

THE BOARD OF DIRECTORS OF DIGITAL MAGICS HAS APPROVED THE DRAFT FINANCIAL STATEMENTS FOR 2013 AND THE 2014-2018 STRATEGIC PLAN

- *In 2013, it invested in 11 startups, including 6 innovative startups, a sale and a merger by incorporation, with a year-end balance of 31 investments in its portfolio*
- *Investments of around € 3.47 million in equity holdings*
- *Net invested capital of € 11.2 million (€ 6.3 million in 2012)*
- *Shareholders' equity of € 13.8 million (€ 3 million in 2012)*
- *Net financial position improved by € 6 million and passing from debt of € 3.4 million in 2012 to cash of € 2.6 million in 2013*

2014-2018 STRATEGIC PLAN

- *Positioning of Digital Magics as an Italian startup incubator with an incremental presence distributed throughout the country*
- *Objective of more than 1,000 investors in the "Digital Magics Angel Network", an informal network of individuals, companies and institutional stakeholders to co-invest in startups*
- *5 new arrangements of "Open Innovation" agreements per year, a program to support Italian businesses in the process of digital innovation*
- *Program to invest € 4 million each year in about 100 new digital initiatives*
- *Plan to exit equity investments for more than € 20 million in five years, with a corresponding target of distributing dividends of € 7 million (50% of net capital gains expected)*

PUBLICATION IN THE OFFICIAL JOURNAL OF THE ITALIAN REPUBLIC OF THE DECREE IMPLEMENTING TAX DEDUCTIONS FOR INVESTORS IN INNOVATIVE STARTUPS AND CERTIFIED INCUBATORS

Milan, 27 March 2014 - Today, Digital Magics, a certified incubator of innovative startups listed on the AIM Italia, the Alternative Investment Market for small and medium-sized Italian enterprises with high growth potential organized and managed by Borsa Italiana (Italian Stock Exchange, ticker: DM), approved the draft financial statements for the year ended 31 December 2013 and the 2014-2018 Strategic Plan.

Main Results for Digital Magics as of 31 December 2013

The trading of the ordinary shares of Digital Magics on AIM Italia, the Alternative Investment Market of Borsa Italiana (the Italian Stock Exchange) began on 31 July 2013 (Ticker: DM – ISIN: IT0004900160). During the year, Digital Magics placed 1,504,100 newly issued ordinary shares for a total value, including premium of € 10.57 million, of which € 4.14 million through the conversion of bonds and other previous debt.

In 2013, investments were made, either directly or through 56CUBE - an incubator 80% controlled by Digital Magics and dedicated to Southern Italy - in 11 new startups: ulaola, Skillme, QuitePeople, Intertwine, Sinapsi, Buzzoole, Prestiamoci, ilmangione, Tasteet!, Private Broker and DeRev for a total of about € 3.47 million. In particular, Skillme, QuitePeople, Intertwine, Buzzoole, Tasteet! and DeRev were entered in the register of Innovative Startups (as defined by Law



221/2012 and Law 99/2013). During the period, Realize was also sold at book value SingRing was merged into Digital Bees.

As of 31 December 2013, Digital Magics's portfolio contains 31 equity holdings, of which 10 Innovative Startups.

Net invested capital of € 11.2 million increased by € 4,85 million during the year. This change is mainly due to the increase in the value of financial assets, due to both investments made and the revaluation (under Law 147/2013) of certain equity holdings in the portfolio for a total of € 1.233 million euros.

The asset reserve corresponding to the revaluation and the placement of the capital increase carried out in 2013 contributed to increasing shareholders' equity, which amounted to € 13.8 million as of 31 December 2013 (about € 3 million in 2012).

The placement of the capital increase also impacted the net financial position, which improved by € 6 million in 2013, amounting to € 2.6 million in cash (compared to debt of € 3.4 million in 2012).

In 2013, revenue from incubation services as € 1.6 million, compared to 3 million in 2012, due to a decrease of "in-transit revenues" realized from several incubated startups. Margin (EBITDA) went from € 423,000 Euro to € 8000 due to a reduction of turnover from third-parties with higher margins.

EBIT for the year was € -355,000 (€ -49,000 in 2012), due to the increase in depreciation. The result for the year of € -808,000, compared to € -270,000 in 2012, was influenced, for € 263,000, by financial expenses (down slightly) and, for € 182,000, by adjustments to financial assets (significantly reduced compared to 2012).

2014-2018 Strategic Plan

Along with the approval of the 2013 draft financial statements, the Board of Directors of Digital Magics also approved the new **Multi-Year Strategic Plan (2014-2018)**, which aims to strengthen the position of Digital Magics as an incubator for Italian startups, through an incremental distributed presence throughout the country, to seize investment opportunities and intercept local financial and business interests.

Over the next 5 years, the Multi-Year Strategic Plan provides for an investment program of more than € 4 million per year in a hundred new digital initiatives. This program will be funded by the results of operations and resources from exiting equity holdings, estimated to be a total of € 20 million during the period. About a third of these resources (half of the estimated net capital gains) will be used to distribute dividends.

The Multi-Year Strategic Plan also aims to add over 1,000 new investors to the *Digital Magics Angel Network*, an informal network individuals and organizations interested in co-investing in a deal club to support innovative startups. The investors are individuals (entrepreneurs and top managers with a passion for digital innovation), manufacturers (like the RCS Group, Uvet Group and Nice, which are also involved in the *Open Innovation* programs) and financiers (like Tamburi Investment Partners, Banca Sella Group, Atlante Seed, Gate14 Group and UniCredit). The *Digital Magics Angel Network* is a strategic asset for the venture incubator not only because it increases financial leverage but also because it adds to the expertise and network of relationships available to the startups in the portfolio.

The Multi-Year Strategic Plan also provides for the development of the *Open Innovation* program, which aims to support Italian businesses in their process of digital innovation. In short, Digital Magics and the business partner create a common program that, in the industrial sector of reference, aims to: invest in innovative startups, acquire new assets or create a spin-offs from company assets and develop M&As. The program combines partner's industrial experience with



the incubator's digital expertise.

Publication in the official journal of the Italian republic of the decree implementing tax deductions for investors in innovative startups and certified incubators

On 20 March 2014, the official journal of the Italian Republic published the decree implemented tax deductions for investors in innovative startups and certified incubators. After obtaining the approval of the European Commission, the provisions of Growth Decree 2.0 (converted into Law No. 221 of 17 December 2012), which are presently implemented by the Interministerial Decree of 30 January 2014 signed by the Minister of Economy and Finance and the Minister of Economic Development, will go into effect.

There are tax breaks for individuals and companies that invest in the share capital of innovative startups and certified incubators, directly or indirectly, or through Undertakings for Collective Investment (UICs).

The incentive for individuals translates into an **income tax deduction of 19%** on a maximum investment of € **500,000** each year while, for companies, there is an **IRES deduction of 20%** on a maximum investment of € **1.8 million** each year. The tax breaks approved by the EU regard tax years 2013, 2014 and 2015.

This press release is online at www.digitalmagics.com in the *Investor Relations* section.

The tables that follow contain the details of the Income Statement and Balance Sheet as of 31 December 2013.

Digital Magics – www.digitalmagics.com

Digital Magics is a certified venture incubator of innovative and digital startups which provide high-tech contents and services. Digital Magics Italian is listed on the AIM Italia, the Alternative Investment Market for small and medium-sized Italian enterprises with high growth potential organized and managed by Borsa Italiana (Italian Stock Exchange). Digital Magics sets up and develops Internet startups by supporting founders, investing equity capital and providing acceleration services. It starts with talent and ideas and transforms them into successful disruptive businesses in the Italian and international digital economy. The incubator promotes a culture of entrepreneurship and risk, contributing to economic growth and employment for young people. Digital Magics offers services to support innovation and the creation and development of digital startups, and supports them in the search for new private and public investors, both Italian and international, to fund the next phases of development. The Digital Magics model is unique in Italy and is based on the Digital Magics LAB: the team that identifies, analyzes and launches new initiatives, providing startups innovative mentorship, financial, administrative, strategic, logistical, technological and marketing communications services, as well business management support to accelerate the growth of the business.

Integrae SIM acts as Nomad and Specialist according to the AIM ITALIA Issuer Regulations.

For the transmission of information, Digital Magics uses the SDIR-NIS circuit, run by Blt Market Services, a subsidiary of London Stock Exchange Group

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SUMMARY DATA

CONTO ECONOMICO

(Euro/1000)	Esercizio 2013	%	Esercizio 2012	%	Variazione	Variazione %
Ricavi delle vendite, delle prestazioni	1.642	99,4%	3.048	99,7%	(1.406)	(46,1%)
Altri ricavi e incrementi immobilizzazioni	11	0,6%	8	0,3%	3	34,4%
Valore della produzione	1.652	100,0%	3.056	100,0%	(1.404)	(45,9%)
Costo materie prime, sussidiarie, di consumo e di merci	(3)	(0,2%)	(17)	(0,6%)	14	(80,6%)
Costo dei servizi esterni, godimento dei beni di terzi ed altri oneri	(1.290)	(78,1%)	(2.192)	(71,7%)	901	(41,1%)
Valore aggiunto	359	21,7%	847	27,7%	(489)	(57,7%)
Costo del lavoro	(351)	(21,2%)	(424)	(13,9%)	73	(17,3%)
Margine operativo lordo (EBITDA)	8	0,5%	423	13,8%	(415)	(98,1%)
Ammortamenti	(272)	(16,4%)	(39)	(1,3%)	(232)	592,4%
Altri stanziamenti rettificativi	(91)	(5,5%)	(433)	(14,2%)	342	(78,9%)
Risultato operativo (EBIT)	(355)	(21,4%)	(49)	(1,7%)	(306)	622,5%
Proventi (oneri) finanziari netti	(263)	(15,9%)	(284)	(9,3%)	21	(7,4%)
Rettifiche di valore di attività finanziarie	(182)	(11,0%)	(425)	(13,9%)	243	(57,2%)
Risultato prima dei componenti straordinari e delle imposte	(799)	(48,3%)	(758)	(24,9%)	(41)	6%
Proventi (oneri) straordinari netti	(11)	(0,7%)	434	14,2%	(445)	(102,5%)
Risultato prima delle imposte	(810)	(49,0%)	(324)	(10,7%)	(487)	150%
Imposte sul reddito dell'esercizio	3	0,2%	54	1,8%	(51)	(94,9%)
Risultato dell'esercizio	(808)	(48,8%)	(270)	(8,9%)	(538)	199%

STATO PATRIMONIALE

(Euro/1000)	31/12/2013	31/12/2012	Variazione
Immobilizzazioni immateriali	687	4	683
Immobilizzazioni materiali	37	53	(16)
Immobilizzazioni finanziarie	10.009	5.331	4.678
Capitale immobilizzato	10.733	5.388	5.345
Crediti commerciali, verso controllate e collegate	2.031	2.134	(103)
Altri crediti	609	1.156	(547)
Ratei e risconti attivi	117	1	116
Attività di esercizio a breve	2.758	3.291	(533)
Attività dell'esercizio	13.491	8.679	4.812
Debiti commerciali, verso controllate e collegate	1.413	1.342	71
Altri debiti	748	756	(8)
Ratei e risconti passivi	-	13	(13)
Fondi rischi ed oneri	96	173	(77)
Passività di esercizio a breve	2.257	2.285	(28)
Capitale di esercizio netto	501	1.006	(506)
Trattamento di fine rapporto	70	80	(11)
CAPITALE INVESTITO NETTO	11.165	6.314	4.850
Patrimonio netto	13.800	2.967	10.832
Indebitamento (posizione) finanziario netto a breve termine	(3.590)	1.011	(4.601)
Indebitamento finanziario netto a medio-lungo termine	955	2.336	(1.381)
Totale indebitamento finanziario netto	(2.635)	3.347	(5.982)
MEZZI PROPRI E DEBITI FINANZIARI	11.165	6.314	4.850