

DIGITAL MAGICS: THE BOARD OF DIRECTORS APPROVES THE DRAFT FINANCIAL STATEMENTS AT 31 DECEMBER 2020

*The growth and consolidation of the DIGITAL MAGICS portfolio continues
and EBITDA and EBIT improve,
notwithstanding an exceptional 2020 defined by the Covid19 pandemic*

- **Investments in 15 new startups**, of which 9 through acceleration programmes, and **follow-on in 17 startups**, for a total of **73 operating companies in the portfolio** (69 at 31 December 2019) of which 29 innovative startups and 20 innovative SMEs.
- **Total funding** of the companies in the portfolio amounting to EUR 27.3 million (EUR 36.6 million in 2019) of which EUR 2.64 million invested directly by Digital Magics (EUR 3.1 million in 2019)
- **Aggregate turnover¹** of companies in the portfolio of over EUR 62 million, up 14% vs 2019 (EUR 54.5 million in 2019 on a like-for-like basis)
- **Success of acceleration programmes** (Magic Wand Sustainability and Magic Wand Fintech, Insurtech, Blockchain & Cybersecurity) thanks to the participation of outstanding financial and corporate partners.
- **Revenues** of EUR 2.4 million, -11.5% compared to EUR 2.7 million in 2019
- **EBITDA** negative EUR 265 thousand, an improvement on the previous year (negative EUR 303 thousand); **EBIT** negative EUR 854 thousand, an improvement on the previous year (negative EUR 994 thousand)
- **Net result** negative EUR 2.5 million (negative EUR 2.3 million in 2019) after write-downs of EUR 1.9 million (EUR 1.2 million in 2019)
- **Net Financial Position** equal to EUR 2.0 million, in line with 30 June 2020 (EUR 1.4 million at 31 December 2019)
- **Shareholders' equity** of EUR 16.6 million (EUR 17.2 million at 31 December 2019)

Key events 2020:

- Consolidation of the **partnership with CDP**, with 14 co-investments in startups and innovative SMEs involving outstanding operators including StarTIP, a subsidiary of Tamburi Investment Partners
- **The DM SFP 2020 offer, approved on October 15, 2020, has been fully subscribed**, for a total value of EUR 2 million to support growth programmes
- **Digital Magics' leadership confirmed as the best accelerator and incubator in Italy** as declared by Dealroom
- **Exit from equity investments for EUR 740 thousand**

Milan, 23 March 2021

The Board of Directors of Digital Magics S.p.A., a *business incubator* listed on the AIM Italia market (symbol: DM), organised and managed by Borsa Italiana, today approved the draft financial statements for the year ended 31 December 2020 and approved the call of the Shareholders' Meeting on 28 April 2021 in first call, and on 4 May 2021 in second call.

¹ Estimated values relating to FY 2020, not subject to audit.

Alberto Fioravanti, Founder, President and CTO of Digital Magics, commented: *"Despite the impact of Covid-19 on pipeline operations and investments by European venture capital, the Italian ecosystem maintains the trend of the previous year thanks to an important acceleration of investments, both public and private."*

Our hope is that the digital renaissance cited by the study "The new Italian (tech) renaissance" (Samaipata VC) has only been postponed. The report, focusing on the demographic trends and economic performance of startups, confirms that startups are now steadily settling above 10 thousand (11,899 as of 1 January 2021). Lombardy hosts over a quarter of all Italian startups, followed by Lazio and Campania. Our portfolio follows national distribution thanks to a territorial network consisting of 8 offices in the main Italian cities and a large network of partners. Confirming its role as a leading player in the sector, we can highlight the recognition of Digital Magics as the best accelerator and incubator in Italy by Dealroom, an authoritative global data provider on startups, growth companies and technological ecosystems in Europe."

We close 2020 with data showing an improvement in both EBITDA and EBIT, confirming Digital Magics among the principal operators, particularly in the early-stage and seed segment".

Marco Gay, CEO of Digital Magics, commented: *"With concreteness and vision, during 2020 we continued on the path of growth and consolidation of our business with an ever greater growth of our portfolio and its value, thanks also to a constant strengthening of the operational team and our role as innovation enablers with Open Innovation programmes."*

Among the main partners, in addition to StarTIP of Tamburi Investment Partners, the first partner of Digital Magics, this year we can also include CDP Venture Capital, with which this year we have made 14 co-investments in startups and innovative SMEs of our portfolio. Furthermore, we are participating as partners and protagonists in the Fintech and Insurtech acceleration programme, a project that is part of the strategy of the national accelerator network, which CDP Venture Capital is launching and is carrying forward throughout Italy."

2020 was also important as a confirmation of the appreciation of our business model by the financial community: we announced in October 2020 and concluded in January 2021 the issue of equity instruments, with the full subscription of the same for 2 million euro to support growth and investments."

The path taken and our growth strategy and the value of our portfolio, which today exceeds 60 million euro in value compared to the latest capital increases, places us as a horizon, not only the consolidation of the national position but also the opening towards new international markets."

Gabriele Ronchini, Founder and CEO of Digital Magics, commented: *"In this particular year, our business has proved highly resilient and responsive even to the current situation, supporting our holdings in the change in the market. We have continued to invest in new initiatives with over 2.5 million euro thanks to the success of the acceleration programmes, which we have implemented with primary financial and industrial partners, and to the attention to the main sectors of national and international development, involving in our programmes Italian and foreign talents."*

This strategy leads our portfolio to focus on 3 of the 5 fastest growing digital segments in Europe: Fintech and Insurtech, Enterprise Software, e-commerce Marketplace."

A consolidated model that, as in the case of the Moneymour exit, in less than 24 months from its birth, managed to demonstrate its value and attract the attention of Klarna - the European fintech unicorn. Furthermore, the partnership with players such as CDP Venture Capital, Lazio Innova and industrial players have contributed to the growth of our shareholdings with an overall investment of over 27 million euro."

In particular, during the year just ended we invested in 15 new startups and followed the investments in equity investments already in the portfolio with 17 follow-ons, for a total of 73 operating equity investments with an aggregate turnover of over 62 million euro, making us one of the leading European incubators/accelerators."

DIGITAL MAGICS PORTFOLIO AT 31 DECEMBER 2020

Despite the exceptional nature of 2020, the year just ended was particularly positive for the Digital Magics portfolio. During the year, there were investments in 15 new startups and follow-ons in 17 startups for EUR 2.64 million (EUR 3.1 million in 2019) made directly by Digital Magics plus EUR 14.2 million attributable to CDP Venture Capital, confirming the consolidation of the partnership between the two investors in support of Italian innovative startups. Total deposits amount to approximately EUR 27.3 million (EUR 36.2 million in 2019), with the significant participation of StarTIP, a subsidiary of Tamburi Investment Partner.

At 31 December 2020, there were 73 active startups in the Digital Magics portfolio and the estimated aggregate 2020 turnover, unaudited, stood at over EUR 62 million (EUR 54.5 million in 2019 on a like-for-like basis). In 2020, disinvestments (so-called *exits*) amounted to EUR 740 thousand; in particular, the exit from Moneymour sold to Klarna Bank AB (one of the most important European fintech companies) less than 24 months after the establishment of the company, with a return on investment equal to 3 times the invested capital and an IRR greater than 100%.

2020 confirmed the success of the acceleration programmes with the conclusion in June of the third Magic Wand Fintech, Insurtech, Blockchain & Cybersecurity programme and the launch of the new *Magic Wand Sustainability* programme dedicated to innovative startups in the field of sustainability, a topical theme that is central to the world economy and to the guidelines of government institutions. The acceleration programmes saw the contribution and participation of outstanding financial and corporate partners, including BNL Gruppo BNP Paribas, Credem Banca, Crif, Innogest, Intesa Sanpaolo, LazioInnova, Nucleco (Sogin Group), Poste Italiane, Online SIM Ersel Group, SisalPay, RDS, Reale Group, TIM, and Fintech District.

In confirmation of its role as a leading player in the sector, Digital Magics was recognised as the best accelerator and incubator in Italy by Dealroom, the authoritative Dutch data provider on startups, growth companies and technological ecosystems in Europe.

Despite the impact of Covid-19 on pipeline operations and investments by European venture capital, the Italian ecosystem is showing very positive signs according the study "The New Italian (Tech) Renaissance" (*Samaipata VC*). This definition of "digital renaissance" derives, as we read in the data, from an important acceleration of investments, both public and private. Digital Magics is confirmed as one of the leading operators in this context, particularly in the early-stage and seed segment. The report dedicated to the demographic trends and economic performance of startups (the result of the collaboration between MISE and InfoCamere and with the support of the Chambers of Commerce system) confirms that startups are now steadily settling above 10 thousand (11,899 as of 1 January 2021). Lombardy hosts over a quarter of all Italian startups (27.0%), followed by Lazio (11.6%) and Campania (8.9%). The Digital Magics portfolio follows national distribution thanks to a territorial network consisting of 8 offices in the main Italian cities and a large network of partners.

PRINCIPAL RESULTS AT 31 DECEMBER 2020

Revenues amounted to EUR 2.4 million, compared to EUR 2.7 million in 2019, with a slight decrease mainly attributable to the consultancy activity for Open Innovation due to the pandemic and the related restrictive measures.

EBITDA shows an improved negative result of EUR 265 thousand, compared to the negative result of EUR 303 thousand in 2019, mainly thanks to the containment of costs for services. The lower adjustments for bad debts towards investee companies, in addition to the abovementioned cost efficiency, allowed the improvement of **EBIT** which is negative for EUR 854 thousand, compared to the negative result of EUR 994 thousand in 2019.

After write-downs of equity investments amounting to EUR 1.9 million (EUR 1.2 million in 2019) mainly attributable to the effects of the pandemic, the Company closed the year with a negative **Net Result** of EUR 2.5 million (negative for EUR 2.3 million in 2019).

The **Net Financial Position** at 31 December 2020 is equal to EUR 2.0 million, in line with the figure at 30 June 2020 (EUR 1.4 million at 31 December 2019), with cash and cash equivalents of EUR 4.4 million (EUR 2.8 million at 31 December 2019).

Shareholders' equity stands at EUR 16.6 million (EUR 17.2 million at 31 December 2019).

SIGNIFICANT EVENTS DURING THE 2020 FINANCIAL YEAR

On 22 January, Digital Magics and Banco BPM announced a partnership to improve credit access for innovative startups and support their growth path. The agreement allows Banco BPM to adopt new evaluation criteria to simplify the procedures for accessing credit, bringing banking services closer to innovative startups. Digital Magics will support the credit institution in the analysis and choice of opportunities to be financed, contributing its know-how and experience as a successful Italian business incubator.

On 7 February 2020, Manuel Gasperini resigned as board member due to new professional positions in another organisation incompatible with the office of director. On 14 February, The Board of Directors, with the favourable opinion of the Board of Statutory Auditors, approved the co-option of Alessio Gasperini (brother of Manuel Gasperini) in the role of non-executive director, following assessment of compliance with the requisites provided for by the law and current legislation.

In the period between 5 and 14 March 2020, Digital Magics purchased no. 7,600 treasury shares on the market. At the date of this press release, the company holds no. 18,200 own shares, corresponding to approximately 0.24% of the share capital.

On 3 April 2020, Stefano Molino resigned as board member due to new professional positions in another organisation incompatible with the office of director. Subsequently, Stefano Molino took on the position of Accelerator Fund Manager at CDP Venture Capital SGR - National Innovation Fund.

On 25 May 2020, Digital Magics and Lazio Innova signed an important co-investment agreement for the seed phase aimed at innovative startups with operational headquarters in Lazio; the beneficiary startups will be selected by Digital Magics and the investment committee of Innova Venture, the venture capital fund launched by the Lazio Region and financed with the EU funds of the POR FESR 2014/2020. The co-investment agreement has a two-year duration and provides for an overall availability for investments of up to EUR 6 million (40% by Innova Venture and 60% by Digital Magics).

On 29 September 2020, the Board of Directors resolved to call the Extraordinary Shareholders' Meeting proposing:

- the issue of "Digital Magics S.p.A. Equity Financial Instruments 2020", newly established, convertible into company shares, to be offered as an option to shareholders for a fee, at a maximum total price of EUR 2,000,000;
- the issue of new shares to service the possible conversion of the same "Digital Magics S.p.A. Equity Financial Instruments 2020";

- the issue of the newly created "Digital Magics EFI Warrants 2020-2025", to be assigned free of charge to the subscribers of the "Digital Magics S.p.A. Equity Financial Instruments 2020";
- the paid share capital increase to service the exercise of the same "Digital Magics EFI Warrants 2020-2025";
- the updating of the Articles of Association in order to adapt it to the changes recently introduced in the AIM Italia Regulation.

The Shareholders' Meeting, held on 15 October 2020, unanimously approved the proposals of the Board of Directors.

31 October 2020 saw the conclusion of the Fourth Financial Year Period (the duration of which was reduced from 16 to 31 October 2020, as per the Regulations, pending the extraordinary Shareholders' Meeting) of the "Digital Magics S.p.A. Warrants 2017-2022", ISIN code no. IT0005253247. During the Fourth Financial Year Period no warrants were exercised. At the date of this press release a total of no. 741,635 warrants have been exercised and there are therefore no. 901,369 residual warrants in circulation.

On 19 November 2020, Aurelio Mezzotero resigned as board member due to new professional positions in another organisation incompatible with the office of director. On 24 November 2020, the Board of Directors appointed through co-option a new non-executive director in the person of Claudio Giuliano. Giuliano is the founder and CEO of Innogest Capital, recognised as one of the leading Italian and European venture capital operators, and brings extraordinary experience and expertise in early-stage investments to the management of the Company.

SIGNIFICANT EVENTS AFTER 31 DECEMBER 2020

On 31 January 2021, no. 4,000 DM SFP 2020 (*Equity Financial Instruments*), equal to the total of the overall offer, for a value of EUR 2,000,000 were subscribed and no. 200,000 warrants were issued in total and assigned free of charge to the subscribers of DM SFP 2020. The financial resources deriving from the placement will mainly be used for investments in the most deserving companies present in the portfolio and in the new companies that will be selected for the incubation and acceleration programmes.

The option rights for the subscription of the "Digital Magics S.p.A. Strumenti Finanziari Partecipativi 2020" (DM SFP 2020), traded on the AIM Italia multilateral system organised and managed by Borsa Italiana S.p.A., from 2 November 2020 to 13 November 2020, were exercisable from 2 November 2020 to 19 November 2020. The unexercised rights were offered at auction, again on AIM Italia, on 23 and 24 November 2020, after which the total of the DM SFP 2020 subscribed were no. 1,397 for a value of EUR 698,500.00. At the same time, no. 69,850 "Digital Magics SFP Warrants 2020-2025" were issued and assigned free of charge to the subscribers of the DM SFP 2020. The residual DM SFP 2020 not subscribed at the end of the period for the exercise of the option rights, as envisaged by the shareholders' resolution, could also be placed by the Company with third parties by the final deadline of 31 January 2021. At 31 December 2020, the total number of DM SFP 2020 subscribed was no. 3,157 for a value of EUR 1,578,500.

Digital Magics has consolidated its leadership position in the sector with a portfolio of equity investments operating in the top 5 fastest growing digital segments in Europe. Digital Magics intends to continue on its path of growth and development primarily through the selection of the best startups in Italy operating in the digital sectors with the highest growth rate, including fintech & insurtech companies, and in the most relevant enabling technologies, including AI, IOT and 5G.

The company intends to continue in the continuous enhancement of its portfolio and in the development and expansion of acceleration and incubation programmes. Digital Magics also intends to invest to further strengthen the positioning acquired in the offer of Open Innovation services, considering this to be strategically synergistic with its role in developing and promoting innovation.

BUSINESS OUTLOOK

The extraordinary conditions that have arisen following the spread of the COVID-19 infection are having significant 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 to combat and contain COVID-19. The digital and technological identity of Digital Magics and the associated startups has no doubt facilitated the adoption of effective tools to support smart-working, which the Company will continue at least as long as health conditions make it appropriate, without foreseeing any appreciable impacts on company performance.

CALL OF THE SHAREHOLDERS' MEETING

The Board of Directors resolved to call the Shareholders' Meeting of Digital Magics on 28 April 2021 on first call and, if necessary, on second call on 4 May 2021, at the times and places that will be communicated in the relative notice of call which will be published in the manner and terms provided for by the applicable legislation and regulations.

The documentation will be available, in accordance with the applicable law and regulations, on the Company's website www.digitalmagics.com in the Investors/Shareholders' Meetings section.

This press release is published online on the Company's website www.digitalmagics.com in the Investors/Press Releases section.

ATTACHED:

- Income Statement Digital Magics S.p.A. at 31 December 2020
- Balance Sheet Digital Magics S.p.A. at 31 December 2020
- Financial Statement Digital Magics S.p.A. at 31 December 2020

***Digital Magics S.p.A.**, listed on AIM Italia (symbol: DM), is a business incubator that supports start-ups in the digital and tech world with services to enhance and accelerate business. Digital Magics, Talent Garden and Tamburi Investment Partners have created the most important national innovation hub for DIGITAL MADE IN ITALY, offering innovative startups support in creating successful projects, from concept to IPO. Digital Magics has always partnered with outstanding companies through 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 sending 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 EUR)

	FY 2020	FY 2019	Change
Revenues from sales and services	2,350,421	2,656,357	(305,936)
Other revenues and increases in fixed assets	409,834	580,892	(171,058)
Value of production	2,760,255	3,237,249	(476,994)
Cost of raw and ancillary materials, consumables and goods	(15,261)	(12,328)	(2,933)
Cost of external services, use of third party assets	(2,542,093)	(3,093,082)	550,989
Added value	202,901	131,839	71,062
Labour costs	(467,625)	(435,183)	(32,442)
EBITDA	(264,724)	(303,344)	38,620
Amortisation and Depreciation	(506,378)	(440,592)	(65,786)
Other adjustment allocations	(82,460)	(250,120)	167,660
EBIT	(853,562)	(994,056)	140,494
Net financial income (charges)	398,754	(75,355)	474,109
Value adjustments to financial assets	(2,063,774)	(1,224,941)	(838,833)
Earnings before taxes	(2,518,582)	(2,294,352)	(224,230)
Income taxes for the year	9,226	37,428	(28,202)
Net Profit (Loss)	(2,509,356)	(2,256,924)	(252,432)

RECLASSIFIED BALANCE SHEET
(in EUR)

	31/12/2020	31/12/2019	Change
Intangible fixed assets	1,170,034	1,252,542	(82,508)
Tangible fixed assets	26,690	33,161	(6,471)
Financial fixed assets	16,026,190	15,981,884	44,306
Fixed assets	17,222,914	17,267,587	(44,673)
Current assets	2,330,743	2,613,142	(282,399)
Assets	19,553,657	19,880,729	(327,072)
Current liabilities	1,299,874	1,193,911	105,963
Net working capital	1,030,869	1,419,231	(388,362)
Employee severance indemnity	106,098	96,664	9,434
NET INVESTED CAPITAL	18,147,685	18,590,154	(442,469)
Shareholders' equity	16,189,801	17,151,757	(961,956)
Cash and cash equivalents	(4,360,957)	(2,764,506)	(1,596,451)
Short-term payables to banks	1,443,817	1,334,484	109,333
Short-term net financial debt/(position)	(2,917,140)	(1,430,022)	(1,487,118)
Medium/long-term payables to banks	4,875,024	2,868,419	2,006,605
Medium/long-term net financial debt/(position)	4,875,024	2,868,419	2,006,605
Total Net financial debt/(Position)	1,957,884	1,438,397	519,487
EQUITY AND (RECEIVABLES) - FINANCIAL PAYABLES	18,147,685	18,590,154	(442,469)

FINANCIAL STATEMENT
(in EUR)

	FY 2020	FY 2019
A. Cash flows from operating activities (indirect method)		
Profit (loss) for the year	(2,509,356)	(2,256,924)
Deferred (prepaid) taxes	(9,226)	(37,428)

Interest payable/ (interest receivable)	81,024	47,987
(Dividends)	(275,247)	0
(Capital gains)/losses from sale of assets	(186,936)	27,368
1) Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses from sales	(2,899,741)	(2,218,997)
Adjustments for non-cash items not offset in NWC		
Allocation to provisions	25,159	23,927
Amortisation/depreciation of fixed assets	506,378	440,592
Write-downs for permanent losses in value	2,065,774	1,235,463
Other increase/(decrease) adjustments for non-monetary items	71,234	239,598
Total adjustments for non-monetary items not offset in NWC	2,668,545	1,939,580
2. Cash flow before changes in NWC	(231,196)	(279,417)
Changes in net working capital	-	
Decrease/(increase) in receivables from clients	77,587	(321,892)
Increase/(decrease) in payables to suppliers	5,159	7,490
Decrease/(increase) in prepayments and accrued income	(8,472)	48,013
Increase/(decrease) in accrued liabilities and deferred income	(35,672)	(24,651)
Other decreases/(increases) in net working capital	287,751	195,540
Total changes in net working capital	326,353	(95,500)
3. Cash flow after changes in net working capital	95,157	(374,917)
Interest received/(paid)	(81,024)	47,987
Dividends	275,247	0
Other collections/(payments)	(15,725)	(5,142)
Total other adjustments	178,498	(53,129)
Cash flow from operating activities (A)	273,655	(428,046)
B. Cash flows from investment activities		
Tangible fixed assets (Investments)	(8,504)	(39,545)
Intangible fixed assets (Investments)	(415,603)	(520,669)
Financial fixed assets (Investments)	(2,403,857)	(3,339,789)
Disinvestments	487,421	240,397
Non-current financial assets (Investments)	0	(2,500)
Cash flow from investment activities (B)	(2,340,543)	(3,662,106)
C. Cash flows from financial activities		
Third-party financing		
Increase/(Decrease) in short-term bank loans	109,333	(1,415)
New financing	2,400,000	2,000,000
(Loan repayments)	(393,395)	(1,516,160)
Equity		
Paid Capital Increase (EFL)	1,578,501	431
Sale (Purchase) of treasury shares	(31,100)	0
Distribution of dividends	0	(370,224)
Cash flow from financing activities (C)	3,663,339	112,632
Increase (decrease) of cash and cash equivalents (A+B+C)	1,596,451	(3,977,520)
Cash and cash equivalents at start of year	2,764,506	6,742,026
Cash and cash equivalents at end of year	4,360,957	2,764,506