

**DIGITAL MAGICS APPROVES THE DRAFT FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019**

INCREASING REVENUES, IMPROVING EBITDA AND EBIT

+32% AGGREGATE TURNOVER OF PORTFOLIO STARTUPS EQUAL TO €78 M

- **Revenue of €2.7 million, an increase of 3.8% compared to €2.6 million in 2018**
- **Negative EBITDA of €303 thousand, an improvement on the previous year (negative €347 thousand); Negative EBIT of €994 thousand, an improvement on the negative result of €1,188 thousand as at 31/12/2018**
- **Negative net result of €2.3 million** compared to a net profit of €385 thousand in 2018, which included proceeds from the partial exit from the investee Talent Garden
- **Net financial position of €1.4 million** (€3.0 million assets as at 31/12/2018)
- **Shareholders' equity of €17.2 million** (€19.8 million as at 31/12/2018)
- **Investments in 17 new start-ups, 6 of which selected in the Magic Wand Retail Revolution acceleration programme, for a total of 69 operating companies in the portfolio** (62 as at 31/12/2018) of which 26 innovative Start-ups and 18 Innovative SMEs
- **Aggregate turnover¹ of portfolio companies of approximately €78 million, +32% compared to €56 million in 2018**
- **Total revenue of portfolio companies amounts to €36.6 million (+224% compared to 2018)** of which €2.6 million invested directly by Digital Magics (€2.3 million in 2018)
- **Open Innovation programmes continue successfully with 21 projects developed in 2019**
The second acceleration programme involving 10 primary partner companies, "Magic Wand Retail Revolution", has been completed, and the third "Magic Wand Fintech, Insurtech, Blockchain & Cybersecurity" programme has been launched

Milan, March 23, 2020

The Board of Directors of Digital Magics SpA, a *business incubator* listed on the AIM Italia market (symbol: DM), organised and managed by Borsa Italiana, approved today the draft financial statements for the year ended December 31, 2019 and approved the call of the Ordinary Shareholders' Meeting on April 28, 2020 on first call, and on April 30, 2020 on second call.

Alberto Fioravanti, Founder, President and CTO of Digital Magics, commented: "2019 was a record year for the Tech ecosystem in Europe which raised over €38 billion, an increase of 40% compared to 2018. The Italian market also proves to be a dynamic and attractive one, with Milan entering the list of the 15 TOP EU Tech Hubs. In our country, investments in start-ups grew by 17% compared to 2018, for a value of around €690 million, along with the growing interest of foreign investors (33% of the total invested). For our part, following the conclusion of the vertical batch of the acceleration programme in the Retail sector, we have already started the third batch of the Magic Wand programme, dedicated to Fintech and Insurtech start-ups albeit with a broader focus on two blockchain and cybersecurity segments, with a view to meeting the growing demand of even the most traditional companies".

¹ Estimated value, unaudited

Marco Gay, CEO of Digital Magics, commented as follows: *"Digital Magics continues to grow, consolidating its leadership position in Italy as a business incubator for highly innovative technological start-ups. The growth in the value of the investments continues, which we estimate today at around €60 million or over 4 times the historical cost at which they were entered in the financial statements. Year 2020 began with an important extraordinary operation: the exit from the start-up Moneymour, founded in 2018 during the first Magic Wand acceleration programme, realised with the acquisition by the Swedish multinational Klarna. The exit transaction, completed in record time from the investment date, yielded a significant return for the investors involved; as for Digital Magics, it generated a return equal to approximately 3 times the capital invested with a 100% IRR. With dedication and concreteness, we remain deeply committed to our current activities, overly complex context due to the Covid-19 emergency. We believe this situation will bring to the fore the relevance of digitalisation and technology, which represent the heart of our business, as worktool, research and growth."*

Gabriele Ronchini, Founder and CEO of Digital Magics, commented: *"During 2019, we invested over €3.1 million in 17 new start-ups for a total of 69 operational start-ups at the end of the year. To this amount, we must add approximately €34 million from third-party investors, which confirm our leadership in identifying the most valuable projects and in the ability to grow their business. In fact, we recorded an important growth in the aggregate turnover of investees, which in 2019 increased by 32% to €78 million."*

DIGITAL MAGICS PORTFOLIO AS AT DECEMBER 31, 2019

During the year, Digital Magics invested in 17 new start-ups, of which 6 through the Magic Wand Retail Revolution acceleration programme, for a total of 69 operating start-ups compared to 62 at the end of 2018. Portfolio start-ups achieved total revenue of €36.6 million in 2019, with an impressive 224% growth over 2018. Digital Magics has made a direct investment of €3.1 million (including approximately €500 thousand for the purchase of shares on the secondary market), with a 35% investment increase compared to 2018.

Third-party investors represented the main *boost* with an investment growth rate of over 270%, i.e. from €9 million in 2018 to about €34 million in 2019, thus demonstrating *the appeal* of start-ups in the Digital Magics portfolio.

Together with investments, the business results of companies also grow, with an aggregate turnover around €78 million, an increase of 32% compared to 2018.

Following the conclusion of the vertical *batch* of the acceleration programme in the *Retail* sector, *Magic Wand Retail Revolution*, Digital Magics launched the third *batch* of the programme in the second half of the year: **Magic Wand Fintech, Insurtech, Blockchain & Cybersecurity**. Compared to the first vertical acceleration initiative dedicated to Fintech and *Insurtech start-ups*, the third *batch* has a wider focus on two related segments to meet the needs of a more mature and specific market. A *trend* that is also confirmed by the presence of the *corporate partners* of the programme, including BNL BNP PARIBAS Group, CREDEM, CRIF, INNOGEST, ONLINE SIM-ERSEL Group, POSTE ITALIANE, SISAL PAY, REALE GROUP and TIM.

BUSINESS EVOLUTION OUTLOOK

Digital Magics commitment is to continue with concreteness and determination in the enhancement of its portfolio and in the development and expansion of the acceleration and incubation programs.

In the first quarter of 2020, the Company announced the first Exit of the year thanks to the acquisition by the Swedish multinational Klarna of the start-up Moneymour, founded only in 2018 during the first Magic Wand acceleration program, followed by an investment from one of the Magic Wand corporate partners, Reale Group. The Exit transaction, performed in record time with respect to the investment, generated a significant return for the investors. For Digital Magics it generated a return equal to approximately 3 times the capital invested, with an IRR of 100%.

Regarding the extraordinary conditions generated by COVID-19 virus, Digital Magics and the start-ups in its portfolio immediately implemented all the measures suggested by the Italian Government and the provisions stated by the Regulatory Protocol for the contrast and containment of COVID-19. The digital and technological DNA of Digital Magics and its start-ups has certainly facilitated the adoption of technological tools to support smart-working and agile work.

Despite the uncertainty about the consequences on global businesses and economy, there is a reaction from companies and public institutions towards the adoption of more technological and digital approaches in their business and operational strategies, which can find an effective solution in the diverse innovative offers of the start-ups in the Digital Magics portfolio.

This press release is online in the section Investors/Press Releases at www.digitalmagics.com.

***Digital Magics S.p.A.**, listed on AIM Italia (symbol: DM), is a business incubator of digital and technological projects that provides consulting services and acceleration services to startups and enterprises, to facilitate the development of new businesses. Digital Magics, Talent Garden and Tamburi Investment Partners, created the most important national hub for innovation for DIGITAL MADE IN ITALY, by providing support to innovative startups to create successful projects, from conception to IPO. Digital Magics has always been a partner of excellent enterprises, with its Open Innovation services, thus creating a synergetic bridge between companies and digital startups. The incubation and acceleration services offered by Digital Magics are active in the TAG co-working campuses present throughout Italy. Complementary services include investment activities, which have produced over the years a portfolio of 70 investments in digital startups, scaleups and spinoffs with high growth rates. Accelerated companies are flanked by Digital Magics' team, a partner of enormous business and digital experience, and benefit not only from the large network of private and institutional investors that support them through "club deals", but also from the many partner companies that support them on an industrial scale.*

***Banca Akros S.p.A.** acts as a Nomad and Specialist under the AIM Italia Issuers Regulations.*

For the transmission and storage of regulated information, Digital Magics makes use of the system of dissemination eMarket SDIR and the storage mechanism eMarket STORAGE available at the address www.emarketstorage co-managed by Spafid Connect SpA.

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FINANCIAL STATEMENT
(in Euro)

	FY 2019	FY 2018	Variation
Revenues from sales and services	2.656.357	2.558.943	97.414
Other revenues and increases in fixed assets	580.892	810.420	(229.528)
Changes in inventories	-	(169.100)	169.100
Value of production	3.237.249	3.200.263	36.986
Cost of goods, services, third parties assets and others	(3.105.410)	(3.115.167)	9.757
Added Value	131.839	85.096	46.743
Payroll costs	(435.183)	(432.398)	(2.785)
Gross Operating Profit - EBITDA	(303.344)	(347.302)	43.958
Depreciation and amortisation	(440.592)	(511.503)	70.911
Other valuation adjustments	(250.120)	(329.122)	79.002
Operating Profit - EBIT	(994.056)	(1.187.927)	193.871
Net financial Income (Charges)	(75.355)	3.181.050	(3.256.405)
Value adjustments of financial assets	(1.224.941)	(1.613.152)	388.211
Pre-tax Profit	(2.294.352)	379.971	(2.674.323)
Income taxes	37.428	5.754	31.674
Net Profit	(2.256.924)	385.725	(2.642.649)

BALANCE SHEET
(in Euro)

	12/31/2019	12/31/2018	Variation
Intangible fixed assets	1.252.542	1.168.780	83.762
Tangible fixed assets	33.161	7.823	25.338
Financial fixed assets	15.981.884	14.134.801	1.847.083
Net fixed assets	17.267.587	15.311.404	1.956.183
Short-term assets	2.613.142	2.756.322	(143.180)
Total assets	19.880.729	18.067.726	1.813.003
Short-term liabilities	(1.193.911)	(1.232.921)	39.010
Net working capital	1.419.231	1.523.401	(104.170)
Provisions for employees severance indemnities	(96.664)	(77.879)	(18.785)
NET INVESTED CAPITAL	18.590.154	16.756.926	1.833.228
Shareholders' Equity	17.151.757	19.778.474	(2.626.717)
Cash and cash equivalents	(2.764.506)	(6.742.026)	3.977.520
Short-term payables to banks	1.334.484	1.537.860	(203.376)
Net short-term financial Indebtedness (Position)	(1.430.022)	(5.204.166)	3.774.144
M/L-term payables to banks	2.868.419	2.182.618	685.801
Net M/L-term financial Indebtedness (Position)	2.868.419	2.182.618	685.801
Net financial Indebtedness (Position)	1.438.397	(3.021.548)	4.459.945
SHAREHOLDERS' EQUITY AND FINANCIAL DEBTS	18.590.154	16.756.926	1.833.228

CASH FLOW STATEMENT
(in Euro)

	FY 2019	FY 2018
A. Cash flow from operating activities		
Net profit (loss) for the period	(2.256.924)	385.725
Income taxes	(37.428)	(5.754)
Net Interests expenses	47.987	44.197
Net loss (gain) from disposal of fixed assets	27.368	(3.236.536)
1. Accounting profit (loss) for the period before income taxes, interests, dividends and capital gains/losses from disposals	(2.218.997)	(2.812.368)
Value adjustments for non-cash assets/liabilities with no effects on WC		
Provisions	23.927	20.587
Depreciation of fixed assets	440.592	511.503
Write-downs for impairment losses	1.235.463	1.613.152
Other value adjustments for non-cash assets/liabilities	239.598	498.222
Total value adjustments for non-cash assets/liabilities with no effects on WC	1.939.580	2.643.464
2. Cash flow before WC changes	(279.417)	(168.904)
Net Working Capital changes	-	
Decrease/(increase) receivables from clients	(321.892)	346.379
Increase/(decrease) payables to suppliers	7.490	(577.617)
Decrease/(increase) prepayments and accrued income	48.013	12.546
Increase/(decrease) accruals and deferred income	(24.651)	51.650
Other decrease/(increase) in WC	195.540	(49.427)
Total Net Working Capital changes	(95.500)	(216.469)
3. Cash Flow after WC changes	(374.917)	(385.373)
Interests collected/(paid)	(47.987)	(44.197)
Other cash receipts/(payments)	(5.142)	(7.316)
Total of other adjustments	(53.129)	(51.513)
CASH FLOW FROM OPERATING ACTIVITIES (A)	(428.046)	(436.886)
B. Cash flow from investments	-	
Tangible fixed assets (Investments)	(39.545)	11.215
Intangible fixed assets (Investments)	(520.669)	(421.475)
Financial fixed assets (Investments)	(3.339.789)	(2.665.737)
Disposals	240.397	3.655.116
Financial current assets (Investments)	(2.500)	
CASH FLOW FROM INVESTMENTS (B)	(3.662.106)	579.119
C. Cash flow from financing activities		
Third-parties funds		
Increase/(decrease) short-term payables to banks	(1.415)	447.289
New M/L-term loans from banks	2.000.000	-
(Repayment of loans to banks)	(1.516.160)	(476.927)
Shareholders' equity		
Paid capital increase	431	519.277
(Share buyback)	-	(70.860)
(Dividends paid)	(370.224)	
CASH FLOW FROM FINANCING ACTIVITIES (C)	112.632	418.779
Increase/(decrease) in cash and cash equivalents (A+B+C)	(3.977.520)	561.012
Cash and cash equivalents at the beginning of the year	6.742.026	6.181.014
Cash and cash equivalents at year end	2.764.506	6.742.026