

DIGITAL MAGICS APPROVES THE HALF-YEARLY FINANCIAL REPORT AS AT JUNE 30, 2017

**THE AXIS DIGITAL MAGICS – TAMBURI INVESTMENT PARTNERS (TIP) CONTINUES
TO STRENGTHEN THROUGH THE LATTER’S LAUNCH OF THE “STARTIP” PROJECT
WITH A BUDGET UP TO 100 MILLION EUR FOR DIGITAL INNOVATION**

- **Operating companies in the portfolio amounting to 66**, of which 36 Innovative Startups and 7 Innovative SMEs, after the sale of a stake equal to 5% held in the company Vin.Ci. Srl (ProfumeriaWeb) and investments in 8 new shareholdings, including the accelerator Withfounders, which in turn holds 9 operative investments in digital startups
- **Financial fixed assets equal to 15.5 million Euro** (14 million Euro at December 31 2016) after investments in the first half of 2017 amounting to **2.1 million Euro**, essentially doubled compared to the first half of 2016
- **10 new Open Innovation programs** in the sectors of Fintech, EnergyTech, Healthtech, Fashiontech and Industry 4.0, activated as from January 1 2017
- **Net financial debt at June 30 2017 equal to 163 thousand Euro** (3.9 million Euro at 12/31/2016) with **liquid assets of over 4 million Euro**
- **Strong growth in the Shareholders’ Equity, equal to 20.3 million Euro** (14.9 million Euro at 12/31/2016) due to the success of the capital increase
- **Value of Production equal to 1.2 million Euro** (1.4 million Euro at 06/30/2016) with **negative EBITDA at 410 thousand Euro** (positive at 153 thousand Euro in H1 2016) and **negative net result of 1.3 million Euro** (versus -230 thousand Euro at 06/30/2016) following the write-down of receivables and the investment in Digital Events Srl.

Milan, September 27, 2017 – The Board of Directors of Digital Magics SpA., business incubator listed on the AIM Italia market (symbol: DM), organised and managed by the Italian Stock Exchange, has today approved the half-yearly report as at June 30, 2017.

*“This was a very significant six months during which we consolidated our leadership in the field of digital innovation in Italy. We continued our investment activity in new companies; we performed a write-down of a company which is no longer operational and sold our stake in ProfumeriaWeb, bringing the number of operating companies in our portfolio to 66. The number of Open Innovation programs – through which we aim to promote a path of innovation in established enterprises that enjoy a high standing, including the international ones that operate on the national territory – is progressively increasing as well. At the same time we are maintaining solid assets with shareholders’ equity rising to 20.3 million Euro and a net financial position broadly balanced, with financial resources amounting to over 4 million Euro, which will allow us to further strengthen our position in the ‘Digital Made in Italy’” said **Alberto Fioravanti, Founder and Executive Chairman of Digital Magics.***

FINANCIAL HIGHLIGHTS AS AT JUNE 30 2017

The Value of Production amounted to 1.2 million Euro (compared to 1.4 million Euro at 06/30/2016). In particular, revenues from incubation services amounted to 695 thousand Euro (compared to 946 thousand Euro in H1 2016), following the transfer of some coworking and logistics services – in favour of the startups incubated – to the participated company Talent Garden.

EBITDA was negative by 410 thousand Euro at June 30 2017 (it was positive by 153 thousand at June 30, 2016) mainly due to lower capitalised costs amounting to about 400 thousand Euro. EBIT was negative by 901 thousand Euro (positive by 43 thousand Euro in H1 2016) due both to the increase in amortisation on new investments operated, and the write-down of receivables due from investees (approximately 291 thousand Euro).

The result for the period as at June 30 2017 was negative by 1.3 million Euro (negative by 230 thousand Euro at June 30 2016) after (i) the write-down of the shareholding in the startup Digital Events Srl amounting to 528 thousand Euro; the startup is no longer operational and entered into voluntary liquidation since July 12 2017, (ii) the write-down of receivables due from investees (the write-downs amounted to a total of 181 thousand Euro in H1 2016) and (iii) as a result of higher amortisation, which offset the increase in financial income recorded during the period (+220 thousand Euro compared to H1 2016).

Net financial indebtedness as at June 30 2017 amounted to 163 million Euro (3.9 million Euro at 12/31/2016), the medium-long term indebtedness amounted to 3.4 million Euro; cash and cash equivalents amounted to 4.1 million Euro.

Shareholders' equity rose to 20.2 million Euro from 14.9 million Euro at December 31 2016, as a result of both the success of the capital increase of approximately 5 million Euro – which involved the participation of TIP and Marco Gay, and the entry of Danilo Iervolino Group into the shareholding structure – and the capital increase reserved for Innogest SGR (among the most important Italian venture capital funds specialising in *early stage* investments) and for the founders of the Withfounders accelerator, with the transfer of 35% of Withfounders and 600 thousand Euro in cash.

The first half of 2017 was characterised by events and actions in line with the business strategy:

- The issuance of free no. 1,643,278 Warrants to be assigned to shareholders (no. 1 Warrant for every no. 4 Digital Magics shares held); each Warrant, in case of exercise (scheduled in October of each year from 2017 to 2022), confers the right to subscribe no. 1 new ordinary share of Digital Magics at a price - in the first exercise period in October 2017 - of 5.75 Euro. The corresponding capital increase amounted to a maximum of 14.4 million Euro, inclusive of the share premium.
- Launch of 10 Open Innovation programs with leading Italian companies, including IBM, Buffetti, Moleskine, Adecco, as well as the renewal of the one with Poste Italiane.

PORTFOLIO OF STARTUPS AND INVESTMENTS AS AT JUNE 30, 2017

At June 30 2017, the operating companies in the portfolio increased to a number of 66, of which 36 innovative startups and 7 Innovative SMEs; in the first half of 2017 Digital Magics sold its stake of Vin.Ci. Srl (ProfumeriaWeb) and acquired 17 new shareholdings belonging mainly to the sectors of Fintech, Agritech, TravelTech, social media and B2B tech service.

The estimated value of the portfolio, according to Banca Akros analysts, exceeds 58 million Euro (Equity Research published on September 26 2017).

The **investments** in the investee companies, in the first half of 2017, amounted to 2.1 million Euro (1.17 million Euro in H1 2016). The total **financial fixed assets** rose to 15.5 Euro million at June 30 2017 from 14 million Euro at December 31, 2016.

SIGNIFICANT EVENTS OCCURRING AFTER JUNE 30, 2017

- On September 22 Digital Magics, on the occasion of the Lugano IR Top Investor Day, presented 12 startups, among the most dynamic ones in its portfolio, which generated a total turnover of more than 14.4 million Euro in 2016, an increase of 60% compared to the previous year; the total value of the selected startups amounted to more than 61.3 million Euro, after the latest investment rounds.
- On September 14, Tamburi Investment Partners SpA, the majority shareholder of Digital Magics announced (inter alia) the concentration in a single company – StarTip Srl – of all the holdings operating in the areas of startups, digital and innovation including Digital Magics, Talent Garden, Telesia and others. StarTip will also be the vehicle through which all the additional initiatives in these areas will be promoted, allocating up to 100 million Euro for this project, to be invested in the coming years. This initiative by TIP is a tremendous boost to the entire sector of investments in innovation, and is likely to change the prospects of development of the best startups, which will find a solid partner in StarTip, starting with those in Digital Magics' portfolio.

Furthermore, the activities aimed at maximising the value of participations held in startups that have successfully completed the incubation cycle are still continuing.

Attached are the Income Statement, Balance Sheet and Cash Flow statement at June 30 2017.

This press release is available on the website www.digitalmagics.com under *Investor Relations - Press Release*.

Digital Magics, listed on AIM Italia (symbol: DM), is a business incubator of digital projects that provides consulting services and acceleration services to startups and enterprises, to facilitate the development of new technological businesses. Thanks to the partnership with Talent Garden and Tamburi Investment Partners, Digital Magics has created the most important national platform for innovation for DIGITAL MADE IN ITALY, by providing support to innovative startups to create successful projects, from conception to IPO, while offering services for the digital transformation and "Open Innovation" to excellent enterprises. 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 startups, scaleups and digital 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.

Bank Akros 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.com managed by Spafid Connect SpA.

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RECLASSIFIED INCOME STATEMENT

(in Euro)

	I° Semester 2017	I° Semester 2016	Variation
Revenues from sales and services	694,950	945,833	(250,883)
Other revenues and increases in fixed assets	481,174	438,863	42,311
Value of production	1,176,124	1,384,696	(208,572)
Costs of raw, ancillary and consumable materials, and goods	(8,300)	(12,059)	3,759
Cost of external services, use of third parties assets and other costs	(1,387,099)	(1,045,325)	(341,774)
Added value	(219,275)	327,312	(546,587)
Payroll cost	(191,116)	(173,964)	(17,152)
Gross Operating Margin (EBITDA)	(410,391)	153,348	(563,739)
Depreciation and amortisation	(199,127)	(110,008)	(89,119)
Other valuation adjustments	(290,986)	-	(290,986)
Operating Result (EBIT)	(900,504)	43,340	(943,844)
Net financial income (charges)	153,112	(73,279)	226,391
Value adjustments of financial assets	(528,000)	(180,600)	(347,400)
Result before taxes	(1,275,392)	(210,539)	(1,064,853)
Income taxes for the period		(19,608)	19,608
Result for the period	(1,275,392)	(230,147)	(1,045,245)

RECLASSIFIED BALANCE SHEET

(in Euro)

	06/30/2017	12/31/2016	Variation
Non-current assets	18,485,452	16,879,761	1,605,691
Current assets	3,497,101	3,668,207	(171,106)
Operating assets	21,982,553	20,547,968	1,434,585
Trade payables to controlled and associated companies	(955,089)	(1,168,083)	212,994
Current liabilities	(1,496,684)	(1,637,127)	140,443
Net working capital	2,000,417	2,031,080	(30,663)
Provision for employee severance indemnities	69,741	68,517	1,224
NET INVESTED CAPITAL	20,416,128	18,842,324	1,573,804
Shareholders' Equity	20,253,467	14,898,245	5,355,222
Cash and cash equivalents	(4,062,754)	(733,178)	(3,329,576)
Short-term payables to banks	863,572	1,171,629	(308,057)
(Position)/Net short-term financial indebtedness	(3,199,182)	438,451	(3,637,633)
Medium and long-term payables to banks	3,361,843	3,505,628	(143,785)
(Position)/Net medium and long-term financial indebtedness	3,361,843	3,505,628	(143,785)
Total net financial indebtedness	162,661	3,944,079	(3,781,418)
SHAREHOLDERS' EQUITY AND DEBTS	20,416,128	18,842,324	1,573,804

CASH FLOW STATEMENT

(in Euro)

	1 ^o Semester 2017	1 ^o Semester 2016
A, Cash flow generated by operating activities		
Net income (loss) for the period	(1,275,392)	(115,554)
Income taxes	-	19,608
Interest income (Interest expenses)	76,388	73,279
Net loss (gains) from disposal of fixed assets	-	(4,583)
Net loss (gains) from disposal of financial fixed assets	(229,500)	(69,331)
1. Accounting profit (loss) for the year before taxes, dividends and capital gains/losses from disposals	(1,428,504)	(96,581)
<i>Value adjustments for non-monetary assets which do not have an effect on WC</i>		
Amortisation of intangible fixed assets	192,542	102,132
Amortisation of tangible fixed assets	6,585	7,876
Write-downs for impairment losses	528,000	180,600
Provisions TFR (severance indemnity)	10,780	9,326
Impairment of trade receivables	290,986	-
2. Cash flow before change in WC	(399,611)	203,353
<i>Change in net working capital</i>		
Decrease (increase) receivables from clients	(149,095)	(354,378)
Decrease (increase) receivables from controlled companies	(471,819)	(905,911)
Decrease (increase) receivables from associated companies	281,510	(191,967)
Decrease (increase) tax receivables	(152,316)	(1,626)
Decrease (increase) other net assets	(50,751)	255,732
Decrease (increase) of payments and accrued income	126,690	54,181
Increase (decrease) trade payables for assets	19,091	256,437
Increase (decrease) payables to controlled companies	(369,304)	(112,907)
Increase (decrease) payables to associated companies	21,120	6,952
Increase (decrease) in tax payables	(23,279)	(63,891)
Increase (decrease) other net liabilities	(38,315)	(59,291)
Increase (decrease) financial accrued expenses and deferred income	14,145	35,667
3. Cash flow after variations in WC	(1,191,934)	(877,649)
<i>Other adjustments</i>		
Interests collected (paid)	(76,388)	(73,279)
TFR (severance indemnity) paid	(9,556)	(40,097)
4. Cash flow after other adjustments	(1,277,877)	(991,025)
Financial flow of operating profitability (A)	(1,277,877)	(991,025)
B, Cash flows arising from investing activities		
<i>Tangible fixed assets</i>		
(Investments) - Disposals	(1,379)	10,532
<i>Intangible fixed assets</i>		
(Investments) - Disposals	(279,055)	165,379
<i>Financial fixed assets</i>	(453,324)	
(Investments)	230,000	(945,252)
Proceeds from disposals	-	
<i>Financial current assets</i>		
Cash flow from investments (B)	(503,758)	(769,341)
C, Cash flows arising from financing activities		
<i>Means of third parties</i>		
Increase (decrease) short term payables to banks	(308,057)	(524,698)
Increase (decrease) long term payables to banks	(143,785)	662,126

Debenture loan	-	(313,500)
<i>Shareholders' Equity</i>		
Share capital increase	5,563,054	500,000
Cash flows arising from financing activities (C)	5,111,212	323,928
Increase(decrease) in cash and cash equivalents (A+B+C)	3,329,576	(1,436,438)
Cash and cash equivalents on January 1st	733,178	2,628,074
Cash and cash equivalents on June 30th	4,062,754	1,191,636