection with subsidised project financing for investments made in research and development, pursuant to Decree Law no. 145/2013 and in training 4.0 pursuant to Art. 1, paragraph 53 Law 205/2017 and Art. 4 paragraph 1 MD/2018.

It is noted that at the end of this year and the comparative year, there are no tax receivables due beyond 5 years.

24. Other current assets

Other current assets come to 3,786 thousand euros (3,785 thousand euros at 31 December 2021), detailed as follows:

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
Government grants	1,674	2,555
Impairment of government grants	(497)	(497)
From Subsidiaries	2,018	1,219
Prepayments	464	478
Other	127	30
Total other current assets	**3,786**	**3,785**

Amounts due from the parent mainly refer to dividends resolved by Alkemy Iberia S.L.U. and not yet collected during the year.

Note that government grants decreased by 881 thousand euros due to payments received of equal amount.

It is noted that at the end of this year and the comparative year, there are no other current assets due beyond 5 years.

There is no accrued income. Prepayments total 464 thousand euros and are summarised below:

	Figures in thousands of euros
	31 Dec. 2022
Hire, rental and licence costs	181
Services for customers	163
IT costs	49
Stock exchange costs	37
Insurance	3
Other	32
Total prepayments	**464**

25. Cash and cash equivalents

The balance of 4,271 thousand euros (3,306 thousand euros at 31 December 2021) is detailed hereto:

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
Bank deposits	4,270	3,305
Cash and petty cash	1	1
Total cash and cash equivalents	**4,271**	**3,306**

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

Liabilities and equity

Equity

26. Equity

Changes in and a breakdown of equity for 2021 and 2022 are given in the statement of changes in equity, to which you are referred.

Share capital

The Company's share capital comes to 596 thousand euros (no change on 31 December 2021) and is fully paid-up.

Legal reserve

The legal reserve amounts to 202 thousand euros (unchanged on 31 December 2021).

Treasury shares

The negative reserve for treasury shares comes to 1,793 thousand euros, for a total of 150,864 treasury shares, accounting for 2.65% of the share capital (1,743 thousand euros for a total of 158,268 treasury shares or 2.78% of the share capital at 31 December 2021). The change is due (i) to the purchase of treasury shares worth 435 thousand euros, in the number of 25,000 treasury shares and (ii) for 385 thousand euros, in the number of 32,404, to the assignment of treasury shares to the Chairman, CEO and Director with special duties in execution of the "Long Term Incentive Plan", in connection with 50% of the shares accrued by them on the profit for 2021.

Other reserves

Other reserves come to 33,376 thousand euros (33,019 thousand euros at 31 December 2021), as follows:

- share premium reserve of 27,372 thousand euros (31,850 thousand euros at 31 December 2021);
- release of goodwill of 4,478 thousand euros (zero at 31 December 2021)
- reserve for the Long Term Incentive Plan of 1,212 thousand euros (691 thousand euros at 31 December 2021);
- FTA reserve of 301 thousand euros (no change on 31 December 2021);
- reserve for the MyShare programme of 1 thousand euros (zero at 31 December 2021)
- actuarial gains recognised in equity of 12 thousand euros (actuarial losses of 130 thousand euros at 31 December 2021); the item relates to the discounting of post-employment benefits, envisaged by IAS 19.

The change in the share premium reserve for 4,477 thousand euros is correlated with the creation of the unavailable reserve for the release of goodwill, which took place in 2021.
The change in the reserve for the long-term incentive plan, negative for 251 thousand euros, is due to the combination of (i) the accrual of the year of +503 thousand euros and (ii) the reduction in the reserve following the specified assignment of treasury shares, equal to -252 thousand euros.
At 31 December 2021, shareholders' equity also included the stock option reserve, of -37 thousand euros, for which the entire cancellation is for +14 thousand euros due to the cost of the stock option plans in place in 2022 and for -51 thousand euros to the closure of the 2017-2020 stock option plan, reclassified to retained earnings.

Retained earnings

Retained earnings come to 6,192 thousand euros (6,029 thousand euros at 31 December 2021); the change in the year is due to:

- +51 thousand euros, as a result of the end of the 2017-2020 stock option plans;
- -132 thousand euros due to the difference between the carrying amount of the aforementioned 32,404 treasury shares assigned in execution of the "Long Term Incentive Plan" and their carrying amount in the Long Term Incentive Plan, determined on the basis of the contractual provisions;
- -147 thousand euros due to the allocation of the loss for 2021, in accordance with the resolution passed by the shareholders' meeting on 26 April 2022.

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	(1,793)	-	-		
Income-related reserves:					
Legal reserve	202	B	202		
Share premium reserve	27,372	A, B, C	27,372		
Retained earnings	6,192	A, B, C	6,192	(147)	
Other reserves:					
IAS 19 Reserve	12	-	-		
Reserve for the release of goodwill	4,478	-	-		
MyShare reserve	1	-	-		
LTI reserve	1,212				
FTA reserve	301	-	-		
Non-distributable portion			6,802		
Residual distributable portion			31,771		
Profit for the year	2,424				
Total	**40,997**			**(147)**	**-**

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

Non-current liabilities

27. Financial liabilities

Current and non-current financial liabilities come to 20,933 thousand euros (17,273 thousand euros at 31 December 2021) and are broken down below according to due dates:

- 11,275 thousand euros (10,488 thousand euros at 31 December 2021) refer to non-current financial liabilities;
- 9,658 thousand euros (6,785 thousand euros at 31 December 2021) refer to current financial liabilities.

There are financial liabilities due after 5 years, for the amount of 113 thousand euros.
The increase in financial liabilities for 3,660 thousand euros is mainly due to:

- -4,392 thousand euros repayments made during the year;
- +6,050 thousand euros to the three multi-year bank loans subscribed in the year and better described below;
- -1,400 thousand euros to the elimination of the financial liability contracted with the subsidiary Nunatac S.r.l. in 2021, following the specified merger by acquisition;
- +1,150 thousand euros to the loan obtained by the subsidiary Alkemy South America S.L., as better described below;

- +2,886 thousand euros for the invoice discounting carried out in December 2022;
- -882 thousand euros for the repayment of the invoice discounting carried out in December 2021.

Financial liabilities are illustrated below:

- 5,010 thousand euros relative to a medium/long-term bank loan obtained from Intesa Sanpaolo in July 2022, with a duration of 60 months, including an interest-only period of 12 months, for a nominal amount of 5,000 thousand euros, to finance the acquisition of 100% of Innocv S.L.. Repayment is in equal quarterly instalments, starting in 2023. The interest rate applied is the 3M Euribor, increased by a spread of 2 basis points. At disbursement, an up-front fee was withheld of 25 thousand euros. The loan contract provides for compliance with 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 covenants are respected at 31 December 2022;
- 3,269 thousand euros (3,449 thousand euros at 31 December 2021), the loan obtained from Banca Intesa Sanpaolo on 17 July 2020 with a term of 60 months, including an interest-only period of 24 months, with repayment of principal in twelve quarterly instalments, the first due on 17 October 2022;
- 3,249 thousand euros (3,494 thousand euros at 31 December 2021) relative to the medium/long-term bank loan obtained from UniCredit in September 2021, with a duration of 60 months, including an interest-only period of 12 months, for a nominal amount of 3,500 thousand euros. Repayment is in equal quarterly instalments , starting in 2022. The interest rate applied is the 3M Euribor, increased by a spread of 1.2 basis points. At disbursement, an up-front fee was withheld of 7 thousand euros;
- 2,886 thousand euros (883 thousand euros at 31 December 2021) relative to the discounting of invoices obtained respectively for 2,436 thousand euros with Unicredit, and for 450 thousand euros with Banca Intesa Sanpaolo in 2022;
- 2,660 thousand euros (4,361 thousand euros at 31 December 2021) relative to a medium/long-term bank loan obtained from Mediocredito Italiano in 2019 for a nominal 7,000 thousand euros. Repayment is in equal half-year instalments , 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 basis points. At disbursement, an up-front fee was withheld of 35 thousand euros. The loan contract provides for 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 covenants are respected at 31 December 2022;
- 999 thousand euros relative to the medium-term loan agreed in July 2022 with Banco BPM in order to complete acquisition of the shares of Alkemy Iberia S.L., with a term of 36 months and with repayment in quarterly instalments and final due date of 30 September 2025;
- 842 thousand euros (912 thousand euros at 31 December 2021) refer to the nine loans

obtained from Mediocredito Centrale correlated to subsidised project financing, of which one for 98 thousand euros obtained in 2022;

- 524 thousand euros (631 thousand euros at 31 December 2021) refer to an additional Intesa Sanpaolo loan entered into in 2019 with a term of 30 months, with repayment in five equal six-monthly instalments due in 2024. The loan contract provides for 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 covenants are respected at 31 December 2022;
- 293 thousand euros (576 thousand euros at 31 December 2021) refer to a medium-term loan agreement entered into in 2021 with Banco BPM to facilitate the Group's financial operations, with a term of 42 months, plus a 9-month interest-only period, with repayment in quarterly instalments ending on 29 December 2023;
- 51 thousand euros (252 thousand euros at 31 December 2021) 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.

At 31 December 2021, the item also included the following loans:

- 1,400 thousand euros relative to the loan from the subsidiary Nunatac S.r.l. in 2021, which was eliminated on consolidation following the merger;
- 861 thousand euros relative to the medium-term loan agreed with Banco BPM in 2020 to facilitate the Group's financial operations, with the last scheduled payment made during the year;
- 406 thousand euros relative to the loan disbursed by Intesa on 30 September 2019, for research and development, with the last scheduled payment made during the year.

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 2022:

		Figures in thousands of euros	
		31 Dec. 2022	**31 Dec. 2021**
A	Cash	4,271	3,306
B	Cash equivalents	-	-
C	Other current financial assets	-	-
D	**Cash and cash equivalents (A + B + C)**	**4,271**	**3,306**
E	Current financial liabilities (including debt instruments but excluding the current portion of non-current financial liabilities)	5,049	3,217
F	Current portion of non-current financial liabilities	5,617	4,503
G	**Current financial liabilities (E + F)**	**10,666**	**7,720**
H	**Net current financial liabilities (G - D)**	**6,395**	**4,414**
I	Non-current financial liabilities (excluding the current portion and debt instruments)	24,080	13,867
J	Debt instruments	-	-
K	Trade payables and other non-current liabilities	-	-
L	**Non-current financial liabilities (I + J + K)**	**24,080**	**13,867**
M	**Total financial debt (H + L)**	**30,475**	**18,281**

Current financial liabilities include lease liabilities, the aforementioned discounting of invoices 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 bank loans and borrowings, lease liabilities and the non-current portion of loans and borrowings from other financial backers.

29. Lease liabilities

Current and non-current lease liabilities total 3,875 thousand euros (4,314 thousand euros at 31 December 2021) and are broken down below according to due dates:

- 2,867 thousand euros (3,379 thousand euros at 31 December 2021) refer to non-current lease liabilities;
- 1,008 thousand euros (935 thousand euros at 31 December 2021) refer to current lease liabilities.

Note that there are no financial liabilities due beyond 5 years.

30. Earn-out liabilities

Earn-out liabilities come to 9,939 thousand euros (zero at 31 December 2021) and relate to the financial liabilities due to the former non-controlling investors of Innocv Solutions S.L..

These earn-out liabilities have been recognised at fair value on the basis of the formulae and calculation algorithm established by contract and are discounted at the valuation date using a discounting rate that reflects the company's cost of debt, with the help of an independent expert. The contractual agreement envisages four variable price components that generated the financial liability for the earn-out.

31. Employee benefits

Employee benefits come to 4,508 thousand euros (2,740 thousand euros at 31 December 2021) 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 Dec. 2020	**2,849**
Accruals	910
Actuarial (gains)/losses	(92)
Utilisation of the year	(927)
Balance at 31 Dec. 2021	**2,740**
Increase from merger	2,439
Accruals	1,416
Actuarial (gains)/losses	(403)
Utilisation of the year	(1,684)
Balance at 31 Dec. 2022	**4,508**

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 assumptions:

Economic-financial assumptions	**31 Dec. 2022**	**31 Dec. 2021**
Discount rate	3.77%	0.98%
Remuneration increase rate	Inflation + 1%	2.20%
Increase in the cost of living	5.9% (2023), 2.33% (2024), 2% (2025)	1.20%
Annual rate of increase of post-employment benefits	5.93% (2023), 3.33% (2024), 3% (2025)	2.40%

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 advances being paid, 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 assumptions 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

Provisions total zero thousand euros (28 thousand euros at 31 December 2021) and their reduction with respect to the previous year end is due to the cessation of the contingent liabilities that had resulted in the provision being made.

33. Deferred tax liabilities

Deferred tax liabilities come to 24 thousand euros (15 thousand euros at 31 December 2021) 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.

34.Other non-current liabilities

Other non-current liabilities come to 1,253 thousand euros (900 thousand euros at 31 December 2021) and relate to derivatives connected with the acquisition of the residual 35% share in the subsidiary XCC S.r.l. and 25% of the subsidiary Alkemy Play S.r.l., the exercise date of which is envisaged beyond next year.

Current liabilities

35. Trade payables

Trade payables come to 10,513 thousand euros (9,953 thousand euros at 31 December 2021).

Below is a breakdown of trade payables by geographical segment

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
Italy	7,113	6,997
EU	2,497	2,837
Non-EU countries	903	119
Total trade payables	**10,513**	**9,953**

36. Tax liabilities

Tax liabilities come to 682 thousand euros (793 thousand euros at 31 December 2021).
They include 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. 2022	**31 Dec. 2021**
Current tax liabilities	2	13
Withholdings	563	427
VAT	34	260
Other tax liabilities	83	93
Total tax liabilities	**682**	**793**

Together with the subsidiaries XCC S.r.l., DGI S.r.l. and Alkemy Play S.r.l., the Company has opted for the national tax consolidation scheme.

37.Other current liabilities

Other current liabilities come to 7,762 thousand euros (6,586 thousand euros at 31 December 2021), detailed as follows:

	Figures in thousands of euros	
	31 Dec. 2022	**31 Dec. 2021**
Social security charges	1,546	1,004
Due to employees	3,588	2,779
Accrued expenses and deferred income	1,576	2,549
Derivatives	765	-
Other liabilities	287	254
Total other liabilities	**7,762**	**6,586**

Due to employees includes the amounts due to employees, directors and collaborators; the item includes salaries for December and accruals for 2022 not yet paid, in relation to bonuses, holidays, permits and 14^{th} month salaries.
Current derivative liabilities total 765 thousand euros (zero at 31 December 2021) and relate to the acquisition of the residual 41% in the subsidiary DGI S.r.l..

Other liabilities came to 287 thousand euros (254 thousand euros at 31 December 2021) and mainly relate to amounts payable to related parties for the tax consolidation scheme.
Accrued expenses and deferred income are recognised on an accruals basis. At 31 December 2022, there were none with a residual term of more than five years.

Accrued expenses come to 29 thousand euros (38 thousand euros at 31 December 2021).

Deferred income totals 1,547 thousand euros (2,511 thousand euros at 31 December 2021) and essentially relates to core revenues pertaining to the next year but invoiced this year.

38. Guarantees given and other commitments

At 31 December 2022, there are four insurance sureties for 690 thousand euros issued in favour of an equal number of customers, to guarantee the correct fulfilment of its contractual obligations.

39. Related party transactions

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

The tables below show the commercial and financial transactions carried out in 2022 between the company and its subsidiaries and other related parties.

Commercial transactions between the company and the subsidiaries

The Company has carried out the following related party transactions:

				Figures in thousands of euros
Commercial transactions	**Assets**	**Liabilities**	**Revenue**	**Costs**
Alkemy play S.r.l.	815	(17)	303	(83)
Alkemy Iberia S.L.U.	5	(53)	7	(75)
Alkemy South America S.L.	-	(3)	-	-
Ontwice Interactive Service de Mexico S.A.	-	-	173	-
Alkemy SEE D.o.o.	238	(38)	52	(28)
Experience Cloud Consulting S.r.l.	260	(59)	125	(96)
Design Group Italia S.r.l.	170	(865)	96	(577)
Total	**1,488**	**(1,035)**	**756**	**(859)**

As permitted by Articles 117 to 128 of the Consolidated Law on Income Tax, the company opted for the national tax consolidation scheme with the subsidiaries DGI S.r.l., XCC S.r.l. and Alkemy Play S.r.l.. In this respect, the company also has an amount due to subsidiaries for the tax consolidation scheme, in the amount of 123 thousand euros.

Financial transactions between the company and the subsidiaries

Financial transactions with subsidiaries are interest-bearing, carried out at arm's length and regulated by written agreements signed by the parties. The table below shows the financial transactions carried out between the Company and its subsidiaries in 2022, indicating interest accrued (income):

Financial transactions	Assets	Liabilities	Revenue	Costs
				Figures in thousands of euros
Alkemy play S.r.l.	-	-	3	-
Alkemy Iberia S.L.U.	-	-	2	-
Alkemy South America S.L.	-	(1,150)	-	(3)
Alkemy SEE D.o.o.	330	-	5	-
Experience Cloud Consulting S.r.l.	631	-	11	-
Total	**961**	**(1,150)**	**21**	**(3)**

Note that amounts due to the Company for dividends at 31 December 2022 total 2,018 thousand euros and relate entirely to the subsidiary Alkemy Iberia S.L..

Fees paid to directors, statutory auditors and key management personnel

The fees paid in 2022 to the Parent's Board of Directors totalled 1,059 thousand euros (1,100 thousand euros in 2021), whilst those due to the Board of Statutory Auditors came to 60 thousand euros (same amount in 2021). The fees due to the Board of Directors also includes the remuneration of the Chief Executive Officer in the role of key management personnel.

The fees due to the other four key managers in force at 31 December 2022 came to 998 thousand euros (1,280 thousand euros of business cost) as compared with 818 thousand euros in 2021 (company cost of 1,054 thousand euros).

40. Liabilities and main disputes

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

In 2014, the Company was served a notice of amicable settlement 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. The appeal judgement also went in the Company's favour. The deadline for appeal to the final level of judgement has now passed and therefore, during the year, the related provisions for risks was released.

41. Subsequent events

No significant events took place after year end.

42. 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 profit for 2022 of Alkemy S.p.A. of 2,423,612 euros.

Milan, 27 March 2023

On behalf of 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 2022 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	Notes	Fees for 2022
Audit and attestation services		
KPMG S.p.A.		115
Deloitte & Touche S.p.A.	**[1]**	16
Other services		
KPMG S.p.A.	**[2]**	2
Deloitte & Touche S.p.A.	**[3]**	20
Total		**153**

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

[2] Includes the preparation of Income, IRAP and 770 forms

[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.

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
	2022	**related parties**	**2021**	**related parties**
Revenue	58,622,634	756,516	46,473,253	2,083,016
Other income	894,090		337,542	
Total operating revenue and other income	**59,516,724**	**756,516**	**46,810,795**	**2,083,016**
Services, goods and other operating costs	(27,021,757)	(918,828)	(26,080,012)	(1,216,777)
- of which non-recurring	(242,264)	-	(75,934)	-
Personnel expense	(26,390,525)	(2,339,000)	(19,488,694)	(2,153,826)
- of which non-recurring	(156,269)	-	(944,038)	-
Total costs and other operating costs	**(53,412,282)**	**(3,257,828)**	**(45,568,706)**	**(3,370,603)**
Gross operating profit	**6,104,442**	**(2,501,312)**	**1,242,089**	**(1,287,587)**
Amortisation/depreciation	(2,198,356)		(1,606,905)	
Provisions and impairment losses	(169,000)		(291,636)	
Operating profit	**3,737,086**	**(2,501,312)**	**(656,452)**	**(1,287,587)**
Net gains (losses) on equity investments	1,948,302	2,018,302	2,162,074	2,162,074
Net gains (losses) on options	(2,537,774)		(1,777,330)	
Other financial income	426,042	20,407	54,004	12,625
Other financial expense	(734,985)	(3,273)	(298,093)	(1,144)
Pre-tax profit (loss)	**2,838,671**	**(465,876)**	**(515,797)**	**885,968**
Income taxes	(415,059)		368,398	
Profit (loss) for the year	**2,423,612**	**(465,876)**	**(147,399)**	**885,968**

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

Assets	31 Dec. 2022	related parties	31 Dec. 2021	related parties
Property, plant and equipment	1,581,161		1,295,125	
Right-of-use assets	3,759,671		4,222,751	
Goodwill	18,102,969		11,500,045	
Intangible assets	1,017,701		486,614	
Equity investments	37,270,281		29,227,486	
Other financial assets	1,623,442	961,481	1,095,517	900,186
Deferred tax assets	834,474		1,096,852	
Other assets	205,443		204,268	
Non-current assets	**64,395,142**	**961,481**	**49,128,658**	**900,186**
Trade receivables	27,615,917	1,487,346	22,234,362	1,894,488
Other financial assets	-		1,747,368	
Tax assets	416,331		356,183	
Other assets	3,785,671	2,018,302	3,784,868	1,216,634
Cash and cash equivalents	4,271,457		3,305,996	
Current assets	**36,089,376**	**3,505,648**	**31,428,777**	**3,111,122**
Total assets	**100,484,518**	**4,467,129**	**80,557,435**	**4,011,308**

				Figures expressed in euros
Liabilities and Equity	**31 Dec. 2022**	**related parties**	**31 Dec. 2021**	**related parties**
Equity				
Share capital	595,534		595,534	
Reserves	37,977,388		37,508,686	
Profit/(loss) for the year	2,423,612	(465,876)	(147,399)	885,968
Equity attributable to owners of the parent	**40,996,534**	**(465,876)**	**37,956,821**	**885,968**
Total equity	**40,996,534**	**(465,876)**	**37,956,821**	**885,968**
Financial liabilities	11,274,532	-	10,488,395	-
Lease liabilities	2,866,958		3,378,692	
Earn-out liabilities	9,938,633		-	
Employee benefits	4,507,976		2,739,933	
Provisions	-		27,987	
Deferred tax liabilities	24,220		14,600	
Other liabilities	1,252,767		900,348	
Non-current liabilities	**29,865,086**	**-**	**17,549,955**	**-**
Financial liabilities	9,658,455	1,150,000	6,785,017	1,400,000
Lease liabilities	1,007,650		934,599	
Trade payables	10,513,035	1,064,830	9,952,606	1,793,565
Tax liabilities	682,052		792,694	
Other liabilities	7,761,706	186,271	6,585,743	232,721
Current liabilities	**29,622,898**	**2,401,101**	**25,050,659**	**3,426,286**
Total liabilities	**59,487,984**	**2,401,101**	**42,600,614**	**3,426,286**
Total liabilities and equity	**100,484,518**	**1,935,225**	**80,557,435**	**4,312,254**

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

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

- the adequacy, considering the company's characteristics, and
- the effective application

of the administrative and accounting procedures for the preparation of the annual financial statements, during 2022.

2. It is further certified that the financial statements:

- are consistent with the underlying books and accounting records;
- have been prepared in accordance with the 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

4. 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, 27 March 2023

Chief Executive Officer	Manager appointed to prepare the company's accounting documents
………………………………………	………………………………………

Report of the Board of Auditors to the Financial statements at 31 December 2022

To the Shareholders of Alkemy S.p.A.

1. Introduction

During the year ended at 31 December 2022, the Board of Auditors (the "**Board**") of Alkemy S.p.a. (hereinafter also referred to as the "**Company**" or "**Alkemy**") went about its supervisory duties in compliance with the law, observing the standards of conduct of the Board of Auditors as recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (Italian National Board of Registered and Expert Accountants) and the communications given by Consob in relation to corporate control and the work of the Board of Auditors, as well as with the indications given in the Code of Corporate Governance.

The supervisory duties of the Board of Auditors are regulated by Art. 2403 of the Italian Civil Code, by Italian Legislative Decree no. 58/1998 and by Italian Legislative Decree no. 39/2010. The Board has examined the changes made to Italian Legislative Decree no. 39/2010 with Italian Legislative Decree no. 135/2016, in implementation of Directive 2014/56/EU, which amends Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts and European Regulation 537/2014.

As regards financial information, the Board of Auditors has ascertained that the financial statements have been prepared in accordance with the provisions of Art. 4, paragraph 1 of Italian Legislative Decree no. 38 of 28/02/2005, according to the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Commission.

The Board 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 2022 to date, as required by Consob Communication no. DEM/1025564 of 06 April 2001, as subsequently amended and supplemented.

The Board in office was appointed by the Shareholders' Meeting on 26 April 2022, 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 2024.

In 2022, the Board, 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 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 2022.
The appointment to perform the statutory audit in accordance with Italian Legislative Decree no. 58/1998 and Italian Legislative Decree no. 39/2010 is carried out by KPMG S.p.A. (hereinafter also the "**Independent Auditing Firm**"), as resolved by the Shareholders' Meeting held on 25 June 2019 for the term of nine years (2019-2027).

2. Monitoring of observance of the law and the articles of association

Article 153 of Italian Legislative Decree no. 58 of 24 February 1998 envisages the obligation for the Board of Auditors to report to the Shareholders' Meeting convened to approve the financial statements, on the supervisory activities carried out and on any omissions or reprehensible events noted; it also has the faculty to make proposals on the financial statements, their approval and the matters coming under its purview.
In compliance, therefore, with the provisions of law and regulations and the recommendations envisaged and in accordance with the provisions of Art. 2429, paragraph 2 of the Italian Civil Code, we would hereby report to you as follows on the work carried out and the conclusions we have drawn.
We have monitored compliance with the law, the Articles of Association and the provisions of Consob, in particular through the information collected from our attendance of the meetings of the Board of Directors and the Committees. Insofar as we are aware, the Company would appear to have operated in compliance with said rules and would appear to have respected the information obligations.
The Board of Auditors has ascertained the conformity with the law, the Articles of Association and standards of correct administration in the transactions implemented by the company, making sure that they were not clearly imprudent or risky, or indeed in conflict with the resolutions passed by the Shareholders' Meeting, or such as to risk the integrity of the corporate assets; transactions in which

Directors have an interest or with other related parties were subjected to the transparency procedures envisaged by applicable provisions.

The Board of Auditors has acquired the information instrumental to going about the supervisory tasks attributed it, by means of: attending meetings of the Board of Directors and the Board Committees, meeting with the Company's management team, meeting with the independent auditor, analysing information flows acquired from the competent corporate structures and additional control activities.

The Board has gone about its supervisory duties, as described below, meeting from time to time also in order to meet with the Independent Auditing Firm and the various corporate departments of Alkemy S.p.A., and attending meetings of the Board of Directors and Committees.

In 2022, the Board of Auditors met 9 times and attended 9 meetings of the Board of Directors and one of the Shareholders' Meetings.

In addition, in 2022, the Board of Auditors also attended:

(i) 5 meetings of the "Remuneration Committee";

(ii) 5 meetings of the Control, Risks and Sustainability Committee, which in Alkemy also acts as "Related Party Transactions Committee".

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

We have monitored compliance with standards of correct administration and have no particular comments to make in this regard.

We have attended the meetings of the Board of Directors, during which Directors were periodically informed by the Chief Executive Officer on the performance of Alkemy's corporate operations and those of its investees and subsidiaries, also in comparison with the budget economic data, and have received prompt, timely information, including about decisions to be made, with reference to the most significant transactions implemented by the Company and its Subsidiaries.

The Board of Auditors has acknowledged the Alkemy Group's three-year plan for 2022-2023-2024, aimed at assuring the economic and equity assessments relating to certain items of the statutory and consolidated financial statements at 31/12/2022 and 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, we can reasonably consider that these transactions are compliant with the law and the Articles of Association, not evidently imprudent or risky or in conflict of interests nor indeed such as to risk the corporate assets.
Information is given on the main intra-group and related party transactions implemented in 2022, 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 2022, Alkemy purchased 25,000 treasury shares for an equivalent value of Euro 435 thousand; the number of treasury shares held at 31-12-2022 totals 150,864, accounting for 3,267% of the share capital, for an equivalent value of 1,793 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 2022, 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 2022, the Board of Directors clarified that at 27 March 2023, no particularly significant effects could be foreseen (current and foreseeable, direct and indirect) for the Alkemy Group, deriving from 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 of the CRSC held during the year, reported, in particular, on the meeting of 24-03-2023, with the following Agenda:

1. meeting with the Internal Audit Department Manager and examination of the annual Internal Audit Report relative to FY 2022 and the Audit Plan for FY 2023.
2. resolutions regarding the RMICS: (i) examination and analysis, also for the purpose of the Report on Corporate Governance and Ownership Structures, of the main areas of corporate risk in order to assess the adequacy of the internal control risk management system; (ii) definition of the RMICS guidelines consistently with the company's strategies and annual assessment of its adequacy in respect of the characteristics of the company and risk profile assumed; (iii) Recommendation no. 33, Art. 6, letter d) of the Code of Corporate Governance: assessment as to the potential value of adoption measures to guarantee the effectiveness and impartial judgement of other corporate departments (e.g. the risk management department, the legal and compliance risk department) and verification of the adequacy of the professional skills and resources assigned to such departments; (iv) Recommendation no. 33, Art. 6, letter e) of the Code of Corporate Governance: officer appointed to coordinate the various subjects involved in the internal control and risk management system.
3. examination and assessment of the adequacy of the Company's organisational, administrative and accounting structure and strategic subsidiaries;
4. examination and assessment of the effective compliance with accounting and administrative procedures and the adequacy of the means and instruments available to the Manager appointed to prepare the company's accounting documents;
5. Examination of the annual report by the Company's Supervisory Body relative to FY 2022;
6. Meeting with the Board of Auditors and the Independent Auditing Firm KPMG: assessment of the adequacy and homogeneity of the accounting standards used to draft the separate financial statements at 31.12.2022.
7. investigation of the impairment testing procedures and methods for the drafting of the consolidated financial statements at 31 December 2022;
8. assessment of the correct use of the standards adopted to prepare the non-financial statement drafted in accordance with Italian Legislative Decree no. 254/2016 and the completeness and reliability of the statement;
9. Proposed adoption of a share-based incentive plan for the period 2024-2026 (the "2024-2026 Long-Term Incentive Plan"); related and consequent resolutions;
10. Proposed stipulation of a Directorship Agreement; related and consequent resolutions;

11. approval of the Annual Report by the Committee to the Board of Directors and determinations regarding the 2023 budget.

On this occasion, the Board explained and assessed:

(i) the main elements of the management control system adopted by the Company;

(ii) the assessments expressed by the Head of Internal Audit in respect of the suitability and adequacy of the RMICS and the audit activities and update of the Risk Assessment envisaged for 2023;

(iii) analysis of the effective compliance with accounting and administrative procedures and the adequacy of the means and instruments available to the Manager appointed to prepare the company's accounting documents;

(iv) assessment of the adequacy and homogeneity of the accounting standards used to draft the separate financial statements at 31.12.2022;

(v) proposed adoption of a share-based incentive plan for the period 2024-2026 (the "2024-2026 Long-Term Incentive Plan"); related and consequent resolutions;

(vi) the methodology and procedure adopted in carrying out impairment testing for the preparation of the consolidated financial statements at 31 December 2022 and the assessment of the put & call options for the preparation of the consolidated and separate financial statements at 31 December 2022;

(vii) 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 24-03-2022, KPMG confirmed that Ontwice Interactive Services de Mexico S.A., a subsidiary of Alkemy S.p.A., 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) supplies (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. KPMG 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 is required to design and manage the system.

It is specified that, on the proposal of the Chief Executive Officer Duccio Vitali, as the director responsible for the internal control and risk management system, and upon obtaining the favourable opinion of the CRSC and the board of auditors, by resolution passed by the board of directors on 04 March 2022, the Company appointed an independent third party consultant as the Internal Audit Department Manager (the "**Head of Internal Audit**").

The risk assessment prepared is still in force as it is suitable for the corporate structure, confirming the assumptions; it is expected to be updated by the end of the second quarter 2023.

In order to have prompt information available on the Internal Control and Risk Management System, reference is made to the 2022 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. The independent auditors KPMG have confirmed that no significant deficiencies have emerged in the subsidiaries' internal control system. As regards Alkemy SPA, on 31 March 2023, KPMG will issue a Management letter, which includes the points for improvement of the internal control system identified during the 2022 audit.
On 10-07-2019, 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" still in force), aimed at establishing a common regulatory framework on the abuse of inside information, the unlawful disclosure of inside information and market manipulation, as well as measures to prevent market abuse.
The company has adopted the "Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001" and the "Code of Ethics and Conduct", over time making the necessary updates in relation to the progressive extension of the scope of application of Italian Legislative Decree no. 231/2001.
As an integral part of this control system, the Supervisory Body oversees the pursuit of the administrative processes necessary to monitor the predicate offences pursuant to Italian Legislative Decree no. 231/2001, aimed at preventing the possibility of relevant crimes being committed in accordance with the decree and, consequently, the Issuer's administrative liability (the "**Model 231**"). The latest update of the Alkemy Model and the Code of Ethics was approved by the Board of Directors on 11 December 2020 in order to incorporate the latest evolutions of the reference legislation.
The Board of Auditors entertains continuous relations with the Supervisory Body, also thanks to the presence of the Chairman of the Board 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 adequacy of the administrative-accounting system and the statutory audit of accounts

The Board of Auditors has monitored compliance with standards of correct administration by attending the meetings of the Board of Directors and the board committees, as well as meeting with the 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 Manager appointed to prepare the company's accounting documents and the Independent Auditing Firm and by examining the corporate documents.

During the meeting held on 24 March 2023, 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 2022 financial statements, the proposed allocation of the 2022 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 shared the accounting standards the Company has declared it uses in preparing the separate and consolidated financial statements appear to be consistent with the rules governing the preparation of such documents.

Together with the Chief Executive Officer, the Chief Financial Officer organised the issue on 27 March 2023 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 2022.

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 24 March 2023.

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 2023 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 2023, in accordance with Art. 11 of said Regulation to the Board of Auditors, as the internal control and audit committee;
- the annual confirmation of independence, given on 31 March 2023, in accordance with Art. 6, paragraph 2), letter a) of the Regulation and in accordance with paragraph 17 of ISA Italia 260.

Said audit reports on the separate and consolidated financial statements show that the annual and consolidated financial statements offer a truthful, correct representation of Alkemy spa and the Group's equity and financial position at 31 December 2022 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; and the assessment of the earn-out relating to InnoCV;
- as regards the consolidated financial statements, the assessment of the recoverability of goodwill and the assessment of the liabilities deriving from put options and the InnoCV earn-out;

The Independent Auditing Firm does not give a separate opinion on said key aspects, for which the reports explain the related audit procedures implemented, as they were covered by the audit of the accounts and the preparation of the opinion overall. The above key aspects were subject to detailed analysis and update during the periodic meetings held by the Board of Auditors with the Independent Auditing Firm.

The Board of Auditors will inform the Company's administrative body on the results of the statutory audit, to this end sending the additional report pursuant to Art. 11 of European Regulation 537/2014, complete with any observations, in accordance with Art. 19 of Italian Legislative Decree no. 39/2010, as updated by Italian Legislative Decree no. 135/2016, in implementation of Directive 2014/56/EU, which amends Directive 2006/43/EC and European Regulation 537/2014.

The Independent Auditing Firm also believes that the Report on Operations and the information on the Report on Corporate Governance and Ownership Structures, indicated in Art. 123-bis, paragraph 4 of the Consolidated Law on Finance are consistent with the financial statements of Alkemy S.p.a. and the consolidated financial statements of the Alkemy S.p.a. Group at 31 December 2021.

In compliance with the provisions of International Accounting Standard no. 36, impairment testing has been arranged to verify the potential recovery (i) of the net invested capital (including goodwill) posted on the consolidated financial statements at 31.12.2022 and investments and goodwill posted on the Separate Financial Statements of Alkemy S.p.A. 31.12.2022 as well as in accordance with the provisions of accounting standards IAS 32 and IFRS 9, the value of the put/call sale options concerning the minority stakes in the share capital of companies already controlled by Alkemy ("Put & Call Options") was assessed, for both the purpose of the Consolidated Financial Statements and the Separate Financial Statements;

all this in order to assess the existence of any permanent reductions in value that, at that date, may have affected the balance with respect to the previous valuation.

To this end and in compliance with the recommendations given in the joint Bank of Italy-Consob-Isvap document no. 4 of 3 March 2010, Alkemy has appointed Deloitte S.p.A. to provide methodological support (1) in preparing the impairment tests and (2) in measuring the value of the Put & Call Options and the InnoCV earn-out.

The impairment test contains a valuation of the four "cash generating units" (or "CGUs") of the Alkemy Group representing the same number of sectors in which the company operates, namely:

1. Italy CGU: comprising the companies: i) Design Group Italia S.r.l. ii) Alkemy Play S.r.l., iii) XCC S.r.l. and iv) the parent company Alkemy S.p.A.
2. Spain CGU: made up of InnoCV and Alkemy Iberia;
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. Balkans CGU: comprising the companies: i) Kreativa D.o.o; and ii) Alkemy SEE D.o.o.

The impairment testing revealed an impairment loss of € 70/000 relative to the equity investment in Alkemy Play, entered in the Separate Financial Statements.

As regards the valuation of the Put & Call Options, in line with best practices, the fair value of the financial instruments was 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 has been estimated with reference to the 2022 Separate Financial Statements, considering the instruments as synthetic forwards given the symmetry of conditions of the Put & Call Options, noting:

(i) in the Separate Financial Statements, a financial liability in relation to the value of the Put & Call Options, of € 1,945/k;

(ii) in the Consolidated Financial Statements, a financial payable deriving from the potential exercise of the Put & Call Options to be paid to minority shareholders for a total of € 6,722/k and a financial payable linked to the earn-out to be paid to former shareholders (sellers) of INNOCV Solutions S.L. in the amount of € 9,939/k.

These items and the related amounts have been posted respectively in the 2022 Separate Financial Statements and the 2022 Consolidated Financial Statements. 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 findings in connection with 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 31.12.2022.

During the year, the Board of Auditors met with the managers of the independent auditing firm, in accordance with Art. 150, paragraph 3 of Italian Legislative Decree no. 58/1998, during which appropriate exchanges of information took place and no other facts or situations emerged, worthy of note. The Board of Auditors: (i) has analysed the work carried out by the independent auditing firm and, in particular, the methodological structure, the approach taken to auditing the various significant areas of the financial statements and the planning of the audit itself; and (ii) has shared information with the independent auditing firm on the problems relating to business risks, thereby successfully noting the adequacy of the response planned by the auditor with the structural and risk profiles of the Company and Group.

During 2022, in accordance with Art. 19 of Italian Legislative Decree no. 39/2010, the Board of Auditors verified and monitored the independence of the independent auditing firm, in accordance with Articles 10, 10-bis, 10-ter, 10-quater and 17 of said Decree and with Art. 6 of Regulation (EU) 537/2014 of 16 April 2014. This particularly applies in respect of the adequacy of the provision of services other than audit services, to the audited entity.

As it has itself declared, 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 also acknowledged that the Company has prepared the consolidated non-financial statement, in compliance with the provisions of Articles 3 and 4 of the same Decree and that the Company has availed itself of the exoneration from the obligation to draft an individual non-financial statement, as envisaged by Art. 6, paragraph 1 of Italian Legislative Decree no. 254/2016, having prepared the consolidated statement pursuant to Art. 4 of the same Decree, approved by the Board of Directors on 27 March 2023.

The Board has also acknowledged the report issued on 31 March 2023, 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 2022, the Board of Directors prepared the report relative to the first half of 2022, publishing it in accordance with the terms and conditions laid down by current legislation.

On 27 March 2023, the Alkemy S.p.a. Board of Directors approved:

- the draft separate financial statements at 31 December 2022, the consolidated financial statements at 31 December 2022 (prepared in accordance with the Delegated Regulation of the European Commission no. 2019/815 as subsequently amended) and the Directors' Report on Operations; related and consequent resolutions.
- the non-financial statement prepared pursuant to Legislative Decree no. 254/2016;
- the Report on Corporate Governance and Ownership Structure pursuant to art. 123-bis of the Consolidated Law on Finance;
- the Report on the remuneration policy and fees paid in accordance with Art. 123-ter of the Consolidated Law on Finance, prepared as per the layout pursuant to Annex 3A, Scheme 7-bis and 7-ter of the Issuers' Regulation;
- the calling of the shareholders' meeting;
- the Explanatory Reports on the items on the agenda of the Ordinary Shareholders' Meeting;
- the press release;

proceeding to fulfil the legal requirements.

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

The results achieved in FY 2022 and reported in the Consolidated Financial Statements and in the Separate Financial Statements are as follows.

1) Consolidated financial statements:

(i) result: profit of Euro 5,614 k (2021 Euro 4.271 thousand)

(ii) consolidated revenues: Euro 106,574 k (2021 Euro 95,185 thousand)

(iii) consolidated EBITDA: Euro 11,069 (2021 Euro 9,515 thousand)

(iv) non-recurring costs: Euro 752 relative to payroll costs and other extraordinary expenses (2021 Euro 1,020)

(v) adjusted EBITDA of Euro 11,820 thousand (2021 10,535 thousand)

(vi) Consolidated Net Financial Position: Euro -34,129 thousand (2021 Euro -21,192 thousand)

2) Separate financial statements:

(i) result: profit of approximately Euro 2,423,612 (2021 loss of Euro -147,399)

(ii) revenues: Euro 59,516,724 (2021 Euro 46,810,795);

(iii) gross EBIT: positive for Euro 6,104,442 (2021 1,242,089).

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 2023.
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 2022 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 2022 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 2022.

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

We have monitored the implementation and adjustment to comply with the codes of conduct - the Code of Corporate Governance and the Code of Ethics - to which the Company has declared it adheres.

The Company adheres to the Code of Corporate Governance, incorporating the document prepared by the Corporate Governance Committee of Listed Companies almost entirely. In this context, the Board of Directors has appointed the Remuneration Committee and the Control, Risks and Sustainability Committee, which performs the duties assigned them. 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 27 March 2023) 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 commercial contracts in place with associates conducted by the Parent Alkemy spa:

Valori espressi in migliaia di euro				
Rapporti commerciali	**Crediti**	**Debiti**	**Ricavi**	**Costi**
Alkemy play S.r.l.	815	(17)	303	(83)
Alkemy Iberia S.L.U.	5	(53)	7	(75)
Alkemy South America S.L.	-	(3)	-	-
Ontwice Interactive Service de Mexico S.A.	-	-	173	-
Alkemy SEE D.o.o.	238	(38)	52	(28)
Experience Cloud Consulting S.r.l.	260	(59)	125	(96)
Design Group Italia S.r.l.	170	(865)	96	(577)
Totale	**1.488**	**(1.035)**	**756**	**(859)**

Below is an account also of the onerous financial contracts in place between the Parent Company and the subsidiaries.

Valori espressi in migliaia di euro				
Rapporti finanziari	**Crediti**	**Debiti**	**Ricavi**	**Costi**
Alkemy play S.r.l.	-	-	3	-
Alkemy Iberia S.L.U.	-	-	2	-
Alkemy South America S.L.	-	(1.150)	-	(3)
Alkemy SEE D.o.o.	330	-	5	-
Experience Cloud Consulting S.r.l.	631	-	11	-
Totale	**961**	**(1.150)**	**21**	**(3)**

The Board of Auditors can declare that, on the basis of the information received, the controls performed and the instructions given by the Company to the subsidiaries in accordance with Art. 114, paragraph 2 of said Italian Legislative Decree no. 58/1998 in relation to financial disclosure obligations and other operating areas, are adequate.

10. Supervision of related party transactions

The Board of Auditors has monitored the compliance with provisions of law and regulations of the Related Party Transactions Procedure, its effective implementation and concrete operation.

In accordance with Art. 2391-bis of the Italian Civil Code, insofar as the Board of Auditors has been able to verify, the related party transactions examined were all implemented on the basis of rules assuring transparency and compliance with the general principles set out by Consob and rules of corporate governance.

The information supplied by the Board of Directors, also with specific reference to intra-group transactions and transactions with other related parties, is considered adequate in respect of

reference legislation. More specifically, said transactions are considered relevant to the pursuit of the company object, of a fair amount and in line with the company's interests.
In the specific paragraph at the end of the Notes to the financial statements, the Board of Directors provided full information on transactions implemented with Group companies and related parties, explaining the relevant economic and financial effects, albeit using a different format to that given in CONSOB communication no. DEM/6064293 of 28 July 2006.

11. Omissions and reprehensible events noted. Opinions given and initiatives taken.

To date, the Board of Auditors has not received any reports pursuant to Art. 2408 of the Italian Civil Code nor any complaints by shareholders or third parties.
During its supervision, the Board of Auditors noted no omissions, reprehensible events or irregularities.
The Alkemy S.p.a. Supervisory Body did not describe any reports made, even in anonymous form.
During the course of our supervision, no omissions, reprehensible events or irregularities were noted.
The Board of Auditors has offered an opinion each time it was asked to do so by the Board of Directors, also in compliance with provisions that, for some decisions, require it to be consulted in advance. More specifically, the Board of Auditors gave a positive opinion on the guidelines to the Remuneration Policy.

* * *

This report has been approved unanimously by the Board of Auditors.

Milan, 31 March 2023.

The Board of Auditors

Gabriele Gualen (Chairman)

Mauro Bontempelli

Daniela Elvira Bruno

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Alkemy Group

Consolidated financial statements as at and for the year ended 31 December 2022

(with independent auditors' report thereon)

KPMG S.p.A.

31 March 2023

KPMG S.p.A.
Revisione e organizzazione contabile
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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 2022, 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 2022 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 "Measurement criteria and accounting policies - Intangible assets - Goodwill", "Measurement criteria and 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 2022 include goodwill of €54,868 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 2023-2025 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; • analysing the accuracy of the expected cash flows underlying the impairment test and the main assumptions used; • 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 "Measurement criteria and accounting policies - Put option liabilities" and note 30 "Put option and earn-out liabilities"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2022 include put option liabilities of €6,722 thousand, relating to contractual arrangements entitling the non-controlling investors in a number of subsidiaries to sell their equity investments to the group. At 31 December 2022, the group's put option liabilities have been recognised at the options' strike prices. Assisted by an independent expert, the parent's directors estimated the carrying amount of the put option liabilities on the basis of the formulae provided for in the arrangements, discounting the resulting amount at the parent's borrowing rate. The above model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective about: • the subsidiaries' expected cash flows, calculated by taking into account the general economic performance and that of the subsidiaries' 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 arrangements with the non-controlling investors. For the above reasons, we believe that the measurement of the put option liabilities is a key audit matter.	Our audit procedures included: • updating our understanding of the process adopted by the parent to measure the put option liabilities; • analysing the contractual arrangements 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; • analysing the accuracy of the expected cash flows underlying the measurement of the subsidiaries' financial liability and the main assumptions used; • involving experts of the KPMG network in the assessment of the reasonableness of the estimation 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.

Measurement of earn-out liabilities

Notes to the consolidated financial statements: note "Measurement criteria and accounting policies - Business combinations", "Measurement criteria and accounting policies - Put option liabilities" and note 30 "Put option and earn-out liabilities"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2022 include earn-out liabilities of €9,939 thousand, which represent the financial liability for the contingent consideration that the parent will have to pay to the sellers for its investment in Innocv Solutions S.L.. These liabilities are recognised as part of business combinations and measured at fair value. They are remeasured at each reporting date on the basis of the formulae and algorithms contractually provided for and discounted at the parent's borrowing rate. The contractual arrangement includes four price variables that have generated the earn-out liabilities. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective about: • the acquired businesses' expected cash flows determined upon their acquisition; • the financial parameters used to calculate the discount rate; • other variables governed by the purchase agreement. For the above reasons, we believe that the measurement of earn-out liabilities is a key audit matter.	Our audit procedures included: • analysing the process adopted by the parent to measure the earn-out liabilities; • analysing the purchase agreement stipulating the earn-out's calculation and settlement methods and how the liabilities' fair value is to be checked; • checking the changes in fair value of the earn-out liabilities recognised during the year; • assessing the main assumptions used to determine the fair value by analysing the acquired business' expected cash flows; • involving experts of the KPMG network in the assessment of the reasonableness of the valuation methods and related assumptions; • assessing the appropriateness of the disclosures provided in the notes.

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, the measures taken to eliminate those threats or the safeguards applied.

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 at 31 December 2022 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 at 31 December 2022 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.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

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 reports on operations and on corporate governance and ownership structure at 31 December 2022 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 2022 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 2022 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 non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such 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 2023

KPMG S.p.A.

(signed on the original)

Luigi Garavaglia
Director of Audit

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Alkemy S.p.A.

Separate financial statements as at and for the year ended 31 December 2022

(with independent auditors' report thereon)

KPMG S.p.A.

31 March 2023

KPMG S.p.A.
Revisione e organizzazione contabile
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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 2022, 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 2022 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 "Measurement criteria and accounting policies - Intangible assets - Goodwill", "Measurement criteria and 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 2022 include goodwill of €18,103 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 2023-2025 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; • analysing the accuracy of the expected cash flows underlying the impairment test and the main assumptions used; • 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 equity investments

Notes to the separate financial statements: note "Measurement criteria and accounting policies - Intangible assets - Equity investments", "Measurement criteria and 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 2022 include equity investments of €37,270 thousand, mainly related to the investments in the subsidiaries Innocv Solutions S.L. (€15,131 thousand), Alkemy Iberia S.L.U. (€13,363 thousand), Alkemy South America S.L. (€4,218 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 approved by the company's board of directors; • understanding the process adopted to prepare the 2023-2025 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; • analysing the accuracy of the expected cash flows underlying the impairment test and the main assumptions used; • 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.

Measurement of earn-out liabilities

Notes to the separate financial statements: note "Measurement criteria and accounting policies - Earn-out liabilities" and note 30 "Earn-out liabilities"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2022 include earn-out liabilities of €9,939 thousand, which represent the financial liability for the contingent consideration that the company will have to pay to the sellers for its investment in Innocv Solutions S.L.. These liabilities are measured on the basis of the formulae and algorithms contractually provided for and discounted at the company's borrowing rate at the measurement date. The contractual arrangement includes four price variables that have generated the earn-out liabilities. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective about: • the acquired businesses' expected cash flows determined upon their acquisition; • the financial parameters used to calculate the discount rate; • other variables governed by the purchase agreement. For the above reasons, we believe that the measurement of earn-out liabilities is a key audit matter.	Our audit procedures included: • analysing the process adopted by the company to measure the earn-out liabilities; • analysing the purchase agreement stipulating the earn-out's calculation and settlement methods and how the liabilities' fair value is to be checked; • checking the changes in fair value of the earn-out liabilities recognised during the year; • assessing the main assumptions used to determine the fair value by analysing the acquired business' expected cash flows; • involving experts of the KPMG network in the assessment of the reasonableness of the valuation methods and related assumptions; • assessing the appropriateness of the disclosures provided in the notes.

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, the measures taken to eliminate those threats or the safeguards applied.

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 at 31 December 2022 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 at 31 December 2022 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 2022 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 2022 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 2022 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 2023

KPMG S.p.A.

(signed on the original)

Luigi Garavaglia
Director of Audit