

DIGITAL MAGICS SIGNS A STRATEGIC AGREEMENT WITH INNOGEST AND WITHFOUNDERS' MEMBERS, WHO WILL PARTICIPATE IN THE INCUBATOR'S EQUITY

- *The operation consolidates the relationship with one of the most important Italian venture capital funds specialised in early stage funding, and - thanks to the 35% stake in Withfounders' capital - the entry of 13 startups in Digital Magics' portfolio - which now includes 75 participations - is formalised.*
- *The agreement, signed today, provides the proposal to the Meeting of the Shareholders of Digital Magics (already scheduled for January 31, 2017) of a share capital increase with exclusion of pre-emptive rights, reserved to Innogest and Withfounders' members, to be subscribed partly in kind by contribution of 35% of Withfounders (of which 28.8% by Innogest) and partly in cash of approximately 600,000 EUR (of which 500,000 EUR by Innogest)*

PROPOSAL OF FREE ALLOCATION OF SHARE WARRANTS IN FAVOUR OF DIGITAL MAGICS' SHAREHOLDERS

- *The Board of Directors of Digital Magics will propose the issuance of share warrants to be allocated free of charge to shareholders and investors of Digital Magics*

Milan, December 21, 2016 - **Digital Magics**, business incubator listed on AIM market of Italian Stock Exchange (symbol: DM), today executed an **industrial agreement with Innogest** - one of the leading Italian venture capital funds, specialised in *early stage* investments, led by Claudio Giuliano - **and with the other members of Withfounders**, seed accelerator founded by **Giulio Valiante**, together with five *angel investors* and Italian serial entrepreneurs. Giulio Valiante has been previously involved in successful operations such as Buongiorno-Vitaminic, SaldiPrivati, Jobrapido, Glamoo and Volagratis.

As a result of the agreement, Digital Magics becomes the majority shareholder of Withfounders, with a 35% stake in the company's capital. The strategic partnership signed with Withfounders' members will thus contribute to the growth of the value of **Digital Magics' portfolio**, which is enriched, indirectly, by the 13 startups in which Withfounders has already invested, together with *venture capital* companies and *business angels*, and which registered an aggregate turnover of more than 15 million EUR in 2015.

The agreement will also further consolidate and accelerate the collaboration, already underway, between the incubator and Innogest, **by further reinforcing the financing and development activities of innovative startups of Digital Magics.**

The expansion of the corporate structure of Digital Magics - thanks to the entry of Innogest and some members of Withfounders - definitely consolidates the leadership of the most important Italian incubator with a vocation for the "Digital Made in Italy".

Alberto Fioravanti, Founder and Executive Chairman of Digital Magics, said: *"Through this operation, not only we consolidate the relationship already initiated with Innogest, but our portfolio is enriched by 13 startups, in which the Withfounders' managers - who, not to be forgotten, have contributed to the*

realisation of the most important exits in the sector of digital startups - believed, and which will increase the value of our investee companies.”

Stefano Molino, Partner of Innogest, said: *“We are very happy to contribute to the strengthening of this strategic partnership. We strongly believe that in order to develop the ecosystem of digital startups, in a context still immature such as the Italian one, it is essential to pool resources and complementary skills, starting from the incubation and acceleration stages up to the international scale-up. By pooling resources and expertise of Innogest, Digital Magics and Withfounders, plus Talent Garden and Tamburi Investment Partners, we are creating a chain of extraordinary actors who support innovation, thus creating a unique opportunity for digital startups in Italy”.*

Giulio Valiante, Founder and CEO of Withfounders, said: *“This transaction represents an important milestone in the growth process of Withfounders. Digital Magics is both a member and an industrial partner of great value, and together we can pool and exploit our respective skills, experience and relationships, in order to enable agile and virtuous projects and growth processes, in perfect digital style. In addition, we are honored and excited to join the corporate structure of Digital Magics and we are confident that this will help to create value for all stakeholders involved.”*

Founded in 2013, Withfounders is the first investment company in which the founders themselves are *startupper*s. In 2014 Innogest became a partner of Withfounders in order to identify and help bring together ideas and winning projects in the digital economy. Withfounders has selected more than 200 projects, has funded 15 companies – two of which are partially owned by Digital Magics, one was sold and one was liquidated – which together employ more than 200 people, and three of which have already reached break-even point.

ENTRY OF INNOGEST AND OF SOME WITHFOUNDERS' MEMBERS IN THE CAPITAL OF DIGITAL MAGICS

The agreement approved and subscribed today by the Board of Directors and the shareholders of Withfounders Srl, and that is with Innogest SGR SpA, Giulio Valiante, Michele Casucci, Carlo Giuseppe Frigato, Daniele Meini, Simone Ranucci Brandimarte and Marco de Palma, provides the proposal to the Meeting of the Shareholders of Digital Magics - already scheduled (not yet convened) for the incoming January 31 2017 for the share capital increase announced last week - of a capital increase with exclusion of pre-emptive rights, under art. 2441 cc 5th paragraph, for a maximum amount of 1,657,640 EUR, to be performed - “in confidence” - through subscription (i) for a maximum of 607,640 EUR in cash by Innogest SGR S.p.A. and some of the members of Withfounders srl (with the sole exception of Michele Casucci and Daniele Meini), and (ii) maximum of 1,050,000 EUR by contribution in kind, by the same persons, of a stake equal to 35% of the share capital of Withfounders srl. Due to the above mentioned capital increase, expected in the three days following the shareholders' resolution, the participation of Innogest SGR S.p.A. will amount to 6.33% of the share capital of Digital Magics (before the capital increase, simultaneously proposed to the Meeting).

The Board of Directors also simultaneously approved its explanatory report (pursuant to art. 2441 of the Civil Code paragraph 6) concerning the reasons for the withdrawal of pre-emptive rights, the contributions in kind, and criteria for determining the issue price. The Board of Directors will propose to set the issue price at 4,035 EUR, including any share premium, equal to the weighted average of the closing prices of the shares of Digital Magics on AIM Italia market during the six months preceding today. The report, together with the fairness opinion provided by the Board of Auditors and the estimate report will be made available on the Company website in accordance with law.

The underwriting commitment by Innogest and the other shareholders of Withfounders is subject to approval by the Board of the above mentioned issue price and the confirmation in the estimate report,

carried out by an independent expert, of the value of the conferment in kind. The shares arising from the reserved capital increase will be subject to lock-up for 24 months following their issue.

The Council granted the CEO Alberto Fioravanti, vested with the required powers, a mandate to convene an Extraordinary Shareholders' Meeting in the terms defined above and to complete all related and resulting formalities.

FREE ALLOCATION OF SHARE WARRANTS TO PROMOTE AND REWARD THE SHAREHOLDERS OF DIGITAL MAGICS

In addition, the Board of Directors considered useful to take the resolution, also in view of the above mentioned significant extraordinary operations that will affect the company in the coming weeks, on the proposal to the Shareholders' Meeting, which will be convened –inter alia – for approval of the Budget 2016, to gratuitously allot to Digital Magics' Shareholders – in possession of shares at the time of allocation – share warrants, valid for the subscription of ordinary shares Digital Magics arising from a capital increase by way of a divisible increase, for cash, whose characteristics will be better defined by the Council on the eve of the Shareholders' Meeting itself. In general terms, it can be anticipated that the warrants will have exercise prices at premium compared to the market price of the share in the period before the Meeting - therefore having no dilutive effects in terms of shareholder value - and that the exercise periods will be distributed in a sufficiently long period of time, fairly close to 6 years.

The proposal of issue and free allotment of warrants to shareholders is based on the following main reasons: 1) to allow shareholders who have believed in the company, albeit with a financial commitment diluted over time, to continue to actively participate in the development plans of Digital Magics, which by its nature have a medium-term time horizon; 2) by requiring the Italian Stock Exchange the listing of the warrants, to ensure that shareholders may benefit from a liquid financial instrument which in any case will be able to find its own path of development if any - alternative to the subscription - during the life of the same instrument; 3) to enable Digital Magics, over a period of 6 years, to further increase their financial resources - in the form of *equity* - thus making possible a further strengthening of the expansion and consolidation activities in its sector.

This press release is online on www.digitalmagics.com and can be found in the *Investor Relations - Press Releases* section.

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 62 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.

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