

DIGITAL MAGICS LAUNCHES NEW *OPEN INNOVATION* SERVICES FOR EXCELLENT ENTERPRISES THROUGH A PARTNERSHIP WITH TALENT GARDEN AND TAMBURI INVESTMENT PARTNERS

- *Expansion of the "Open Innovation" platform - DIGITAL MADE IN ITALY - in partnership with Talent Garden and Tamburi Investment Partners, the largest innovation hub in Italy for the acceleration of digital startups and the digital transformation of excellent enterprises in the country*
- *New information services, strategic consulting and training for innovation intended for top management*
- *New business support services for investments in the digital sector*
- *Extension of acceleration services for startups on all TAG campuses located throughout the territory*

HALF-YEARLY FINANCIAL REPORT AS AT JUNE 30, 2015 APPROVED

- *Revenues from consulting and incubation services of 1.18 million Euro (+ 4% compared to June 2014) with value of production equal to 1.28 million Euro (+ 12.4%)*
- *EBITDA of 150 thousand Euro (+75% compared to June 2014) and net result of -173 million Euro (-175 thousand Euro in June 2014)*
- *6 new investments in digital startups and 1 transfer bring the number of startups to 46, including 25 recorded in the Register of Innovative Startups*
- *Shareholders' equity at June 30, 2015 amounted to 17.7 million Euro (12.9 million Euro at December 31, 2014)*
- *Equity investments for 1.64 million Euro, which are flanked by investments of approximately 3 million Euro by third parties*
- *Net financial position positive for 770 thousand Euro (versus a negative position of 2 million Euro in December 2014) with cash and cash equivalents of 4.5 million Euro, medium and long-term payables amounting to 2.5 million Euro and short-term payables equal to 1.23 millions Euro*

Milan, September 29, 2015 - Digital Magics, venture incubator listed on AIM Italia (symbol: DM), has today approved the plan of new services intended for enterprises and the half-yearly report at June 30, 2015.

The new plan enhances the *Open Innovation* platform - DIGITAL MADE IN ITALY - founded thanks to the partnership with **Talent Garden** (TAG) and **Tamburi Investment Partners** (TIP), which aims to create **the largest innovation hub in Italy** for the development and the acceleration of digital *startups* and the digital transformation of the excellent enterprises in the country.

More specifically, Digital Magics wants to strengthen the offer of ***Open Innovation* for enterprises** by providing:

- **information services, strategic consulting and training for the top management**, finalised to digital innovation and collaboration with the ecosystem of innovators
- **business support services for investments in the digital sector**, such as scenario analysis, *scouting* for new talent and technology, support to programs of *corporate venture capital* and of acceleration of *spinoff*
- **guidance services for the production of innovative technological applications** created by startups.

The services provided by the incubator will be integrated with those offered by **Talent Garden** – a subsidiary of Digital Magics and leading European *network of co-working* focused on the digital field – which provides information and training for *executive managers* and *startup teams*, communication, creation of innovation events, design of innovative work spaces and hospitality in its campuses.

In addition, services of incubation and acceleration for startups and scaleups provided by Digital Magics will be reinforced through:

- **widespread presence** in all Talent Garden campuses with the *mentorship* of local partners
- **participation of startups** to business *Open Innovation* programs
- **extension of acceleration services up to the pre-IPO phase**
- **extension of *Digital Magics Angel Network*** nationwide.

A key role will be played by the new campus **TAG Milano Calabiana**, recently announced, a space of over **8,500 square meters**, which aims to be the meeting point for digital entrepreneurs and European creative talents in Italy. The campus, among the largest in Europe, will host more than 400 professionals, providing numerous services for business innovation.

The plan includes the organic growth of services and potential acquisitions, with a forecast for 2016 which sees a doubling of the current turnover.

HALF-YEARLY REPORT AT 30 June 2015

In the first half of 2015, revenues from consulting services and incubation amounted to 1.18 million Euro, compared to 1.13 million in the same period of 2014 (+ **4%**). The value of production increased from 1.14 million Euro in June 2014 to 1.28 million in June 2015 (+ **12.4%**).

EBITDA improved further and is positive for 150 thousand Euro (+ **75%** compared to June 2014). **The net result for the period** was a loss of 173 thousand Euro (compared with a loss of 175 thousand Euro in June 2014).

To the 41 startups (directly or through 56CUBE) at December 31 2014, six new investments and one transfer were added in the first half of 2015, **bringing the number of investments in digital startups to 46, including 25 recorded in the Register of Innovative Startups.**

Investments in the first half of 2015 in the startups amounted to **1.64 million Euro**, which have been joined by investments of approximately **3 million Euro** by third parties. **The total investment at June 30, 2015** by Digital Magics amounted to **18.2 million Euro**, which have been joined by investments of **7.8 million Euro by third parties**. The total value of disposals (exits) is about 5 million.

Net Invested Capital was 16.9 million Euro, compared to 14.8 million in 2014; the increase is largely the result of the new investments in startups.

Shareholders' equity amounted to 17.7 million Euro (in 2014 it was approximately 12.8 million Euro). This positive development is the result of the full subscription of the capital increase in option in May, with the issue of 1,008,183 new shares, for a countervalue of 4.99 million Euro.

The net financial position was positive for 770 thousand Euro, versus a negative position of 2 million Euro in December 2014. At June 30, 2015 Digital Magics had **cash and cash equivalents** of 4.5 million Euro, and payables of 3.7 million Euro, of which **medium and long-term payables to banks amounting to 2.5 million Euro**, short-term payables equal to 0.9 million Euro and 313,5 thousand Euro related to the share of the capital subscribed and paid for convertible bonds maturing December 31, 2015, date on which bondholders can opt for conversion into new shares of the company or for reimbursement.

The entry in startups' capital as operating partners or co-founders took place in a complementary manner to the consultancy activity, incubation and acceleration for the growth and development of the startups themselves, without any binding strategy of investment and disinvestment.

The following illustrates a brief business profile of the new startups:

ALMADOM.US S.r.l.

Innovative startup that has developed and patented a new system for *home automation* that fits inside the electrical boxes and replaces the switches and control lights, thermostats, plugs, shutters, electrovalves or other objects connected to Internet.

At June 30, 2015 Digital Magics holds 10% of the share capital.

JUMPSTARTER INC.

It's a Californian platform of *crowdsourcing*, an innovative tool for the selection, financing and implementation of new projects: through the web platform, accessions to finance projects are collected, with the purpose of creating a professional staff globally distributed who will carry out the project, obtaining - in exchange for their contributions - stock-options of the initiative.

At June 30, 2015 Digital Magics holds 8.7% of the share capital.

PNEUSMART B.V.

Founded in 2013 by the entrepreneurial mind of a group of young Germans and Dutch with extensive experience in e-commerce, it offers a "smart", intelligent service to buy tires online: it makes the purchase a simple, intuitive, fast and convenient one-click experience. Today Pneusmart is active in the Netherlands, Germany and Italy and will soon be available in other European markets.

At June 30, 2015 Digital Magics holds 2% of the share capital.

RELOV S.r.l.

Innovative startup in the field of *Internet of Things* which has pushed the concept of skateboarding to a new dimension thanks to the design and launch of Skate Air, the first transparent, interactive and fully customisable skateboard, able to interact through WIFI with a virtual community, thanks to a mobile app.

At June 30, 2015 Digital Magics holds 10% of the share capital.

WIKIRE S.r.l.

Innovative startup in the real estate field, which enables the matching of supply and demand through the platform WIKIRE.it, the "social" system of multiple listing service (MLS) in which estate agents can choose with whom, among their colleagues, to share their assignments and portfolio, creating effective and profitable collaborations. Thanks to the participation in the project of Gabetti, Professionecasa, Grimaldi and RE/MAX Italia' networks, WIKIRE today exceeded 2,000 agencies.

At June 30, 2015 Digital Magics holds 5% of the share capital.

WISHLIST S.r.l.

Innovative startup that offers gift boxes with an original formula: in addition to traditional gift packages selectable from the extensive catalog, the customer can make their own customised box, by choosing from thousands of products on the internet; in this way, the gift will be as close as possible to the tastes and interests of the recipient.

At June 30, 2015 Digital Magics holds 8.6% of the share capital.

Attached are the Income Statement, Balance Sheet and Cash Flow statement at June 30 2015.

This press release is available on the website www.digitalmagics.com under *Investor Relations - Press Release*. The Half-Yearly Financial Report at June 30, 2015 is available under *Investor Relations - Financial Reports*.



***Digital Magics**, listed on AIM Italia (symbol: DM), is an 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 offering services for the digital transformation and “Open Innovation” to excellent enterprises, while providing support to innovative startups to create successful projects, from conception to IPO. 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 48 investments in startups, scaleups and digital spinoffs with high growth rates. Accelerated companies are flanked by Digital Magics LAB, a team of highly experienced business partners, 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.*

***Integrae SIM** acts as a Nomad and Specialist under the AIM Italia Issuers Regulations. For communication transmissions, Digital Magics makes use of the SDIR-NIS circuit, operated by Bit Market Services, a subsidiary of the London Stock Exchange Group.*

For further information:

Digital Magics – Press Office

Giorgio Bocchieri – Mail: giorgio.bocchieri@digitalmagics.com

Tel. 02 52505202 – Mob. 334 6853078

SEC Public and Institutional Relations – Media Relations

Angelo Vitale – Mail: vitale@segrp.it

Tel. 02 6249923

IR Top – Investor Relations

Floriana Vitale – Mail: f.vitale@irtop.com

Domenico Gentile – Mail: d.gentile@irtop.com

Tel. 02 45473884

Integrae SIM – Nomad

Mail: info@integraesim.it

Tel. 02 78625300

RECLASSIFIED INCOME STATEMENT
(in Euro)

	30/6/2015	%	30/6/2014	%	Variazione	Variazione %
Revenues from sales and services	1.179.901	92,2%	1.131.643	99,4%	48.258	4,3%
Changes in inventory of work in process, semi-finished and finished goods	59.100	4,6%	-	-	59.100	n.r.
Other revenues and increases in fixed assets	40.497	3,2%	7.191	0,6%	33.306	463,2%
VALUE OF PRODUCTION	1.279.498	100,0%	1.138.834	100,0%	140.664	12,4%
Cost of raw materials and consumables and goods for resale	(13.202)	(1,0%)	(5.663)	(0,5%)	(7.539)	133,1%
Cost of external services, use of property not owned and other charges	(1.012.379)	(79,1%)	(856.948)	(75,2%)	(155.431)	18,1%
ADDED VALUE	253.917	19,9%	276.223	24,3%	(22.306)	(8,1%)
Labor cost	(104.408)	(8,2%)	(190.552)	(16,7%)	86.144	(45,2%)
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION, AND AMORTISATION (EBITDA)	149.509	11,7%	85.671	7,6%	63.838	74,5%
Depreciation and amortization	(199.229)	(15,6%)	(164.342)	(14,4%)	(34.887)	21,2%
OPERATING PROFIT (EBIT)	(49.720)	(3,9%)	(78.671)	(6,8%)	28.951	(36,8%)
Net financial income (expenses)	(55.733)	(4,4%)	(18.866)	(1,7%)	(36.867)	195,4%
Value adjustments for financial assets	(9.914)	(0,8%)	(73.101)	(6,4%)	63.187	(86,4%)
RESULT BEFORE EXTRAORDINARY ITEMS AND TAX	(115.367)	(9,1%)	(170.638)	(14,9%)	55.271	(32%)
Extraordinary net income (expenses)	(12.279)	(1,0%)	(1)	0,0%	(12.278)	n.r.
RESULT BEFORE TAXES	(127.646)	(10,1%)	(170.639)	(14,9%)	42.993	(25%)
Income taxes	(45.623)	(3,6%)	(4.952)	(0,4%)	(40.671)	821,3%
RESULT	(173.269)	(13,7%)	(175.591)	(15,3%)	2.322	(1%)

RECLASSIFIED BALANCE SHEET
(in Euro)

	30/6/2015	31/12/2014	Variazione
Intangible fixed assets	475.334	412.069	63.265
Tangible fixed assets	45.426	37.786	7.640
Financial fixed assets	14.843.060	13.037.943	1.805.117
NON-CURRENT CAPITAL	15.363.820	13.487.798	1.876.022
Inventories	254.100	195.000	59.100
Trade receivables vs. affiliated	2.996.241	2.467.695	528.546
Other trade receivables	636.702	650.139	(13.437)
Financial activities that do not constitute assets	325.865	325.865	-
Accruals and prepaid expenses	16.628	29.506	(12.878)
CURRENT ASSETS	4.229.536	3.668.205	561.331
TOTAL ASSETS	19.593.356	17.156.003	2.437.353
Trade payables to affiliated	772.756	760.758	11.998
Other payables	1.736.946	1.349.829	387.117
Accruals and income collected in advance	100.000	59.909	40.091
Provision for risks and charges	17.018	53.482	(36.464)
SHORT TERM LIABILITIES	2.626.720	2.223.978	402.742
NET CURRENT ASSETS	1.602.816	1.444.227	158.589
Provision for employee severance indemnities	46.706	40.556	6.150
NET INVESTED CAPITAL	16.919.930	14.891.469	2.028.461
Shareholders' equity	17.690.078	12.877.795	4.812.283
Cash and cash equivalents	(4.535.416)	(2.003.769)	(2.531.647)
Short-term bank payables	923.745	650.705	273.040
Bonds	313.500	-	313.500
NET SHORT-TERM FINANCIAL INDEBTEDNESS	(3.298.171)	(1.353.064)	(1.945.107)
Bonds	-	313.500	(313.500)
M/l-term bank payables	2.528.023	3.053.238	(525.215)
NET M/L- TERM FINANCIAL INDEBTEDNESS	2.528.023	3.366.738	(838.715)
TOTAL NET INDEBTEDNESS	(770.148)	2.013.674	(2.783.822)
NET FINANCIAL DEBT / EQUITY	16.919.930	14.891.469	2.028.461

CASH FLOW STATEMENT
(in Euro)

	1 ^o semestre 2015	1 ^o semestre 2014
A. Cashflows generated by operating activities		
Net income (loss) for the period	(173.269)	(175.591)
Income taxes	11.250	5.197
Interest income/expense	55.733	18.866
(Gains) Losses on the sale of non-current assets	12.279	-
<i>1. Profit (loss) before income taxes, dividends and surplus losses from sale</i>	<i>(94.007)</i>	<i>(151.528)</i>
<i>Adjustments for non-cash items that had no counterpart in the CCA</i>		
Accruals of provisions for risks and charges	-	-
Amortisation of intangible assets	188.894	154.919
Amortisation of tangible assets	10.335	9.423
Write-downs for impairment losses	9.914	73.101
Provision charge for leaving indemnities	6.211	10.251
Deferred tax assets and liabilities	34.373	(245)
<i>2. Cash flow before changes by CCA</i>	<i>155.720</i>	<i>95.921</i>
<i>Changes in the net working capital</i>		
Decrease (increase) in inventories	(59.100)	(117.987)
Decrease (increase) in trade receivables	(36.843)	-
Decrease (increase) in receivables from affiliated	(327.950)	162.305
Decrease (increase) in receivables from associated	(163.753)	(256.963)
Decrease (increase) in tax credits	28.397	64.896
Decrease (increase) in other assets, net	(49.333)	(8.496)
Decrease (increase) in prepayments and accrued income	12.878	53.821
Increase (decrease) in trade payables	(44.801)	(433.462)
Increase (decrease) in payables to affiliated	54.264	(12.803)
Increase (decrease) in payables to associates	2.535	(345.743)
Increase (decrease) in taxes payable	32.605	70.074
Increase (decrease) in other liabilities, net	343.262	(22.121)
Increase (decrease) in accrued expenses and deferred income	40.091	30.000
<i>3. Cash flow after changes by CCA</i>	<i>(12.028)</i>	<i>(720.558)</i>
<i>Other adjustments</i>		
Interest received (paid)	(55.733)	(18.866)
Employee leaving indemnity paid	(61)	(20.305)
(Income taxes paid)		
Dividends received		
Use of funds	(36.464)	(2.389)
<i>4. Cash flow after other adjustments</i>	<i>(104.286)</i>	<i>(762.118)</i>
Cash flow of operating activities (A)	(104.286)	(762.118)
B. Cash flows from investing activities		
<i>Tangible fixed assets</i>		
(Investments)	(17.975)	(11.328)
Sale price of divestments	-	-
<i>Intangible fixed assets</i>		
(Investments)	(252.159)	(135.049)
Sale price of divestments	-	134.700
<i>Financial fixed assets</i>		

(Investments)	(1.827.310)	(1.740.864)
Sale price of divestments	-	4.120
<i>Non fixed financial assets</i>		
(Investments)	-	(39.934)
(Investments) net divestments in equity investments		
Cash flows from investing activities (B)	(2.097.444)	(1.788.355)
C. cash flows from financing activities		
<i>Third-party funding</i>		
Increase (decrease) in short-term bank debts	273.040	(191.880)
Increase (decrease) in bank debt in the medium term	(525.215)	-
Bond loan		
<i>Equity</i>		
Capital increase in payment	4.985.552	-
Cash flow from financing activities (C)	4.733.377	(191.880)
Increase (decrease) in cash (A+B+C)	2.531.647	(2.742.353)
Cash and cash equivalents at January 1	2.003.769	4.001.057
Cash and cash equivalents at June 30	4.535.416	1.258.704
