

## **DIGITAL MAGICS APPROVES THE HALF-YEARLY FINANCIAL REPORT AS AT JUNE 30, 2018**

**63 active startups in the portfolio, significant improvement in revenues (+106%) and positive margins**

- **Operating companies in the portfolio amounting to 63**, of which 31 innovative Startups and 9 Innovative SMEs
- **8 new equity investments**, of which 6 originating from the acceleration program "Magic Wand – FinTech and InsurTech", for a total of **1.1 million Euro**
- **10 Open Innovation programs** active in the first half of 2018
- **Net Financial Position positive by 1.4 million Euro** (positive by 2.4 million Euro at 12/31/2017) with cash and cash equivalents amounting to 4.7 million Euro
- **Shareholders' equity equal to 18.3 million Euro** (18.9 million Euro at 31/12/2017)
- **Value of Production equal to 1.82 million Euro** (1.18 million Euro in the first half of 2017), up 55%, with an increase driven by revenues which were more than doubled, deriving from the new Open Innovation programs and from the acceleration program "Magic Wand – FinTech and InsurTech"
- **EBITDA equal to 36 thousand Euro** (negative by 420 thousand Euro in the first half of 2017) and **negative net result of 1.1 million Euro** (negative by 1.3 million Euro in the first half of 2017) following the write-down of investments for 0.8 million Euro (0.5 million Euro in the first half of 2017)

**Milan, September 18 2018**

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, 2018.

**Alberto Fioravanti, Founder, President and Chief Technology Officer of Digital Magics**, has commented as follows: *"It was a very positive semester, in which we achieved excellent economic results both in terms of Open Innovation programs and in services to our investee companies, with a ever-increasing attention towards the technological component, fundamental for the success of the initiatives of this sector. The opening of our London office - in partnership with iStarter - is also relevant, to support our scaleups that are ready to face an international development"*.

**Marco Gay, CEO of Digital Magics**, stated: *"We have concentrated our resources on the strategic development and on the entrepreneurial initiatives with the greatest chances of success. Thanks to the partnership with StarTIP, launched in 2017 by Tamburi Investment Partners, with a budget of up to 100 million Euro, we have strengthened the national and international growth of two startups in the Digital Magics portfolio, more specifically, Buzzoole (one of the most important platforms dedicated to the "influencer marketing" on an international level) and Centy (the first smart coin counter, managed entirely via app), in which StarTIP has recently invested"*.

*"With a digital market that is growing fast in Italy in 2018"* underlined Alessandro Malacart, **CFO of Digital Magics**, *"the results and positioning of Digital Magics improved significantly, consistently with the business model we are pursuing with determination; if these conditions remain, the goal of a historic break-even is much closer"*.

## **PORTFOLIO OF STARTUPS AND INVESTMENTS AS AT JUNE 30, 2018**

With a view to further strengthening the development of its equity investment portfolio, at the end of 2017, Digital Magics launched “**Magic Wand – the FinTech and InsurTech Excellence Accelerator**”, the first acceleration program addressed to the startups in the sector, in partnership with ten primary market operators (BNL BNP Paribas Group, Credito Valtellinese, Ersel Investimenti, Innovation Center of the Intesa Sanpaolo Group, Innogest, Poste Italiane, SellaLab, SisalPay, Reale Mutua Assicurazioni and UBI Banca). At the end of the program, Digital Magics has selected and invested in a *bouquet* consisting of six initiatives, representing the excellence in the innovation within the sector: *Axieme*, *Coverholder*, *DIAMANTech*, *Moneymour and MyCreditService*, and *Cardo*. In addition to these ones, there are also investments in WonderStore (a *big data* platform for the retail industry) and Kaitiaki (an artificial intelligence system against *cyberbullying* and *Internet haters*), for a total of **8 new investments during the period**.

At 30 June 2018 **the number of operating companies in the portfolio amounted to 63** (from 58 at 12/31/2017), **of which 31 Innovative Startups and 9 Innovative SMEs**.

In the first half of the year, direct **investments** by Digital Magics in the investee companies amounted to **1.1 million Euro**, in addition to a further 1.1 million Euro that the companies in the portfolio collected from third-party investors. Total **financial fixed assets** thus increased to 12.3 million Euro from 11.9 million Euro at December 31 2017. The overall *deal-flow* amounted to over 700 projects evaluated.

## **FINANCIAL HIGHLIGHTS AS AT JUNE 30 2018**

The **Value of Production** recorded a growth of 54.6% from 1.18 million Euro at 30 June 2017 to 1.82 million Euro at 30 June 2018, driven mainly by **revenues, which were more than doubled**, equal to 1.43 million Euro, also thanks to the activities carried out in favour of the startups included in the **acceleration program**.

Revenues from Open Innovation programs have more than doubled thanks to the greater number of companies involved, as well as the average value of contracts. The **10 Open Innovation programs** active in the first half of 2018 saw the involvement of major *brands*, including Electrolux, Poste Italiane, Moleskine, Gruppo Buffetti and Terna.

**EBITDA** amounted to 36 thousand Euro, an improvement of approximately 450 thousand Euro compared to the first half of 2017, benefiting from a constant and careful management of operating costs.

**EBIT**, although negative for 0.3 million Euro, also showed an improvement of 0.6 million Euro compared to the same period of the previous year, on which the write-downs of receivables from investee companies had weighed.

The **net result** was negative by 1.1 million Euro, an improvement compared to the negative result of 1.3 million Euro in the first half of 2017. In the first half of 2018 write-downs of three investments were recorded for 0.8 million Euro (0.5 million Euro in the first half of 2017).

At June 30 2018 the **Net Financial Position** was positive and equal to 1.4 million Euro (positive by 2.4 million Euro at 31/12/2017), of which 4.7 million Euro in cash and cash equivalents. Cash absorption was attributable to direct investments made during the period (1.1 million Euro) and to the repayment of bank borrowings, which decreased from 3.8 to 3.3 million Euro. In particular, the medium/long-term indebtedness as at June 30 2018 amounted to 2.05 million Euro (2.66 million Euro at December 31 2017).

At June 30 2018 the **Shareholders' Equity** amounted to 18.3 million Euro (18.9 million Euro at December 31 2017). Following the exercise of *stock-options* for new Digital Magics shares, envisaged by the "2015-2020 Incentive Plan", the share capital increased from 7.3 million Euro at 12/31/2017 to 7.4 million Euro at 06/30/2018.

## **BUSINESS OUTLOOK**

Digital Magics intends to reinforce the investment and optimisation activity in Innovative Startups, focusing in particular on the Artificial Intelligence and Industry 4.0 sectors, as well as consolidating its strategic partnerships. Furthermore, Digital Magics intends to continue supporting the Talent Garden expansion plan (TAG) and develop new international agreements.

Attached are:

- Balance Sheet of Digital Magics SpA at June 30 2018
- Income Statement of Digital Magics SpA at June 30 2018
- Cash Flow Statement of Digital Magics SpA at June 30 2018

This press release is available on the website [www.digitalmagics.com](http://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 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.com](http://www.emarketstorage.com) managed by Spafid Connect SpA.

**For further information:**

### **Digital Magics**

Press Office

Giorgio Bocchieri

E-mail: [giorgio.bocchieri@digitalmagics.com](mailto:giorgio.bocchieri@digitalmagics.com)

Tel.: +39 02 52505202

Mob.: +39 334 6853078

### **IRTop Consulting**

Investor Relations

Florianita Vitale

E-mail: [f.vitale@irtop.com](mailto:f.vitale@irtop.com)

Tel.: +39 02 4547 3883/4

### **Banca Akros**

Nominated Adviser (NomAd)

E-mail: [ecm@bancaakros.it](mailto:ecm@bancaakros.it)

Tel.: +39 02 434441

**RECLASSIFIED BALANCE SHEET**  
(in Euro)

|                                                         | <b>06/30/2018</b>  | <b>12/31/2017</b>  | <b>Variation</b> |
|---------------------------------------------------------|--------------------|--------------------|------------------|
| Intangible assets                                       | 1,231,128          | 1,247,462          | (16,334)         |
| Tangible fixed assets                                   | 16,334             | 22,847             | (6,513)          |
| Financial fixed assets                                  | 14,221,743         | 13,508,333         | 713,410          |
| <b>Non-current assets</b>                               | <b>15,469,205</b>  | <b>14,778,642</b>  | <b>690,563</b>   |
| Short-term assets                                       | 3,270,712          | 3,413,992          | (142,280)        |
| <b>Activities during the year</b>                       | <b>18,739,917</b>  | <b>18,192,634</b>  | <b>547,283</b>   |
| Short term liabilities                                  | (1,708,186)        | (1,614,592)        | (93,594)         |
| <b>Net working capital</b>                              | <b>1,562,526</b>   | <b>1,799,400</b>   | <b>(236,874)</b> |
| Provision for employee severance indemnities            | (77,105)           | (64,608)           | (12,497)         |
| <b>NET CAPITAL INVESTED</b>                             | <b>16,954,626</b>  | <b>16,513,434</b>  | <b>441,192</b>   |
| Shareholders' Equity                                    | 18,308,104         | 18,944,332         | (636,228)        |
| Cash and cash equivalents                               | (4,689,707)        | (6,181,014)        | 1,491,307        |
| Short-term payables to banks                            | 1,285,521          | 1,090,571          | 194,950          |
| <b>(Position) Net short-term financial indebtedness</b> | <b>(3,404,186)</b> | <b>(5,090,443)</b> | <b>1,686,257</b> |
| Medium and long-term payables to banks                  | 2,050,708          | 2,659,545          | (608,837)        |
| Net medium and long-term financial indebtedness         | 2,050,708          | 2,659,545          | (608,837)        |
| <b>Total (Position) Net financial indebtedness</b>      | <b>(1,353,478)</b> | <b>(2,430,898)</b> | <b>1,077,420</b> |
| <b>SHAREHOLDERS' EQUITY AND (RECEIVABLES) - DEBTS</b>   | <b>16,954,626</b>  | <b>16,513,434</b>  | <b>441,192</b>   |

**RECLASSIFIED INCOME STATEMENT**  
(in Euro)

|                                                                        | <b>1° semester<br/>2018</b> | <b>1° semester<br/>2017</b> | <b>Variation</b> |
|------------------------------------------------------------------------|-----------------------------|-----------------------------|------------------|
| Revenues from sales and services                                       | 1,434,867                   | 694,950                     | 739,917          |
| Other revenues and increases in fixed assets                           | 383,906                     | 481,174                     | (97,268)         |
| <b>Value of production</b>                                             | <b>1,818,773</b>            | <b>1,176,124</b>            | <b>642,649</b>   |
| Cost of raw, ancillary and consumable, materials and goods             | (2,851)                     | (8,300)                     | 5,449            |
| Cost of external services, use of third parties assets and other costs | (1,551,223)                 | (1,387,099)                 | (164,124)        |
| <b>Added value</b>                                                     | <b>264,699</b>              | <b>(219,275)</b>            | <b>483,974</b>   |
| Payroll cost                                                           | (228,688)                   | (191,116)                   | (37,572)         |
| <b>Gross Operating Margin (EBITDA)</b>                                 | <b>36,011</b>               | <b>(410,391)</b>            | <b>446,402</b>   |
| Depreciation and amortisation                                          | (250,671)                   | (199,127)                   | (51,544)         |
| Other valuation adjustments                                            | (54,480)                    | (290,986)                   | 236,506          |
| <b>Operating Result (EBIT)</b>                                         | <b>(269,140)</b>            | <b>(900,504)</b>            | <b>631,364</b>   |
| Net financial income (charges)                                         | (46,205)                    | 153,112                     | (199,317)        |
| Value adjustments of financial assets                                  | (786,473)                   | (528,000)                   | (258,473)        |
| <b>Result before taxes</b>                                             | <b>(1,101,818)</b>          | <b>(1,275,392)</b>          | <b>173,574</b>   |
| Income taxes for the period                                            | (4,407)                     | --                          | (4,407)          |
| <b>Result for the period</b>                                           | <b>(1,106,225)</b>          | <b>(1,275,392)</b>          | <b>169,167</b>   |

**CASH FLOW STATEMENT**  
(in Euro)

|                                                                                                                           | 1° semester<br>2018 | 1° semester<br>2017 |
|---------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| <b>A. Cash flow generated by operating activities</b>                                                                     |                     |                     |
| Net income (loss) for the period                                                                                          | (1,106,225)         | (1,275,392)         |
| Income taxes                                                                                                              | 4,407               | -                   |
| Net Interest income (Interest expenses)                                                                                   | 46,158              | 76,388              |
| Net loss (gains) from disposal of financial fixed assets                                                                  | -                   | (229,500)           |
| <b>1. Accounting profit (loss) for the year before taxes, interest, dividends and capital gains/losses from disposals</b> | <b>(1,055,660)</b>  | <b>(1,428,504)</b>  |
| <i>Value adjustments for non-monetary assets which do not have an effect on WC</i>                                        |                     |                     |
| Amortisation of fixed assets                                                                                              | 250,671             | 199,127             |
| Write-downs for impairment losses                                                                                         | 786,473             | 528,000             |
| Provisions TFR (severance indemnity)                                                                                      | 12,497              | 10,780              |
| Impairment of trade receivables                                                                                           | 54,480              | 290,986             |
| <b>2. Cash flow before change in WC</b>                                                                                   | <b>48,461</b>       | <b>(399,611)</b>    |
| <i>Change in net working capital</i>                                                                                      |                     |                     |
| Decrease (increase) receivables from clients                                                                              | 67,338              | (149,095)           |
| Decrease (increase) receivables from controlled companies                                                                 | (213,290)           | (471,819)           |
| Decrease (increase) receivables from associated companies                                                                 | (58,713)            | 281,510             |
| Decrease (increase) tax receivables                                                                                       | (74,862)            | (152,316)           |
| Decrease (increase) other net assets                                                                                      | 28,290              | (50,751)            |
| Decrease (increase) of payments and accrued income                                                                        | (14,371)            | 126,690             |
| Increase (decrease) trade payables for assets                                                                             | (159,407)           | 19,091              |
| Increase (decrease) payables to controlled companies                                                                      | 273,280             | (369,304)           |
| Increase (decrease) payables to associated companies                                                                      | (59,440)            | 21,120              |
| Increase (decrease) in tax payables                                                                                       | (9,218)             | (23,279)            |
| Increase (decrease) other net liabilities                                                                                 | (56,604)            | (38,315)            |
| Increase (decrease) financial accrued expenses and deferred income                                                        | 49,500              | 14,145              |
| <b>3. Cash flow after variations in WC</b>                                                                                | <b>(179,036)</b>    | <b>(1,191,934)</b>  |
| <i>Other adjustments</i>                                                                                                  |                     |                     |
| Interests collected (paid)                                                                                                | (46,158)            | (76,388)            |
| TFR (severance indemnity) paid                                                                                            | -                   | (9,556)             |
| <b>4. Cash flow after other adjustments</b>                                                                               | <b>(225,194)</b>    | <b>(1,277,878)</b>  |
| <b>Financial flow of operating profitability (A)</b>                                                                      | <b>(225,194)</b>    | <b>(1,277,878)</b>  |
| <b>B. Cash flows arising from investing activities</b>                                                                    |                     |                     |
| <i>Tangible fixed assets</i>                                                                                              |                     |                     |
| (Investments) - Disposals                                                                                                 | -                   | (1,379)             |
| <i>Intangible fixed assets</i>                                                                                            |                     |                     |
| (Investments) - Disposals                                                                                                 | (227,825)           | (279,055)           |
| <i>Financial fixed assets</i>                                                                                             |                     |                     |
| (Investments)                                                                                                             | (1,094,401)         | (453,324)           |
| Disposals                                                                                                                 | -                   | 230,000             |
| <b>Cash flow from investments (B)</b>                                                                                     | <b>(1,322,226)</b>  | <b>(503,758)</b>    |
| <b>C. Cash flows arising from financing activities</b>                                                                    |                     |                     |
| <i>Means of third parties</i>                                                                                             |                     |                     |
| Increase (decrease) short term payables to banks                                                                          | 194,950             | (308,057)           |

|                                                                 |                    |                  |
|-----------------------------------------------------------------|--------------------|------------------|
| Increase (decrease) long term payables to banks                 | (608,837)          | (143,785)        |
| <i>Shareholders' Equity</i>                                     |                    |                  |
| Paid capital increase                                           | 470,000            | 5,563,054        |
| <b>Cash flows arising from financing activities (C)</b>         | <b>56,113</b>      | <b>5,111,212</b> |
| <b>Increase (decrease) in cash and cash equivalents (A+B+C)</b> | <b>(1,491,307)</b> | <b>3,329,576</b> |
| <b>Cash and cash equivalents on January 1st</b>                 | <b>6,181,014</b>   | <b>733,178</b>   |
| <b>Cash and cash equivalents on June 30th</b>                   | <b>4,689,707</b>   | <b>4,062,754</b> |