

DIGITAL MAGICS: THE BOARD APPROVES THE HALF-YEAR REPORT AT 30 JUNE 2020

**Digital Magics responds to the context of the COVID-19 emergency
with positive EBITDA and revenues in line with the first half of 2019**

**Positive prospects for the sector also thanks to the strong attention
of government institutions on innovation and digital issues**

- **70 companies active in the portfolio** at 30 June 2020 (69 at 31 December 2019), of which **28 Innovative Start-ups** and **19 Innovative SMEs**; **4 new investments** and 2 write-offs;
- **EXIT by Moneymour** completed in the first half of the year, sold to Klarna Bank AB (one of the most important European Fintechs) after less than 24 months from its establishment: return on investment equal to 3 times the capital invested, IRR greater than 100%
- **10 Open Innovation Programmes active** with leading industrial companies (17 in the first half of 2019), despite the complexities deriving from the lockdown for the COVID-19 pandemic
- **Revenues** of 1.3 million euros (1.5 million euros at 30 June 2019)
- **EBITDA** positive for 0.2 million euros, a significant improvement compared with the negative EBITDA of 0.2 million euros at 30 June 2019
- **Net loss** of 0.5 million euros (loss of 0.8 million euros compared with 30 June 2019) after write-downs of 0.7 million euros
- **Net Financial Position** of 2.0 million euros (1.4 million euros at 31 December 2019) with cash and cash equivalents of 2.9 million euros (2.7 million euros at 31 December 2019)
- **Equity** of 16.6 million euros (17.2 million euros at 31 December 2019)

Milan, 24 September 2020

The Board of Directors of Digital Magics S.p.A., a certified *business incubator* listed on the AIM Italia market (symbol: **DM**), organised and managed by the Italian Stock Exchange, today approved the half-year report at 30 June 2020.

Alberto Fioravanti, Founder, Chairman and CTO of Digital Magics, commented: *"We are living in extraordinary times in which the awareness that we are entering an era of new normality is gaining ground. Awareness that can and must see changes in behaviour and an extraordinary effort to be concrete and implement actions that allow us to plan for the future, to intercept the wave of change and ride it. We continue our business with increasing attention to the ethical vision".*

Marco Gay, CEO of Digital Magics, commented: *"We have faced the lockdown and the difficult time caused by the Covid-19 pandemic with great determination, concreteness and attention to the management and development of our activities. This allowed us to record a positive EBITDA and revenues in line with 2019. Our uniqueness in the market and the leading role of our company, thanks also to the strong attention to the innovation ecosystem by the institutions, has recently made it possible to carry out 6 capital increases in start-ups in our portfolio, for over 3.5 million euros, together with CDP Venture Capital and other important investors, increasing their value. These are really important signals for our future prospects".*

Gabriele Ronchini, Founder and CEO of Digital Magics, commented: *"The development of our portfolio, albeit slowed by the context, continues to mark a positive evolution: the success of our third*

acceleration programme, the competence of our team and the ability to attract digital talent underlines the central role we play in the Italian start-up ecosystem. The 70 active holdings reacted with strength and ability to the economic situation, continuing their growth in an important way. Team, international attention, skills and business vision are the cornerstones of the development of our portfolio".

STARTUP PORTFOLIO, INVESTMENTS AND NEW PARTNERSHIPS AT 30 JUNE 2020

There were **70** companies operating in the Digital Magics *portfolio* at 30 June 2020, of which **28 Innovative Start-ups** and **19 Innovative SMEs**, which, in the first half of 2020 achieved total investments of approximately **3 million euro** despite the difficult conditions caused by the COVID-19 emergency, of which **1.03 million euros invested by Digital Magics**. The resources were mainly allocated to new start-ups and to companies already present in the portfolio considered strategic.

Total financial fixed assets amounted to 15.8 million euros, substantially stable compared with 31 December 2019 (15.9 million euro). Despite the complex contingent situation caused by the pandemic, the Digital Magics team continued its *core* activity of analysis and selection of new start-ups, focusing attention on companies operating in the "digital" segments with the highest growth rate. 4 new start-ups entered the portfolio, 3 of which from the new Magic Wand Fintech, Insurtech, Blockchain and Cybersecurity acceleration programme. In the same period, two equity investments no longer operational were fully written down.

In February 2020, Digital Magics sold its share of the share capital (equal to 13.82%) of **Moneymour** to Klarna Bank AB (considered among the main Fintech companies in Europe), with a cash payment that generated a capital gain of approximately 303 thousand euros, with a return on investment equal to 3 times the capital invested and an IRR greater than 100%. Established in 2018 following selection for the **Magic Wand** acceleration programme, the vertical Digital Magics acceleration programme in the Fintech and Insurtech fields, it had also received investment from Reale Group, a leading Italian insurance group. In less than a year from its establishment, Moneymour has built an excellent and competent team, managing to design and implement a complete and performing technology and product, and it has now become part of the Klarna team.

In May, Digital Magics also signed a co-investment agreement with Lazio Innova aimed at innovative start-ups with operational headquarters in Lazio for the *seed* phase which, selected by Digital Magics and the Innova Venture investment committee, will be able to receive a co-investment of the venture capital fund launched by the Lazio Region and financed with the European Union POR FESR 2014/2020 funds. The co-investment agreement has a two-year duration and provides for an overall availability for investments of up to 6 million euros (40% by Innova Venture and 60% by Digital Magics S.p.A.).

MAIN RESULTS AT 30 JUNE 2020

Revenues at 30 June 2020 amounted to 1.3 million euros (1.5 million euros at 30 June 2019), in which there was a 15% growth in revenues deriving from consulting to portfolio companies.

EBITDA stands at 0.2 million euros with a positive difference of over 300 thousand euros (a negative result of 0.1 million euros at 30 June 2019) achieved also thanks to a significant rationalisation of costs. EBIT is negative and equal to 0.1 million euros, an improvement compared with the negative figure of 0.4 million euros at 30 June 2019, also thanks to the capital gain realised from the sale of the investment in Moneymour.

The Net Result, with a negative figure of 0.5 million euros (negative figure of 0.8 million euros at 30 June 2019), shows an important increase, despite the particularly critical external conditions and the write-downs in financial assets of 0.7 million euros.

The Net Financial Position stands at 2.0 million euros (1.4 million euros at 31 December 2019), with medium/long-term debt of 3.5 million euros (2.9 million euros at 31 December 2019) and with 2.9 million euros in cash and cash equivalents essentially unchanged in the 6 months of reference (2.8 million euros at 31 December 2019).

Equity stands at 16.6 million euros (17.2 million euros at 31 December 2019).

BUSINESS OUTLOOK AND EVENTS SUBSEQUENT TO CLOSURE OF THE HALF YEAR

Digital Magics has consolidated its leadership position in the sector with a portfolio of shareholdings operating in the top 5 fastest growing digital segments in Europe, continuing its growth and development path through the selection of the best start-ups in Italy operating in the *digital* segments with the fastest growth rates, including Fintech & Insurtech, enterprise software (cloud, SAAS and other IT services), marketing & advertising. The company intends to proceed with the continuous enhancement of its portfolio and in the development and expansion of acceleration and incubation programmes despite the extraordinary conditions created following the COVID-19 pandemic, with its important repercussions on the entire world economy and, in particular, on the Italian economy.

Digital Magics and the start-ups in the portfolio have promptly adopted all the measures indicated by the Italian Government and by the provisions of the Regulatory Protocol for the contrast and containment of COVID-19. The digital and technological identity of Digital Magics and the associated start-ups has certainly facilitated the adoption of effective tools to support smart working. There are numerous institutional and governmental initiatives that have been adopted in recent months in favour of start-ups. In particular:

- the new measures to access subsidised bank credit (also through the 200 million euros refinancing of the Guarantee Fund for SMEs) and the refinancing (100 million euro) of public loans for innovation;
- the allocation of 200 million euros for the MiSE venture capital support fund, to be allocated to CDP Venture Capital which distributes them in a loan scheme "converting" into matching with private investors, in favour of innovative start-ups and SMEs, combined with an incremental and provisional tax deduction (until June 2021), increased to 50% for individuals who invest up to 300 thousand euro;
- vouchers (funded for 10 million euro) to be assigned to start-ups for the purchase of support services from intermediate operators (incubators, advisors, etc.), such as Digital Magics;
- the equation of innovative start-ups with universities and research institutes, or entities from which companies can purchase deductible research and development services, in support of technology transfer
- the 12-month extension in the register of Innovative Start-ups in order to have all the benefits and concessions envisaged by the law for a longer period of time to partially cover the negative effects of the pandemic crisis.

As a first significant effect, in the current month the investment round in 6 innovative Italian start-ups (already present in the Digital Magics portfolio) was carried out for a value of over 3.5 million euros, in which CDP Venture Capital Sgr participated with approximately 1.6 million euros through the Accelerators Fund and the Italia Venture II Fund. In addition to Digital Magics (which invested around 300,000 euro) and CDP Venture Capital, various professional investors also took part in the round.

In the first months of the second half year, Digital Magics also achieved entry into 5 new start-ups.

Attached:

- Income Statement of Digital Magics S.p.A. at 30 June 2020
- Balance Sheet of Digital Magics S.p.A. at 30 June 2020
- Cash Flow Statement of Digital Magics S.p.A. at 30 June 2020

This press release is online on the Company's website in the *Investors/Press Releases* section.

The Half-Year Financial Report at 30 June 2020 will be made available to the public on the Company's website www.digitalmagics.com, Investor Relations section, within the terms established by the regulations in force.

Digital Magics, listed on AIM Italia (symbol: DM), is a business incubator that supports start-ups in the Tech world, with services for the enhancement and acceleration of digital business. Digital Magics, Talent Garden and Tamburi Investment Partners have created the biggest national innovation hub for DIGITAL MADE IN ITALY, offering support to innovative start-ups for creating successful projects, from conception to IPO. Digital Magics has always been a partner of excellent companies with its Open Innovation services, creating a synergistic bridge between companies and digital start-ups. Incubation and acceleration services by Digital Magics are active on Talent Garden coworking campuses throughout Italy. Complementary to services are investment activities, which over the years have produced a portfolio of over 70 investments in start-ups, scale-ups and digital spin-offs with high growth rates. Accelerated companies are joined by the Digital Magics team, partners with great entrepreneurial and digital experience, and benefit both from the wide network of private and institutional investors which support them through "club deals", and from the many partner companies which support them at the industrial level.

Banca Akros S.p.A. acts as Nomad and Specialist pursuant to the AIM Italia Issuers' Regulation. For the transmission and storage of Regulated Information, Digital Magics uses the eMarket SDIR dissemination system and the eMarket STORAGE storage mechanism available at www.emarketstorage.com managed by Spafid Connect S.p.A.

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RECLASSIFIED INCOME STATEMENT
(in euro)

	1st half year 2020	1st half year 2019	Change
Revenues from sales and services	1,341,432	1,485,234	(143,802)
Other revenues and increases in fixed assets	263,825	267,840	(4,015)
Production value	1,605,257	1,753,074	(147,817)
Cost of raw materials, supplies, consumables and goods	(2,574)	(4,312)	1,738
Cost of external services, use of third-party assets and other charges	(1,224,315)	(1,655,234)	430,919
Added value	378,368	93,528	284,840
Cost of labour	(213,368)	(244,700)	31,332
Gross operating margin (EBITDA)	165,000	(151,172)	316,172
Depreciation	(218,010)	(215,696)	(2,314)
Other valuation adjustments	(2,000)	(49,510)	47,510
Operating profit (EBIT)	(55,010)	(416,378)	361,368
Net financial income (expenses)	267,290	(62,837)	330,127
Value adjustments to financial assets	(697,680)	(337,326)	(360,354)
Pre-tax result	(485,400)	(816,541)	331,141
Income taxes for the year	1,172	(16,980)	18,152
Result for the year	(484,228)	(833,521)	349,293

RECLASSIFIED BALANCE SHEET
(in euro)

	30/06/2020	31/12/2019	Change
Intangible fixed assets	1,287,297	1,252,542	34,755
Tangible fixed assets	28,407	33,161	(4,754)
Financial fixed assets	15,833,614	15,981,884	(148,270)
Capital assets	17,149,318	17,267,587	(118,269)
Short-term operating activities	2,730,456	2,613,142	117,314
Activity in the financial year	19,879,774	19,880,729	(955)
Short-term operating liabilities	1,133,949	1,193,911	(59,962)
Net working capital	1,596,507	1,419,231	177,276
Severance package	92,868	96,664	(3,796)
NET INVESTED CAPITAL	18,652,957	18,590,154	62,803
Equity	16,636,428	17,151,757	(515,329)
Liquid assets	(2,902,312)	(2,764,506)	(137,806)
Short-term payables to banks	1,424,709	1,334,484	90,225
(Position) - Short-term net financial debt	(1,477,603)	(1,430,022)	(47,581)
Medium-long term payables to banks	3,494,132	2,868,419	625,713
Medium-long term net financial debt	3,494,132	2,868,419	625,713
Total (Position) - Net financial debt	2,016,529	1,438,397	578,132
OWN ASSETS AND (RECEIVABLES) - FINANCIAL PAYABLES	18,652,957	18,590,154	62,803

FINANCIAL STATEMENT

(in euro)

	1st half year 2020	1st half year 2019
A. Financial flows from operating activities		
Profit (loss) for the year	(484,228)	(833,521)
Income taxes	8,371	-
Interest payable (interest receivable)	35,667	26,259
Capital losses (capital gains) from the disposal of financial fixed assets	(302,937)	36,578
<i>1. Profit (loss) for the period before taxes dividends and gains/losses on disposal</i>	<i>(743,127)</i>	<i>(770,684)</i>
<i>Adjustments for non-cash items with no counterpart in NWC</i>		
Depreciation of intangible fixed assets	213,256	208,783
Depreciation of tangible fixed assets	4,754	6,913
Write-downs for impairment losses	697,680	317,265
Severance provision	11,337	12,249
Provision for deferred (prepaid) taxes	(9,543)	16,980
Write-down of intangible fixed assets	2,000	-
Write-down of trade receivables	-	49,510
<i>2. Cash flow before changes in NWC</i>	<i>176,357</i>	<i>(158,984)</i>
<i>Changes in net working capital</i>		
Decrease (increase) in receivables from customers	(116,412)	(648,513)
Decrease (increase) in receivables from subsidiaries and associates	(452,983)	(81,282)
Decrease (increase) in tax credits	(15,362)	30,594
Decrease (increase) in other assets, net	(8,210)	(11,762)
Decrease (increase) in accruals and deferred income	(31,431)	11,331
Increase (decrease) in trade payables	(105,832)	203,867
Increase (decrease) in payables to subsidiaries	96,918	154,710
Increase (decrease) in payables to associated companies	(1,174)	-
Increase (decrease) in tax payables	(83,679)	43,247
Increase (decrease) in payables to subsidiaries and associates	95,744	154,710
Increase (decrease) in other liabilities, net	53,270	(73,055)
Increase (decrease) in accruals and deferred income	(27,838)	(24,962)
<i>3. Cash flow after changes in NWC</i>	<i>(516,376)</i>	<i>(554,809)</i>
<i>Other adjustments</i>		
Interest received/(paid)	(35,667)	(26,259)
Severance paid	(15,133)	(61)
<i>4. Cash flow after other adjustments</i>	<i>(567,176)</i>	<i>(581,129)</i>
Cash flow of operating activities (A)	(567,176)	(581,129)
B. Cash flows from investment activities		
Tangible fixed assets: (Investments) - Divestments	-	(37,086)
Intangible fixed assets: (Investments) - Divestments	(250,010)	(246,963)
Financial fixed assets: (Investments) - Divestments	(213,627)	(2,141,149)
Realisable value of divestments	483,781	53,555
Cash flows from investment activity (B)	20,144	(2,371,643)
C. Cash flows from financial activities		
Third-party means		
Increase (decrease) in short-term bank liabilities	90,225	(44,487)
Increase (decrease) in medium/long-term bank liabilities	(374,287)	(272,443)
Loans collected	1,000,000	1,000,000

Own assets		
Dividends approved - Capital increase	-	(370,222)
Purchase of own shares	(31,100)	-
Cash flow from financing activities (C)	684,838	312,848
Increase (decrease) of cash and cash equivalents (A+B+C)	(137,806)	(2,639,924)
Cash and cash equivalents at 1 January	2,764,506	6,742,026
Cash and cash equivalents at 30 June	2,902,312	4,102,102