CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

MAILUP GROUP

Contents

Corporate bodies

Board of Directors
(Expiry of terms for approval of the annual financial statements as at 31 December 2019)

Name and surname	Office
Matteo Monfredini	Chairman of the BoD with proxies
Nazzareno Gorni	Deputy Chairman of the BoD with proxies
Gian Domenico Sica	Director with proxies
Micaela Cristina Capelli	Independent director without proxies
Armando Biondi	Independent director without proxies

Board of Statutory Auditors
(Expiry of terms for approval of the annual financial statements as at 31 December 2019)

Name and surname	Office
Michele Manfredini	Chairman of the Board of Auditors
Fabrizio Ferrari	Regular Auditor
Giovanni Rosaschino	Regular Auditor
Piergiorgio Ruggeri	Alternate Auditor
Andrea Tirindelli	Alternate Auditor

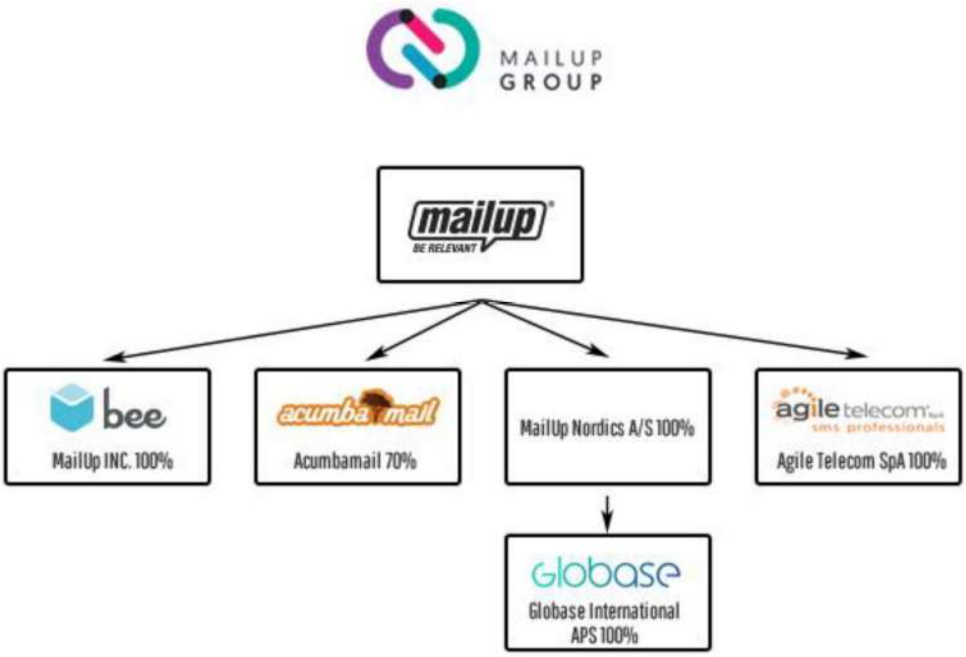
Independent auditing company
BDO Italia SpA
(Expiry of terms for approval of the annual financial statements as at 31 December 2019)

MailUp SpA Leader in the sending of e-mail and text messages

MailUp is a legal entity organised according to the law of the Italian Republic, which operates in the sector of marketing technology (MarTech) on the cloud (newsletters/e-mails, text messages, social networks). It is a technological company that has developed a SaaS (software-as-a-service) cloud computing platform chosen by SMEs and large enterprises to create, send and monitor newsletters, e-mails and text messages. MailUp is the leading solution in Italy in the ESP sector with about direct 10,000 customers distributed in more than 50 countries, in addition to numerous customers managed by the capillary retailer network. On a consolidated level, the Group operates with more than 18,600 direct customers. Founded in 2002 in Cremona, MailUp is also based in Milan and San Francisco. After being admitted to trading in 2014 on the AIM Italia market operated by the Italian Stock Exchange, MailUp added to the organic growth a new business line, consisting of the BEE editor in its various versions (beefree.io), which already has thousands of customers worldwide and implemented a growth path by external lines, acquiring established and emerging businesses in the same market segment or with complementary business: Acumbamail (Spanish market and LATAM), Globase (Nordics market) and Agile Telecom (SMS wholesale market).

MailUp Group structure

Below is the organisational structure of the Group as at 31 December 2017:



MailUp Inc, established in San Francisco by the parent company in November 2011, it operated until 31 December 2016, aiming to market and localise the MailUp® platform in the United States of America and, more generally, on the American continent. In December 2016, the parent company conferred to MailUp Inc the intangible assets related to the BEE Plugin and BEE Pro products. On this occasion, the subsidiary resolved, in service of the conferment, to increase its capital reserves in accordance with local regulations. Since 2017, MailUp Inc has been dealing with the exclusive commercialization of the BEE editor, which it owns, in its various versions, having considerable interest in the public of specialized operators as evidenced by the brilliant month-on-month growth rates.

Acumbamail SL, a start-up founded in 2012 with registered office in Ciudad Real, Spain, has developed an e-mail marketing platform that is widespread on the Spanish-speaking markets (Spain and LATAM) and features considerable development potential, with a freemium sales model targeting a lower profile customer base, which therefore complements MailUp, which is instead increasingly taking a position on the medium/high bracket of the market. The freemium model, in fact, envisages an initial level of free use of the platform, which thereafter requires payment where a certain threshold of use is surpassed, thereby favouring customers with limited volumes and a reduced number of addressees.

MailUp Nordics A/S controls 100% of the capital of the company **Globase International ApS**, a Danish company operating in the e-mail marketing sector on the Scandinavian markets (Denmark, Norway, Sweden, Finland and Iceland) with a focus on medium/large customers. The acquisition of the Danish companies aims to position the MailUp® platform on the Northern European market, exploiting the recognition of the Globase trademark and the favourable positioning on a market with high entry barriers and a high level of spending on e-mail marketing, both by offering the MailUp® platform to new customers and by progressively migrating Globase platform users to MailUp.

Agile Telecom SpA, with registered office in Carpi (MO), is an operator authorised by the Ministry of Economic Development and Communication to offer a public communication service and is also registered with the Register of Operators in Communication (ROC) held by the Italian Authority for Telecommunications Guarantees (AGCOM). Agile Telecom has been operating since 1999 as an independent international operator specialised in SMS services, particularly on the wholesale SMS market. Dozens of direct connections with carriers and operators across the globe allow Agile Telecom to optimise delivery of messages in all countries, guaranteeing its business customers the best possible sending quality at the lowest possible price. It is also the parent company's provider of reference for the SMS delivery services provided by the MailUp platform, thus making it possible to exploit profitable economic and technological synergies.

Summary data

Main events taking place in FY 2017

In 2017, the activities of MailUp and the Group were characterised by the events indicated below:

Thanks to the access to six new geographic areas, including countries and territories overseas, MailUp has achieved **global cover for its SMS messaging service**, enabling its customers in all sectors to send SMS messages to all countries worldwide. A capillary presence in 226 networks that guarantees the MailUp® platform delivery of text messages on any mobile carrier. Achieving global coverage comes as part of the aim of strengthening and developing the SMS channel, a Group asset that grows constantly, as confirmed by the organic growth and acquisition of Agile Telecom.

On 1 February 2017, **MailUp 9** was launched, the all-new design version of the platform, enriched with new functions for automation and e-mail and SMS marketing. MailUp 9 is one of the most important releases of the platform, the result of a major intervention on the user experience. MailUp 9 comes with an all-new interface, thanks to the graphical redesign and reorganisation according to functional areas, with the aim of offering businesses an even simpler, more user-friendly browsing. Research continues on Marketing Automation technology, with MailUp 9 introducing new functions for the creation of work flows: as from today, users can now create automatic processes to deliver multi-channel campaigns in a timely, customised fashion. In the area dedicated to the creation of e-mails, MailUp 9 finally introduced Collaboration, an innovative tool by which to share pre-launch stages of the campaign, allowing colleagues or customers to collaborate on all aspects of the message, through to final approval.

On 27 February 2017 was the completion of the path of organizational rethinking of the MailUp Group structure through the **merger by incorporation of Network Srl into MailUp**, undertaken to optimize intercompany processes. The analysis of the role of Network, a technology partner that has historically and exclusively handled all the technical functions and technology services related to the MailUp platform, has led to the merger by incorporation of the latter due to the simplification of the corporate and production structure of MailUp and of administrative processes, eliminating duplication and overlapping. The effects of the merger were finalized on 20 March 2017 with completion of registration at the company register, while the accounting and tax effects were effective from 1 January 2017 in accordance with the provisions of the specific legislation.

On 16 March 2017, the MailUp Group launched **the new company website** www.mailupgroup.com**,** a meeting point between the corporate dimension and the community of investors, analysts and media. The new website offers all the news, financial data and documents released by the Group. The website also represents the communication and meeting space between the parent company and its subsidiaries - Acumbamail, Globase, Agile Telecom and the BEE business unit, to describe the corporate evolution of the Group, in the recent past and in developments to come.

On 27 April 2017, the Ordinary Shareholders' Meeting of the Parent Company, following expiry of the mandate of the Board of Directors, **appointed the new Board of Directors**. In this respect, the Shareholders' Meeting resolved to reduce the members of the Board of Directors from 7 to 5, 2 of which with the independence requirements of the Articles of Association. The purpose of this modification is to adjust the number of Directors to the size and complexity of the company's organizational structure, in compliance with the best corporate governance principles. The Shareholders' Meeting also decided to confer a further three-year assignment, hence, up to the approval of the financial statements as at 31 December 2019. At the same meeting was the approval of the total emoluments that will be redistributed within the administrative body as deemed most appropriate even in view of the retention objectives of MailUp key personnel and pay-per-performance objectives; this is not only in line with best practices but also with the objective of improving company value for shareholders.

The Board of Directors of MailUp that met on 5 May 2017 conferred **management powers to the Directors** and proceeded with consequent redistribution of the emoluments internally, as well as with the verification of the existence of independence requirements of certain Directors and the recruitment of two new "key managers" with qualification as executives. In particular, the Board appointed the Chairman and the Chief Executive Officer, who was assigned the role of Vice-Chairman, conferring to the same general powers of management of the company attributing to them - within the definition of new corporate governance in line with best practice - limited powers in terms of matter or value to as not explicitly attributed to the Board of Directors in collegial function. Lastly, also as a result of the Group's new governance structure, the Board of Directors hired for the Company as executive the general manager of the MailUp business unit, intended as the overall sector related to the Digital & E-mail Marketing area, and the head of the Deliverability & Compliance and Data Protection area, both former MailUp Board Directors and currently shareholders of the same. This assumption led to the qualification of key managers as "executives with strategic responsibilities" with consequent application to the resolution of the company's "procedure for transactions with related parties" and therefore following the opinion - unanimously favourable, of the Independent Directors of MailUp. Finally, the Board attributed certain special powers (also to the key managers above) for better management of the company.

On 30 May 2017, the Board of Directors of MailUp approved the **transfer of the Cremona operational office** to the new offices in via dell'Innovazione Digitale 3 (formerly via del Macello), also in Cremona, at the new technology center called "CRIT – Digital Innovation Center". The transaction - with the aim of being able to have more functional offices even in terms of long-term management costs (due to a building with low environmental impact built with the latest technologies in this regard) and at the same time to benefit from the intangible assets constituted by the presence in the "technology center" of other sector operators with consequent possible synergies - is to be realized through the signing of a lease agreement with the real estate company Floor Srl. In accordance with the provisions of the Procedure for Transactions with Related Parties, the transaction was subject to prior examination by the Committee for Transactions with Related Parties, composed exclusively of Independent Directors. The Committee, having noted the appropriateness of the agreed fees and compliance of the contractual provisions with applicable regulations, expressed a favourable opinion on the corporate interest, the economic viability and the correctness, even substantial, of said transaction.

On 20 June 2017 was the definition, in agreement with the sellers, of the **supplementary fee due as earn-out** to Zoidberg Srl for the acquisition of 100% of the share capital of Agile Telecom SpA, finalized in February 2016. Following agreement between the parties, the aforementioned supplementary fee was calculated taking into account the value of the average EBITDA of Agile Telecom for the two-year period 2015-2016 (this in line with the contents of the purchase and sale agreement) and was defined as totalling Euro 2.8 million to be paid as follows: Euro 2.4 million, in cash and in three separate tranches respectively of Euro 1 million by 30 June 2017, already paid, Euro 800 thousand by 30 June 2018 and Euro 600 thousand by 30 June 2019, and the remainder of Euro 400 thousand by means of payment in newly-issued shares assigned to the sellers by 30 June 2017. The 125,000 ordinary shares of MailUp, with no indication of nominal value expressed, for the earn-out portion in kind, are issued at a unit price of Euro 3.20 each (therefore with a premium of 45.5% on the price of the session of the stock exchange prior to the date of the resolution, of 60% on the average price of the last 3 months at the reference date stipulated in the contract as at 31 May 2017) and derive from a specific capital increase totalling Euro 400,000.00 (including premium) of which Euro 0.025 for each share upon capital increase decided by the administrative body in execution of the delegation conferred on it on 23 December 2015.

On 22 June 2017, the Group completed **the acqui-hire of MailCult**, one of the international competitors of BEE (http://beefree.io/), a product developed and commercialized by MailUp Inc., an American start-up company based in Silicon Valley 100% controlled by MailUp and organized according to the model of the dual company (business team in the USA), which has developed an innovative editor for the creation of emails and landing pages. Launched as an experimental project in autumn 2014, with the publication of the gratuitous BEE Free product, BEE has attracted more than 1.5M visitors and exceeded 1,400 paying customers in 114 countries, with an average revenue growth of 10% month on month. The acqui-hire of MailCult allows BEE to accelerate its growth through the injection of highly-specific talent and expertise in the market of tools for the creation of "responsive" emails and landing pages. The 3 founders of MailCult were hired by the company, which also acquired its assets (contracts, technology platform, domains, websites). This transaction, of significant strategic importance, did not have a significant financial impact on the company. The aim of this transaction is to strengthen the investment in BEE, which emerged as an experimental product as part of research and development activities and has become a true global start-up within the Group with 8 people dedicated full-time and international business growing sharply, particularly in the US market.

The commitment of MailUp to **fighting spam and phishing** has been strengthened. The email ecosystem is constantly threatened by sending unauthorized messages, whether they are unwanted promotional emails or more elaborate actual fraudulent attempts, such as phishing. With nearly 2 billion messages sent per month from clients and to recipients around the world, MailUp is at the forefront in combating bad practices and improving the world of email marketing. MailUp has always invested in the development and improvement of Machine Learning proprietary algorithms and predictive models to identify those who do not respect the rules of excellence and in 2017, has more than doubled the specific investment over the previous year. It is very important that all the players involved in the email sending and receiving process are responsible and do their utmost to maintain users' confidence in the tool. For this reason, MailUp is a member of several organizations and work groups focused on defining and respecting the best practices for sending email communications (and not only), including: M3AAWG (Messaging, Malware and Mobile

Anti-Abuse Working Group), APWG (Anti Phishing Working Group), ESPC (Email Service Provider Coalition), Signal-Spam (France) and CSA (Certified Senders Alliance). Thanks to these partnerships, MailUp offers the community the results of its research and investment, comparing itself on a like-for-like basis with industry global leaders, from ESP (email service providers), to ISP (such as Gmail, Outlook, Yahoo!) and actively collaborating with them to effectively address the fight against all forms of abuse related to email and, more generally, all electronic messaging activities.

On 25 July 2017, the Board of Directors of MailUp resolved to give partial execution to the delegation under art. 2443 Civil Code, conferred by the Extraordinary Shareholders' Meeting of 23 December 2015, by **increasing the share capital**, paid and indivisible, **for a maximum amount of Euro 6,264,000** (including premium), by issuing a maximum of 2,610,000 ordinary shares with no indication of nominal value expressed. Newly-issued shares were offered for subscription under private placement through an accelerated bookbuilding procedure and they were issued with the exclusion of the option right under art. 2441, paragraph 5, Civil Code, as to be reserved exclusively to "qualified investors" and "institutional investors". The transaction aims to help strengthen the equity and financial structure of MailUp - also contributing to the expansion of the stock market capitalization for future objectives of expansion of the company - and to support the related growth and development, also through external lines or through mergers and acquisitions (falling within the company's business plan), as well as to increase the float with the consequent expansion and diversification of the equity base facilitating the exchange of securities.

On 26 July 2017 was the successful completion of the **capital increase subscription implemented by means of accelerated bookbuilding procedure** for 2,610,000 new ordinary shares with no indication of the nominal value expressed, corresponding to approximately 23% of the pre-money share capital, for a total of Euro 6,003,000 (including premium). Demand was 40% higher than the amount offered. Newly-issued shares were placed at a price per share of Euro 2.30 each. The transaction was regulated by means of delivery of securities and payment of the fee ("settlement") on 28 July 2017. Following the full subscription of newly-issued shares, the share capital of MailUp after the increase reached Euro 351,640.68, divided into 14,065,267 ordinary shares with no indication of the nominal value expressed, with a float of approximately 33%. In the context of the transaction, MailUp has undertaken 90-day lock-up commitments in line with market practices for similar transactions, subject to issues of share reserved for stock option plans and/or stock grants. Fidentiis Equities S.V., S.A. operated as Sole Bookrunner of the accelerated bookbuilding.

On 27 September 2017, the Board of Directors appointed Alberto Miscia - formerly Head of Deliverability and Compliance of MailUp - **Data Protection Officer** of MailUp, the company figure created with the new General Data Protection Regulation (GDPR), the law that, operating from 25 May 2018, will define unique rules for data processing carried out in the European Union. As Data Protection Officer, responsibilities will include observing, evaluating and organizing the processing and protection of personal data within the company, ensuring compliance with the law and acting as an interface between the parties involved: the Privacy Guarantor, the parties concerned and the operating divisions within the company. Thanks to transversal skills in IT, legal, risk management and process analysis, Miscia represents the ideal profile to entrust with the tasks of the Data Protection Officer, one of the most important changes in the European reform. The appointment is part of a more extensive program to update company processes to the obligations and opportunities opened by the GDPR, with the aim of translating data protection from a mere legal subject to a strategic issue within the new data economy.

On 12 December 2017, the first edition of the **MailUp Marketing Conference** was held at Palazzo Mezzanotte in Piazza Affari in Milan, home of Borsa Italiana. It was organized by MailUp and focused on some of the most current issues for Digital Marketing professionals: present and future of Digital Marketing, GDPR, data driven strategies, future of messaging and new communication models. The event saw the participation of 18 speakers among the leading experts in the sector at international level, provoking a considerable response from the public, with over 400 participants, and of interest on the various media that disseminated the contents. Also prestigious was the list of sponsors who supported MailUp for the occasion, from Deloitte Digital to other important digital brands such as Tibco, Bruce Clay Europe and Conversion, as well as numerous partners involved at various levels in the organization. As proof of the success of the initiative, the new edition of the 2018 conference is already scheduled.

On 13 December 2017, at the Deloitte headquarters in Milan, a press conference was held to present the **EMEA 2017 Technology Fast 500** ranking, which confirmed the entry of MailUp Group in this authoritative review of the most developed companies in the software, hardware, telecom, semiconductors, media, life sciences and energy technology sectors. Focused on the EMEA area (Europe, Middle East and Africa), Deloitte's ranking rewards companies that operate in a variety of tech sectors and have recorded the highest percentage of revenue growth between 2013 and 2016, combining technological innovation, entrepreneurship and rapid development. According to Deloitte -

consulting and auditing services company, the first in the world in terms of revenues - MailUp is positioned 471th at EMEA level and 6th at Italy level, thanks to an average turnover growth of 240%.

Summary report

Consolidated Income Statement as at 31/12/2017

E-mail revenues	9.431.330	34,52%	8.473.792	39,16%	957.538	11,30%
SMS revenues	15.933.655	58,32%	11.444.666	52,88%	4.488.989	39,22%
Professional services revenues	588.868	2,16%	792.175	3,66%	(203.307)	(25,66%)
BEE revenues	483.629	1,77%	154.679	0,71%	328.951	212,67%
Other revenues	882.128	3,23%	775.892	3,59%	106.236	13,69%
Total revenues	**27.319.610**	**100,00%**	**21.641.203**	**100,00%**	**5.678.407**	**26,24%**
Cost of goods sold (COGS)	15.791.629	57,80%	11.442.375	52,87%	4.349.254	38,01%
Gross profit	**11.527.981**	**42,20%**	**10.198.828**	**47,13%**	**1.329.153**	**13,03%**
Sales & Marketing costs	3.244.329	11,88%	3.172.071	14,66%	72.257	2,28%
Research & Development costs	857.655	3,14%	659.787	3,05%	197.869	29,99%
Capitalised R&D payroll cost	*(1.335.896)*	4,89%	*(1.254.062)*	5,79%	*81.834*	*6,53%*
Total R&D cost	*2.193.551*	8,03%	*1.913.849*	8,84%	*279.702*	*14,61%*
General costs	4.546.590	16,64%	3.952.789	18,27%	593.801	15,02%
Total other operating costs	8.648.574	31,66%	7.784.647	35,97%	863.927	11,10%
EBITDA	**2.879.407**	**10,54%**	**2.414.180**	**11,16%**	**465.226**	**19,27%**
Amortisation, depr. & prov. COGS	(285.399)	1,04%	(291.537)	1,35%	6.138	(2,11%)
Amortisation, depr. & prov. R&D	(1.188.643)	4,35%	(814.941)	3,77%	(373.702)	45,86%
Amortisation, depr. & prov. G&A	(125.266)	0,46%	(121.790)	0,56%	(3.476)	2,85%
Total amortization	(1.599.308)	5,85%	(1.228.268)	5,68%	(371.040)	30,21%
EBIT	**1.280.099**	**4,69%**	**1.185.912**	**5,48%**	**94.186**	**7,94%**
Financial operations	(77.797)	0,28%	(58.112)	0,27%	(19.685)	33,87%
EBT	**1.202.302**	**4,40%**	**1.127.801**	**5,21%**	**74.501**	**6,61%**
Income tax	(585.331)	2,14%	(494.847)	2,29%	(90.484)	18,29%
Prepaid tax	(23.929)	0,09%	(192.826)	0,89%	168.897	(87,59%)
Deferred tax	29.091	0,11%	13.412	0,06%	15.679	116,90%
Period profit/(loss)	**611.809**	**2,24%**	**812.367**	**3,75%**	**(200.558)**	**(24,69%)**
Group profit (loss)	*549.013*		*780.519*		*(231.505)*	*(29,66%)*
Minority interest profit (loss)	*62.795*		*31.849*		*30.947*	*97,17%*

MAILUPGROUP

Consolidated Balance Sheet with determination of NWC as at 31/12/2017

Balance Sheet	31/12/2017	31/12/2016	Delta	Delta %
Intangible fixed assets	3.970.668	3.830.169	140.500	3,67%
Consolidation differences	9.829.834	10.308.159	(478.324)	(4,64%)
Tangible fixed assets	1.011.029	714.451	296.578	41,51%
Financial fixed assets	237.538	171.653	65.885	38,38%
Fixed assets	**15.049.070**	**15.024.431**	**24.638**	**0,16%**
Trade receivables	3.705.331	3.396.264	309.067	9,10%
Trade payables	(4.710.537)	(2.942.661)	(1.767.876)	60,08%
Commercial working capital	**(1.005.206)**	**448.683**	**(1.453.889)**	**(324,04%)**
Tax receivables and payables	777.012	416.107	360.905	86,73%
Accruals and deferrals	(5.328.250)	(5.120.696)	(207.554)	4,05%
Other receivables and payables	(1.552.663)	(3.679.173)	2.126.510	(57,80%)
Net working capital	**(7.109.107)**	**(7.935.080)**	**825.972**	**(10,41%)**
Provisions for risks and charges	(129.580)	(89.026)	(40.554)	45,55%
Provision for severance indemnity (TFR)	(1.115.151)	(933.526)	(181.624)	19,46%
Net invested capital	**6.695.232**	**6.066.799**	**628.433**	**10,36%**
Share capital	354.237	283.266	70.971	25,05%
Reserves	12.924.712	5.896.504	7.028.208	119,19%
Period profit/(loss)	549.013	780.519	(231.505)	(29,66%)
Shareholders' equity of minority interests	121.788	59.959	61.830	103,12%
Shareholders' equity	**13.949.751**	**7.020.247**	**6.929.504**	**98,71%**
Short-term payables/(cash)	(9.026.526)	(3.199.592)	(5.826.934)	182,11%
Medium/long-term payables	1.772.007	2.246.145	(474.137)	(21,11%)
Net financial position	**(7.254.518)**	**(953.447)**	**(6.301.071)**	**660,87%**
Total sources	**6.695.232**	**6.066.799**	**628.433**	**10,36%**

MailUp S.p.A. Income Statement as at 31/12/2017

Income statement	31/12/2017	%	31/12/2016	%	Delta	Delta %
E-mail revenues	8.010.006	62,61%	6.772.733	65,97%	1.237.273	18,27%
SMS revenues	2.937.299	22,96%	2.516.235	24,51%	421.065	16,73%
Professional services revenues	299.149	2,34%	173.625	1,69%	125.524	72,30%
Other revenues	1.547.425	12,10%	803.841	7,83%	743.584	92,50%
Total revenues	**12.793.879**	**100,00%**	**10.266.434**	**100,00%**	**2.527.445**	**24,62%**
Cost of goods sold (COGS)	4.785.584	37,41%	3.637.087	35,43%	1.148.497	31,58%
Gross profit	**8.008.295**	**62,59%**	**6.629.347**	**51,82%**	**1.378.948**	**20,80%**
Sales & Marketing costs	2.441.652	19,08%	2.221.797	21,64%	219.855	9,90%
Research & Development costs	822.781	6,43%	325.824	3,17%	496.957	152,52%
Capitalised R&D payroll cost	*(814.621)*	6,37%	*(1.217.703)*	11,86%	*(403.082)*	*(33,10%)*
Total R&D cost	*1.637.402*	12,80%	*1.543.527*	15,03%	*93.875*	*6,08%*
General costs	2.986.388	23,34%	2.803.790	27,31%	182.597	6,51%
Total other operating costs	6.250.821	48,86%	5.351.411	52,13%	899.409	16,81%
EBITDA	**1.757.474**	**13,74%**	**1.277.935**	**12,45%**	**479.539**	**37,52%**
Amortisation, depr. & prov. COGS	(271.252)	2,12%	(268.902)	2,62%	(2.350)	0,87%
Amortisation, depr. & prov. R&D	(1.086.080)	8,49%	(916.192)	8,92%	(169.888)	18,54%
Amortisation, depr. & prov. G&A	(93.172)	0,73%	(54.152)	0,53%	(39.020)	72,06%
Total amortization	(1.450.504)	11,34%	(1.239.246)	12,07%	(211.258)	17,05%
EBIT	**306.970**	**2,40%**	**38.689**	**0,38%**	**268.281**	**693,43%**
Financial operations	807.699	6,31%	1.153.865	11,24%	(346.165)	(30,00%)
EBT	**1.114.670**	**8,71%**	**1.192.554**	**11,62%**	**(77.884)**	**(6,53%)**
Income tax	(43.982)	0,34%	(8.955)	0,09%	(35.027)	391,14%
Prepaid tax	(14.334)	0,11%	26.188	-0,26%	(40.522)	(154,73%)
Deferred tax	2.750	0,02%	15.125	0,15%	(12.375)	(81,82%)
Period profit/(loss)	**1.059.104**	**8,28%**	**1.224.912**	**11,93%**	**(165.808)**	**(13,54%)**

MailUp S.p.A. Balance Sheet with determination of NWC as at 31/12/2017

Balance Sheet	31/12/2017	31/12/2016	Delta	Delta %
Intangible fixed assets	3.523.559	3.660.657	(137.098)	(3,75%)
Tangible fixed assets	960.140	629.282	330.858	52,58%
Financial fixed assets	11.338.184	11.416.878	(78.693)	(0,69%)
Fixed assets	**15.821.884**	**15.706.817**	**115.067**	**0,73%**
Trade receivables	1.837.789	1.479.452	358.337	24,22%
Trade payables	(2.413.749)	(2.904.353)	490.604	(16,89%)
Commercial working capital	**(575.960)**	**(1.424.901)**	**848.941**	**(59,58%)**
Tax receivables and payables	322.328	423.436	(101.108)	(23,88%)
Accruals and deferrals	(5.053.508)	(4.949.607)	(103.901)	2,10%
Other receivables and payables	(1.435.481)	(3.314.133)	1.878.652	(56,69%)
Net working capital	**(6.742.621)**	**(9.265.205)**	**2.522.585**	**(27,23%)**
Provisions for risks and charges	(84.405)	(60.489)	(23.917)	39,54%
Provision for severance indemnity (TFR)	(943.829)	(387.921)	(555.907)	143,30%
Net invested capital	**8.051.029**	**5.993.202**	**2.057.827**	**34,34%**
Share capital	354.237	283.266	70.971	25,05%
Reserves	11.832.343	4.134.463	7.697.880	186,19%
Period profit/(loss)	1.059.104	1.224.912	(165.808)	(13,54%)
Shareholders' equity	**13.245.684**	**5.642.640**	**7.603.043**	**134,74%**
Short-term payables/(cash)	(6.966.662)	(1.849.833)	(5.116.829)	276,61%
Medium/long-term payables	1.772.007	2.200.394	(428.387)	(19,47%)
Net financial position	**(5.194.655)**	**350.561**	**(5.545.216)**	**(1581,81%)**
Total sources	**8.051.029**	**5.993.202**	**2.057.827**	**34,34%**

Report on operations accompanying the annual and consolidated financial statements as at 31/12/2017

Dear Shareholders,

The year ended on 31/12/2017 records a positive consolidated result of Euro 611,809, of which Euro 62,795 pertain to minorities, after amortisation, depreciation and impairment applied for a total of Euro 1,599,309 and provisions made for current and deferred tax in the amount of Euro 590,493. The EBITDA of the Group in the year amounted to Euro 2,879,407. The separate financial statements of the parent company MailUp S.p.A. (hereinafter "MailUp") for the same period, recorded a positive result of Euro 1,059,104 with EBITDA of Euro 1,757,454.
Below is the analysis of the position and the trend of operations relative to the year just ended of the Group and the company.

1. Introduction

This report is presented for the purposes of the consolidated financial statements of the MailUp Group (hereinafter "MailUp Group" or "Group") and of the annual financial statements of the parent company MailUp, both prepared in accordance with International Accounting Standards (IAS/IFRS).

Although not having met the requirements laid down by article 27 of Legislative Decree no. 127/1991, the administrative body of MailUp resolved to draft the consolidated and annual financial statements of the parent company on a voluntary basis, in accordance with international accounting standards (IAS/IFRS) insofar as MailUp (and the Group it heads) has exercised the faculty envisaged by articles 2-3 of Legislative Decree no. 38/2005.

This document provides you with information on the consolidated position of the Group and on operating performance of both the Group and individually of MailUp. This report, drawn up with balances expressed in Euro, is presented so as to accompany the consolidated and separate annual financial statements for the purpose of providing income-related, equity, financial and operating information on the Group and the Company accompanied, where possible, by historic elements and forecasts valuations.
The consolidated and separate financial statements as at 31/12/2016 prepared according to international accounting standards (IAS/IFRS) are provided for comparison.
As regards the consolidated financial statements, which strive to ensure standardised measurement criteria and have been prepared on the basis of full consolidation, please note that the consolidation scope is as shown below:

Company name	Registered office	Share capital as at 31/12/2017	%
MAILUP S.P.A.	Milan	Euro 354,236	parent company
MAILUP INC.	United States of America	Euro 41,183*	100%
MAILUP NORDICS AS	Denmark	Euro 67,001*	100%
GLOBASE INTERNATIONAL APS	Denmark	Euro 16,750*	100% controlled by MailUp Nordics
AGILE TELECOM SPA	Carpi (Mo)	Euro 500,000	100%
ACUMBAMAIL SL	Spain	Euro 4,500	70%

(* historic exchange rate applied as at the date of first consolidation)

2. 2017 economic scenario

In a positive international economic context characterized by the improvement of international trade, the Italian economy maintains an expansive profile.
In Italy, according to estimates by the Bank of Italy, GDP rose by around 1.5% in 2017, confirming the favourable trend, albeit still below the average for European countries. GDP benefited from the positive performance in the services sector and the recovery of industry's added value in the strict sense. All the main aggregates of domestic demand recorded increases.
Business confidence returned to pre-recession levels and as a result, investment spending accelerated in the second half of the year.
Exports increased and the opinions of companies on the progress of orders from abroad are positive.
Employment has also increased and hours worked per employee have also increased. However, these still remain

below pre-crisis levels. The unemployment rate was around 11%. Employment figures have therefore improved, to the extent that the labour market is still far from an optimal situation.
On average in 2017, consumer prices recorded growth of 1.2% after the slight decline in 2016 (-0.1%). Core inflation, that is, net of energy and fresh food, stood at +0.7%, a rate only slightly higher than that of 2016 (+0.5%). Inflation is expected to drop slightly in 2018 and then rise again in the next two years.
Household consumption has grown, as has industrial production, driven mainly by domestic demand. The credit market has also improved, where the general tightening of funding has been overcome, although the credit offer is still very selective, especially with respect to some sectors.
The projections for the Italian economy expect growth of 1.4% in 2018 and 1.2% in 2019 and 2020 mainly due to domestic demand.
However, these forecasts also depend on the implementation of economic policies capable of fostering economic growth and reducing public debt.

The Group

The parent company MailUp is a legal entity organised according to the law of the Italian Republic, which operates in the sector of marketing technology (MarTech) on the cloud (newsletters/e-mails, text messages, social networks). It is a technological company that has developed a SaaS (software-as-a-service) cloud computing platform chosen by SMEs and large enterprises to create, send and monitor newsletters, e-mails and text messages. MailUp is the leading solution in Italy in the ESP sector with about direct 10,000 customers distributed in more than 50 countries, in addition to numerous customers managed by the capillary retailer network. On a consolidated level, the Group operates with more than 18,600 direct customers. Founded in 2002 in Cremona, MailUp is also based in Milan and San Francisco. After being admitted to trading in 2014 on the AIM Italia market operated by the Italian Stock Exchange, MailUp added to the organic growth a new business line, consisting of the BEE editor in its various versions (beefree.io), which already has thousands of customers worldwide and implemented a growth path by external lines, acquiring established and emerging businesses in the same market segment or with complementary business: Acumbamail (Spanish market and LATAM), Globase (Nordics market) and Agile Telecom (SMS wholesale market).

Pursuant to article 2428 Civil Code, it is noted that the activities of the parent company were carried out in 2017 at the registered office in Milan, viale Restelli 1, and at the administrative office of Cremona, which moved in July 2017 from via Dei Comizi Agrari 10 to via dell'Innovazione Tecnologica 3, at the "CRIT - Center for digital innovation" technology center.

In 2017, from a legal viewpoint, MailUp played the role of parent company of the following companies, which carry out complementary and/or functional activities to the Group's core business:

MailUp Inc

Acumbamail SL

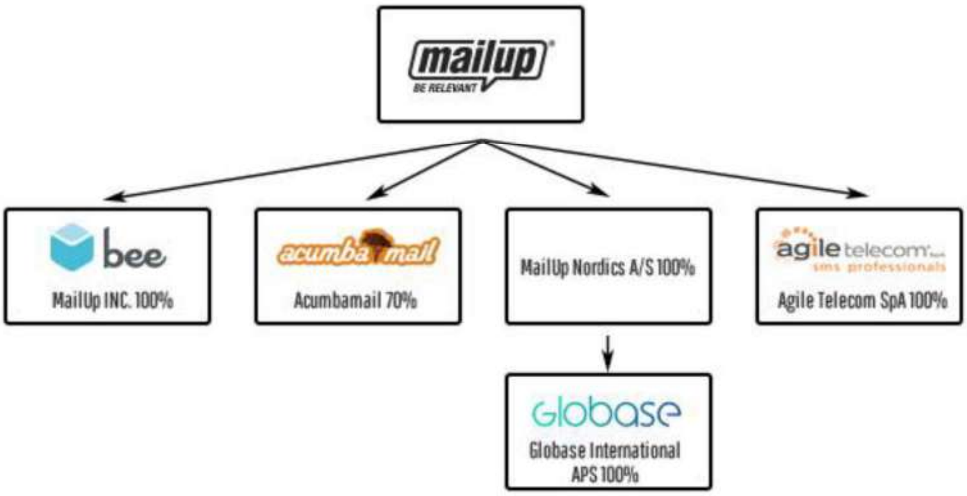
MailUp Nordics AS

Globase International ApS

Agile Telecom SpA

On 27 February 2017, the deed was stipulated for merger by incorporation of the 100% controlled company Network Srl into MailUp. The effects of the merger were finalized on 20 March 2017 following registration at the company register, with accounting and tax effects effective from 1 January 2017 in accordance with the provisions of the specific legislation. The merger was justified by the need to simplify the company and production structure of the MailUp Group and also allow for the simplification of administrative processes thanks to the elimination of duplications and overlapping.

Below is the Group's participation structure updated as at 31 December 2017.



Main events

In 2017, the activities of MailUp and the Group were characterised by the events indicated below:

Thanks to the access to six new geographic areas, including countries and territories overseas, MailUp has achieved **global cover for its SMS messaging service**, enabling its customers in all sectors to send SMS messages to all countries worldwide. A capillary presence in 226 networks that guarantees the MailUp® platform delivery of text messages on any mobile carrier. Achieving global coverage comes as part of the aim of strengthening and developing the SMS channel, a Group asset that grows constantly, as confirmed by the organic growth and acquisition of Agile Telecom.

On 1 February 2017, **MailUp 9** was launched, the all-new design version of the platform, enriched with new functions for automation and e-mail and SMS marketing. MailUp 9 is one of the most important releases of the platform, the result of a major intervention on the user experience. MailUp 9 comes with an all-new interface, thanks to the graphical redesign and reorganisation according to functional areas, with the aim of offering businesses an even simpler, more user-friendly browsing. Research continues on Marketing Automation technology, with MailUp 9 introducing new functions for the creation of work flows: as from today, users can now create automatic processes to deliver multi-channel campaigns in a timely, customised fashion. In the area dedicated to the creation of e-mails, MailUp 9 finally introduced Collaboration, an innovative tool by which to share pre-launch stages of the campaign, allowing colleagues or customers to collaborate on all aspects of the message, through to final approval.

On 27 February 2017 was the completion of the path of organizational rethinking of the MailUp Group structure through the **merger by incorporation of Network Srl into MailUp**, undertaken to optimize intercompany processes. The analysis of the role of Network, a technology partner that has historically and exclusively handled all the technical functions and technology services related to the MailUp platform, has led to the merger by incorporation of the latter due to the simplification of the corporate and production structure of MailUp and of administrative processes, eliminating duplication and overlapping. The effects of the merger were finalized on 20 March 2017 with completion of registration at the company register, while the accounting and tax effects were effective from 1 January 2017 in accordance with the provisions of the specific legislation.

On 16 March 2017, the MailUp Group launched **the new company website** www.mailupgroup.com**,** a meeting point between the corporate dimension and the community of investors, analysts and media. The new website offers all the news, financial data and documents released by the Group. The website also represents the communication and meeting space between the parent company and its subsidiaries - Acumbamail, Globase, Agile Telecom and the BEE business unit, to describe the corporate evolution of the Group, in the recent past and in developments to come.

On 27 April 2017, the Ordinary Shareholders' Meeting of the Parent Company, following expiry of the mandate of the Board of Directors, **appointed the new Board of Directors**. In this respect, the Shareholders' Meeting resolved to reduce the members of the Board of Directors from 7 to 5, 2 of which with the independence requirements of the Articles of Association. The purpose of this modification is to adjust the number of Directors to the size and complexity of the company's organizational structure, in compliance with the best corporate governance principles. The Shareholders' Meeting also decided to confer a further three-year assignment, hence, up to the approval of the financial statements as at 31 December 2019. At the same meeting was the approval of the total emoluments that will be redistributed within the administrative body as deemed most appropriate even in view of the retention objectives of MailUp key personnel and pay-per-performance objectives; this is not only in line with best practices but also with the objective of improving company value for shareholders.

The Board of Directors of MailUp that met on 5 May 2017 conferred **management powers to the Directors** and proceeded with consequent redistribution of the emoluments internally, as well as with the verification of the existence of independence requirements of certain Directors and the recruitment of two new "key managers" with qualification as executives. In particular, the Board appointed the Chairman and the Chief Executive Officer, who was assigned the role of Vice-Chairman, conferring to the same general powers of management of the company attributing to them - within the definition of new corporate governance in line with best practice - limited powers in terms of matter or value to as not explicitly attributed to the Board of Directors in collegial function. Lastly, also as a result of the Group's new governance structure, the Board of Directors hired for the Company as executive the general manager of the MailUp business unit, intended as the overall sector related to the Digital & E-mail Marketing area, and the head of the Deliverability & Compliance and Data Protection area, both former MailUp Board Directors and currently shareholders of the same. This assumption led to the qualification of key managers as "executives with strategic responsibilities" with consequent application to the resolution of the company's "procedure for transactions with related parties" and therefore following the opinion - unanimously favourable, of the Independent Directors of MailUp. Finally, the Board attributed certain special powers (also to the key managers above) for better management of the Company.

On 30 May 2017, the Board of Directors of MailUp approved the **transfer of the Cremona operational office** to the new offices in via dell'Innovazione Digitale 3 (formerly via del Macello), also in Cremona, at the new technology center called "CRIT – Digital Innovation Center". The transaction - with the aim of being able to have more functional offices even in terms of long-term management costs (due to a building with low environmental impact built with the latest technologies in this regard) and at the same time to benefit from the intangible assets constituted by the presence in the "technology center" of other sector operators with consequent possible synergies - is to be realized through the signing of a lease agreement with the real estate company Floor Srl. In accordance with the provisions of the Procedure for Transactions with Related Parties, the transaction was subject to prior examination by the Committee for Transactions with Related Parties, composed exclusively of Independent Directors. The Committee, having noted the appropriateness of the agreed fees and compliance of the contractual provisions with applicable regulations, expressed a favourable opinion on the corporate interest, the economic viability and the correctness, even substantial, of said transaction.

On 20 June 2017 was the definition, in agreement with the sellers, of the **supplementary fee due as earn-out** to Zoidberg Srl for the acquisition of 100% of the share capital of Agile Telecom SpA, finalized in February 2016. Following agreement between the parties, the aforementioned supplementary fee was calculated taking into account the value of the average EBITDA of Agile Telecom for the two-year period 2015-2016 (this in line with the contents of the purchase and sale agreement) and was defined as totalling Euro 2.8 million to be paid as follows: Euro 2.4 million, in cash and in three separate tranches respectively of Euro 1 million by 30 June 2017, already paid, Euro 800 thousand by 30 June 2018 and Euro 600 thousand by 30 June 2019, and the remainder of Euro 400 thousand by means of payment in newly-issued shares assigned to the sellers by 30 June 2017. The 125,000 ordinary shares of MailUp, with no indication of nominal value expressed, for the earn-out portion in kind, are issued at a unit price of Euro 3.20 each (therefore with a premium of 45.5% on the price of the session of the stock exchange prior to the date of the resolution, of 60% on the average price of the last 3 months at the reference date stipulated in the contract as at 31 May 2017) and derive from a specific capital increase totalling Euro 400,000.00 (including premium) of which Euro 0.025 for each share upon capital increase decided by the administrative body in execution of the delegation conferred on it on 23 December 2015.

On 22 June 2017, the Group completed **the acqui-hire of MailCult**, one of the international competitors of BEE (http://beefree.io/), a product developed and commercialized by MailUp Inc., an American start-up company based in Silicon Valley 100% controlled by MailUp and organized according to the model of the dual company (business team in the USA), which has developed an innovative editor for the creation of emails and landing pages. Launched as an experimental project in autumn 2014, with the publication of the gratuitous BEE Free product, BEE has attracted more than 1.5M visitors and exceeded 1,400 paying customers in 114 countries, with an average revenue growth of 10% month on month. The acqui-hire of MailCult allows BEE to accelerate its growth through the injection of highly-specific talent and expertise in the market of tools for the creation of "responsive" emails and landing pages. The 3 founders of MailCult were hired by the company, which also acquired its assets (contracts, technology platform, domains, websites). This transaction, of significant strategic importance, did not have a significant financial impact on the company. The aim of this transaction is to strengthen the investment in BEE, which emerged as an experimental product as part of research and development activities and has become a true global start-up within the Group with 8 people dedicated full-time and international business growing sharply, particularly in the US market.

The commitment of MailUp to **fighting spam and phishing** has been strengthened. The email ecosystem is constantly threatened by sending unauthorized messages, whether they are unwanted promotional emails or more elaborate actual fraudulent attempts, such as phishing. With nearly 2 billion messages sent per month from clients and to recipients around the world, MailUp is at the forefront in combating bad practices and improving the world of email marketing. MailUp has always invested in the development and improvement of Machine Learning proprietary algorithms and predictive models to identify those who do not respect the rules of excellence and in 2017, has more than doubled the specific investment over the previous year. It is very important that all the players involved in the email sending and receiving process are responsible and do their utmost to maintain users' confidence in the tool. For this reason, MailUp is a member of several organizations and work groups focused on defining and respecting the best practices for sending email communications (and not only), including: M3AAWG (Messaging, Malware and Mobile Anti-Abuse Working Group), APWG (Anti Phishing Working Group), ESPC (Email Service Provider Coalition), Signal-Spam (France) and CSA (Certified Senders Alliance). Thanks to these partnerships, MailUp offers the community the results of its research and investment, comparing itself on a like-for-like basis with industry global leaders, from ESP (email service providers), to ISP (such as Gmail, Outlook, Yahoo!) and actively collaborating with them to effectively address the fight against all forms of abuse related to email and, more generally, all electronic messaging activities.

On 25 July 2017, the Board of Directors of MailUp resolved to give partial execution to the delegation under art. 2443 Civil Code, conferred by the Extraordinary Shareholders' Meeting of 23 December 2015, by **increasing the share capital**, paid and indivisible, **for a maximum amount of Euro 6,264,000** (including premium), by issuing a maximum of 2,610,000 ordinary shares with no indication of nominal value expressed. Newly-issued shares were offered for subscription under private placement through an accelerated bookbuilding procedure and they were issued with the exclusion of the option right under art. 2441, paragraph 5, Civil Code, as to be reserved exclusively to "qualified investors" and "institutional investors". The transaction aims to help strengthen the equity and financial structure of MailUp - also contributing to the expansion of the stock market capitalization for future objectives of expansion of the company - and to support the related growth and development, also through external lines or through mergers and acquisitions (falling within the company's business plan), as well as to increase the float with the consequent expansion and diversification of the equity base facilitating the exchange of securities.

On 26 July 2017 was the successful completion of the **capital increase subscription implemented by means of accelerated bookbuilding procedure** for 2,610,000 new ordinary shares with no indication of the nominal value expressed, corresponding to approximately 23% of the pre-money share capital, for a total of Euro 6,003,000 (including premium). Demand was 40% higher than the amount offered. Newly-issued shares were placed at a price per share of Euro 2.30 each. The transaction was regulated by means of delivery of securities and payment of the fee ("settlement") on 28 July 2017. Following the full subscription of newly-issued shares, the share capital of MailUp after the increase reached Euro 351,640.68, divided into 14,065,267 ordinary shares with no indication of the nominal value expressed, with a float of approximately 33%. In the context of the transaction, MailUp has undertaken 90-day lock-up commitments in line with market practices for similar transactions, subject to issues of share reserved for stock option plans and/or stock grants. Fidentiis Equities S.V., S.A. operated as Sole Bookrunner of the accelerated bookbuilding.

On 27 September 2017, the Board of Directors appointed Alberto Miscia - formerly Head of Deliverability and Compliance of MailUp - **Data Protection Officer** of MailUp, the company figure created with the new General Data Protection Regulation (GDPR), the law that, operating from 25 May 2018, will define unique rules for data processing carried out in the European Union. As Data Protection Officer, responsibilities will include observing, evaluating and organizing the processing and protection of personal data within the company, ensuring compliance with the law and acting as an interface between the parties involved: the Privacy Guarantor, the parties concerned and the operating divisions within the company. Thanks to transversal skills in IT, legal, risk management and process analysis, Miscia represents the ideal profile to entrust with the tasks of the Data Protection Officer, one of the most important changes in the European reform. The appointment is part of a more extensive program to update company processes to the obligations and opportunities opened by the GDPR, with the aim of translating data protection from a mere legal subject to a strategic issue within the new data economy.

On 12 December 2017, the first edition of the **MailUp Marketing Conference** was held at Palazzo Mezzanotte in Piazza Affari in Milan, home of Borsa Italiana. It was organized by MailUp and focused on some of the most current issues for Digital Marketing professionals: present and future of Digital Marketing, GDPR, data driven strategies, future of messaging and new communication models. The event saw the participation of 18 speakers among the leading experts in the sector at international level, provoking a considerable response from the public, with over 400 participants, and of interest on the various media that disseminated the contents. Also prestigious was the list of sponsors who supported MailUp for the occasion, from Deloitte Digital to other important digital brands such as Tibco, Bruce Clay Europe and Conversion, as well as numerous partners involved at various levels in the organization. As proof of the success of the initiative, the new edition of the 2018 conference is already scheduled.

On 13 December 2017, at the Deloitte headquarters in Milan, a press conference was held to present the **EMEA 2017 Technology Fast 500** ranking, which confirmed the entry of MailUp Group in this authoritative review of the most developed companies in the software, hardware, telecom, semiconductors, media, life sciences and energy technology sectors. Focused on the EMEA area (Europe, Middle East and Africa), Deloitte's ranking rewards companies that operate in a variety of tech sectors and have recorded the highest percentage of revenue growth between 2013 and 2016, combining technological innovation, entrepreneurship and rapid development. According to Deloitte - consulting and auditing services company, the first in the world in terms of revenues - MailUp is positioned 471th at EMEA level and 6th at Italy level, thanks to an average turnover growth of 240%.

Below is some data on the prices and volumes of the MailUp security during 2017.

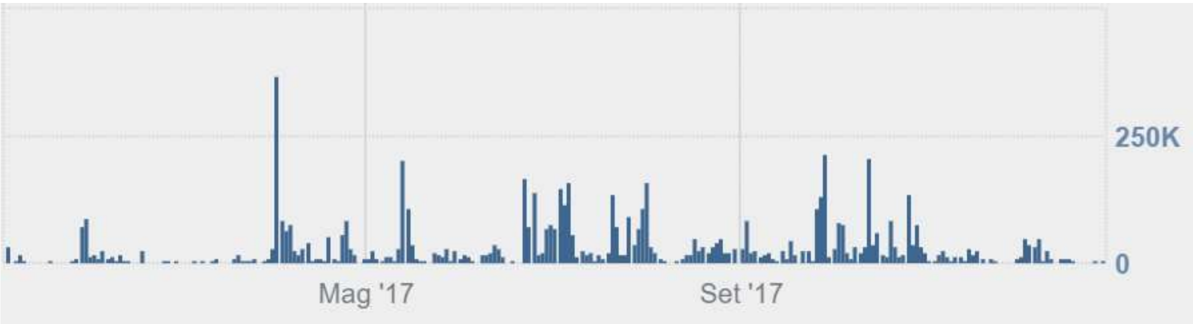
Placing price	Euro 1.9230*	29/07/2014
Maximum price 2017	Euro 2.9840	03/07/2017
Minimum price 2017	Euro 1.6150	24/02/2017
Price at year-end	Euro 2.5220	29/12/2017

* price adjusted as a result of the free capital increase of 11 April 2016.

The average price of MailUp shares in 2017 amounted to Euro 2.3056, with an evident growth trend in the second half as is particularly evident from the graph below. In the first half of 2017, the average listing was equal to Euro 2.0512, while in the second half of the year, the stock recorded an average of Euro 2.56 with a significant improvement that reached almost 25% (+24.8%). The month of July 2017 recorded the best results with an average price of Euro 2.6831 and recorded the maximum listing for 2017 of Euro 2.9840 per share on 3 July 2017. This positive trend in the price of MailUp shares is also confirmed by the performance of Q4 2017 ,which stood at an average of Euro 2.5587 per share.

Performance of the MailUp security in 2017: prices - Source: www.borsaitaliana.it

The volumes traded in 2017 recorded a daily average of 27,754 pieces. Also in this case the second half showed a significant increase, with an average of 32,637 pieces, compared to the same data for the first half of 2017 of 22,872, growth of almost ten thousand pieces traded per day, equal to a positive delta in percentage terms of 47.2%. The maximum number of shares traded daily, equal to 370,500 pieces, was recorded on 29 March 2017. The figures for the final months of the year decreased slightly with respect to daily trading, which however remained much higher than the 2016 average, around 1,800 pieces per day. The graph below shows the dynamics of trade recorded in 2017.



Performance of the MailUp security in 2017: volumes treated - Source: www.borsaitaliana.it

Growth in demand and trends of the markets on which the company operates

The Marketing Technology (MarTech) Market

MarTech is an ecosystem of cloud marketing solutions and technological applications aimed at supporting companies in the development of their digital marketing strategies. This ecosystem, to which the MailUp Group is responsible, is growing very rapidly and is populated both by medium-small players, focused on specific niches or segments, and by large companies that cover a wide range of customer needs.

MarTech overview: ample, complex, fragmented and segmented

In the last decade, traditional off-line technology and marketing have found a fertile common ground of development and contamination that has led to the proliferation of cloud marketing strategies, solutions and tools that make up the ecosystem of Marketing Technology or MarTech. In recent years, the growth of the ecosystem has been exponential, at a rate of around 20x, going from around 150 application solutions in 2011 to over 3,500 in 2016.

In the extremely complex and fragmented context of the MarTech market it is possible to identify 6 main sub-segments:

- Advertising & Promotion (mobile marketing, social and video advertising);
- Content & Experience (mobile apps, email marketing, SEO, marketing automation and lead management, CMS);
- Social & Relationship (events, meetings & webinars, social media marketing, influencers, CRM);
- Commerce & Sales (retail & proximity marketing, sales automation, ecommerce platforms and marketing);
- Data (marketing, mobile & web analytics, customer data platforms, predictive analytics);
- Management (product management, budgeting & finance, agile and lean management);

The main technological trends that are currently affecting Marketing Technology are aimed at exploiting the potentials deriving from the collection and processing of Big Data through Artificial Intelligence (AI), while, from the side of the market structure, large-scale concentration phenomena deriving from intense Merger & Acquisition activity are expected.

Customers generate a large amount of data and information in the course of their purchasing experiences that represent a valuable asset which, if properly exploited, can lead to much more targeted and effective campaigns, and ultimately an increase in sales. In order to manage large amounts of data, it is increasingly strategic to rely on automation/automated flows and, in the future, on tools based on Artificial Intelligence. The use of AI will significantly increase the effectiveness of decision making and machine learning processes, allowing the extraction of increasingly significant indicators, optimizing the customization of marketing campaigns and providing scalable solutions.

Segment of reference of the MailUp Group: Email Marketing, Mobile Marketing, Marketing Automation

The most appropriate segments in which to place the MailUp Group within the MarTech ecosystem are the following:

1. **Email Marketing Segment:** emails are one of the most widespread tools to channel digital marketing campaigns and to increase customer acquisition. Despite the competition from other interpersonal communication tools (instant messaging, chat, social networks), the growth in the use and number of email users is expected to continue. However, to take advantage of other forms of digital communication it is always necessary to have an email address, as well as for any e-commerce transition and registration regarding portals and online applications. According to the forecasts of Radicati Group, an American research organization specialized in the sector, significant worldwide growth is estimated for the email market both in terms of turnover and users. In particular, with respect to 3.7 billion users at the end of 2017, growth is forecast at a CAGR of 3% in the period 2017-2021. The turnover of email marketing, equal to about U$D 23.8 billion at the end of 2017, is expected to double over the next five years. The number of emails sent and received daily is expected to grow by 4% per year up to 2021 compared to the current 269 billion.

Email Market Forecast 2017E-2021E

Worldwide Email Forecast	2017	2018	2019	2020	2021
Worldwide Email Users (bn)	3.7	3.8	3.9	4.0	4.1
Change (%)		*3%*	*3%*	*3%*	*3%*
Worldwide Email Market Revenues ($bn)	23.8	29.1	34.4	40.3	46.8
Change (%)		22%	18%	17%	16%
Total Worldwide Emails per day (bn)	269	281.1	293.6	306.4	319.6
Change (%)		4%	4%	4%	4%
Cloud Business Email Revenues ($bn)	19.5	24.7	30.2	36.3	43.0
Change (%)		*27%*	*22%*	*20%*	*19%*

Source: Radicati Group

In terms of products in this segment, there are about 300 different solutions available, ranging from the most standardized and economic to highly customized tools with high subscription cost.

Source: *Chiefmartec, Value Track Analysis*

1. **Mobile Marketing / Messaging Segment:** it includes SMS campaigns that, despite the almost daily proliferation of new technologies in the smartphone world, remain one of the preferred methods in the area of customer sales and acquisition. In addition to marketing activities in a strict sense, text messages are widely used in transactional communications, representing an alternative source of revenue for providers of this specific service. Transactional text messages are those sent, for example, after completion of an online purchase or for 2-factor authentication. According to recent research (June 2017) by Abnewswire, sector revenues are expected to grow rapidly with a CAGR of 22% in the period 2017 - 2022, and will reach U$D 100 billion in 2023, driven by innovations in both the marketing and in the transactional sector, such as:
   - **Location based marketing:** a direct marketing technique that consists of alerting consumers regarding business opportunities in the vicinity;
   - **Secured payment gateways:** availability of quick codes that make money transfers secure through the main electronic payment gateways.

This segment is highly fragmented and telecommunications companies can also be included among competitors. There are currently around 500 potential customer solutions available to the public.

In the transactional field, mobile messaging services are increasingly widespread, constituting an interesting growth opportunity for Agile Telecom, the subsidiary of the MailUp Group specialized in the sector. The vitality of the sector is also demonstrated by the fact that two of the most important players, Twilio and CLX Communications, have proven to be particularly active recently by launching new products and commercial partnership agreements.

Source: Chiefmartec, Value Track Analysis

2. **Marketing Automation Segment:** it is referred to in the case of complex software solutions that allow the "workflow management" of sophisticated marketing campaigns. The workflow is defined by a sequence of actions that are activated when a particular event occurs. Basic workflows include, for example, welcome emails that are sent when an online registration form is completed. In addition, SMS messages can be sent to reach a potential customer's mobile device.
An immediate benefit of Marketing Automation is the saving of time for users in planning customer acquisition strategies, with the consequent improvement in efficiency in economic terms. The Marketing Automation sector is one of the most popular with over 160 solutions currently proposed.

Source: *Chiefmartec, Value Track Analysis*

Competitive structure of MarTech: technological niches vs. large integrated players

In such a large, complex and interconnected market, companies must necessarily specialize in a niche or aggregate / include in their offer the most ample and most varied portfolio of alternative solutions. For this reason, from start-ups and micro / small companies to large software multinationals such as Adobe, IBM, Oracle, Salesforce and SAP coexist in the MarTech ecosystem.

The former are developed and sized by their founders to operate within a specific market niche, while the large players are structured to manage multiple and diversified segments at the same time. This is possible since marketing technologies are basically based on cloud applications, like MailUp platform, which can be accessed in stand-alone mode or can be incorporated as part of more complex platforms.

In order to facilitate access to this market, most players have in fact allocated significant resources to the development of integrations of their marketing technology platform, through plug-and-play applications, for example with the main CRM systems and the most widespread marketing automation platforms. The iPaaS (integration-platform-as-a-service) platforms have also significantly increased correspondingly, leading to an increase in the overall level of integration between the various marketing technologies.

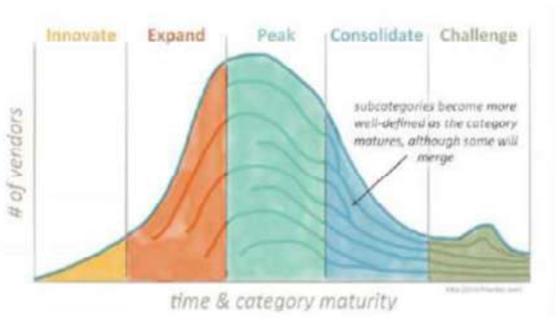
This process has become an advantage for marketers who have thus been able to choose the best product available without necessarily being tied to a single supplier.

Market consolidation: the probable scenario in the immediate future

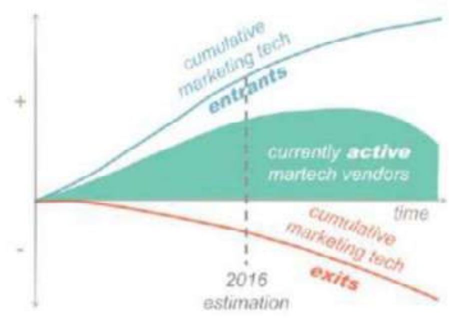
As it is a relatively young market, it is natural that MarTech has not yet reached a stable structure and this is also demonstrated by the very high number of operators present. Currently, the number of incoming companies is still higher than those outgoing and this can mean prospective growth, but also increasingly complex challenges for the players already present.

That said, there are strong expectations that this expansion in the number of participants will be exhausted in favour of a scenario of operator concentration resulting from a series of acquisitions and mergers. This trend is already underway and observable if we consider the Cloud market as a whole. Bessemer Venture Partners published "State of the cloud 2017", which highlighted the record levels of M&A activity in 2016 that were also confirmed in 2017. As evidence of this trend, important players on the market have recently been protagonists in acquisition operations, such as Hubspot, CLX Communications and Campaign Monitor.

Stages of maturity in MarTech field



MarTech dynamics: Entrants vs. Exits



Source: Chiefmartec

The timing and magnitude of this market concentration will depend on the combined effect and the interaction of some opposing factors. The growth of the market, which in turn depends on various financial, technical and economic sub-factors, and the good sustainability of the business, i.e. the high survival capacity of the operators, linked for example to the significant costs of switching to a replacement service perceived by users, especially in the presence of a consolidated user experience, are strongly attractive factors for new potential entries. Limits to individual growth (even software giants, due to the presence of niches in which small operators can specialize, cannot completely dominate the ecosystem), and the push to exit, for example the risks associated with the highly competitive climate or the unexpected emergence of new technologies capable of drastically revolutionizing the technological environment, represent a deterrent to entry or a stimulus to exit for operators in difficulty.

Competitors' behaviour

The MailUp Group is one of the top three Italian cloud marketing technology providers and among the top five in Europe, although it is difficult to precisely identify the size of participants for the variety and different types of players mentioned above.

The MailUp platform remains one of the few solutions worldwide to associate the typical functions of ESP with the possibility of sending transaction emails, plus the possibility of having the platform in whitelabel (i.e. resellable to third party brand), multi-lingual and integrated with the SMS/Social channels. In the market context that we have outlined above, there are few operators with an offer related to the provision of services exclusively in Software-as-a-Service mode as for the MailUp platform: more often, the technological offer of competitors is flanked by a wide range of complementary services (graphic design, development of contests, landing pages, list building, business intelligence, system integration, hosting/housing, CRM, and/or provision of other software applications).

In export markets, each country has various operators with the above-described articulated offer characteristics, but far more rarely, purely technological players. These latter are mainly concentrated on the more evolved markets, like in the English-speaking markets as well as France, Germany and Poland. In the Anglo-Saxon markets in particular, competitors are very numerous and on average much larger than those of the MailUp Group. Several are already listed on stock markets or have been the subject of recent merger phenomena through M&A transactions. Some of these have achieved a customer base of dozens of thousands of units and in some cases even millions of users (only partly paying).

The most recent market sentiment presages that, over the next five years, the MarTech sector will be affected by the fastest evolution ever, driven by the increasing demand for real-time communication from users and the increasingly intensive and widespread use of Big Data. To this end, marketers continue to search for new tools and applications that, thanks to artificial intelligence and machine learning processes, are able to guarantee consumers a one-to-one communication experience, able to identify which contents to address to the individual recipient and when. The MailUp Group will have to be ready to take up this challenge and exploit the relative opportunities and always be reactive and innovative as it has been in the recent past.

Social, political and union climate

The internal social climate, both in Milan and in the office of Cremona, as well as at the offices of subsidiaries, is positive and focused on full collaboration.

Operating performance in Group sectors

In 2017, the MailUp Group recorded positive results. Total consolidated revenues went from Euro 21.6 to 27.3 million, an increase of over Euro 5.6 million and 26% in percentage terms. Moving on to the business lines in which the Group's activities are articulated, the SMS segment recorded the most consistent growth with nearly Euro 4.5 million of higher consolidated revenues (+39%) over the pre, thanks in particular to the brilliant performance of Agile Telecom. BEE also recorded very significant growth, from Euro 155 thousand in revenues in 2017 to nearly Euro 484 thousand (+212 %), demonstrating how the product, a sort of start-up within the Group, is rapidly appealing to US marketers, and not only. The email segment, by its very nature the most stable and consolidated within the Group, recorded a significant increase of 11%, amounting to Euro 9.4 million in revenues, an increase of nearly Euro 1 million compared to the previous year. In fact, it mainly refers to annual charges subject to automatic renewal save for termination, the churn rate of which is more than offset by the acquisition of new customers and up-selling to existing customers, who are extremely loyal and sensitive to quality of service. More dynamic and volatile, as well as highly price-oriented, the SMS business, as is derived from the dynamics mentioned above. Professional Services or PSE have discounted the decline in specific revenues related to the Globase platform, albeit recording particularly encouraging growth rates in the case of the MailUp platform.
Consolidated EBITDA reached Euro 2.9 million, up 19.3% compared to the previous year, and pre-tax profit remained positive at Euro 1.2 million, in addition to being slightly higher than the 2016 (Euro +75 thousand), despite the greater depreciation and amortization (Euro +371 thousand) deriving from the significant investments mainly focused on the MailUp platform and the Big Data Analytics project, fully implemented from 2017, in addition to expenses to set up the new offices of the Cremona site. Net profit for the year, after the accrual of current and deferred taxes for the year, is equal to Euro 612 thousand compared to Euro 812 thousand in the previous period, penalized by the higher tax burden for current and deferred taxes, up by Euro 275 thousand.
2017 results for the parent company MailUp are equally positive. Total revenues grew 24.6% by Euro 2.5 million, reaching Euro 12.8 million. Email revenues grew 18.2% against a 16.7% growth in text messages. EBITDA increased in an absolute value by Euro 480 thousand (+37.5%) compared to the same value of the previous year, reaching Euro 1.76 million. EBT is down slightly (Euro -77 thousand) compared to the previous year due to the increase in amortization of intangibles and the reduction, compared to the previous period, of the dividends distributed by the

subsidiary Agile Telecom. The Net profit for the year came to Euro 1,059,104 as compared to Euro 1,224,912 of the previous year, conditional to greater weight of the tax burden.

Alternative performance indicators

This annual report presents and outlines some economic - financial indicators and some reclassified financial statements (relating to the economic, equity and financial situation) not defined by the IFRS. These figures, defined below, are used to comment on the performance of the company's and the Group's business.
These figures, defined below, are used to comment on the performance of the business in compliance with Consob Communication of 28 July 2006 (DEM 6064293) and subsequent amendments and additions (Consob Communication no. 0092543 of 03 December 2015, which incorporates the ESMA/2015/1415 Guidelines).
The alternative performance indicators listed below should be used as an informative supplement to the provisions of the IFRS to assist users of the Report on Operations in a better understanding of the Group's economic, equity and financial performance. It is emphasized that the method of calculating these corrective measures used has been consistent over the years. It is also noted that it may differ from the methods used by other companies.

• Financial indicators used to measure the Company's economic performance

EBITDA: given by the operating result gross of depreciation and amortization of tangible and intangible assets.

ROE (return on equity): defined as the ratio between net income for the period and net capital.
ROI (return on investment): defined as the ratio between the operating result for the period and fixed assets at the end of the period (see the definition of fixed assets shown below).
ROS (return on sales): defined as the ratio between the operating result and net sales for the period.

• Reclassified Balance Sheet

The items included in the reclassified statement of financial position are defined below as the algebraic sum of specific items contained in the financial statements:

Fixed assets or assets: the algebraic sum of:
- Net tangible assets
- Goodwill and trademarks
- Intangible assets with definite life
- Non-current assets held for sale
- Equity investments in associates

Commercial working capital: given by the algebraic sum of:
- Trade receivables
- Trade payables

Net working capital: given by the algebraic sum of:
- Commercial working receivables
- Receivables for deferred tax assets and current taxes
- Other current receivables
- Payables for deferred tax liabilities and current taxes
- Other current payables
- Accruals and deferrals

Net invested capital: given by the algebraic sum of:
- Net working capital
- Provisions for risks and charges
- Employee severance indemnity (TFR) and other employee benefits
- Fixed assets

Net financial position: given by the algebraic sum of:
- Cash and cash equivalents
- Current and non-current payables to banks

- Other financial payables

Main economic figures for the MailUp Group

The table below summarises the consolidated and separate results of 2017 compared with the previous period in terms of total revenues, EBITDA and pre-tax result (EBT).

	31/12/2017	31/12/2016
Total revenues	27,319,610	21,641,203
EBITDA	2,879,407	2,414,180
Pre-tax result (EBT)	1,202,301	1,127,801

The consolidated reclassified Income Statement has undergone the following changes with respect to that of the previous period:

Income statement	31/12/2017	%	31/12/2016	%	Delta	Delta %
E-mail revenues	9,431,330	34.52%	8,473,792	39.16%	957,538	11.30%
SMS revenues	15,933,655	58.32%	11,444,666	52.88%	4,488,989	39.22%
Professional services revenues	588,868	2.16%	792,175	3.66%	(203,307)	(25.66%)
BEE revenues	483,629	1.77%	154,679	0.71%	328,951	212.67%
Other revenues	882,128	3.23%	775,892	3.59%	106,236	13.69%
Total revenues	**27,319,610**	**100.00%**	**21,641,203**	**100.00%**	**5,678,407**	**26.24%**
Cost of goods sold (COGS)	15,791,629	57.80%	11,442,375	52.87%	4,349,254	38.01%
Gross profit	**11,527,981**	**42.20%**	**10,198,828**	**47.13%**	**1,329,153**	**13.03%**
Sales & Marketing costs	3,244,329	11.88%	3,172,071	14.66%	72,257	2.28%
Research & Development costs	857,655	3.14%	659,787	3.05%	197,869	29.99%
Capitalised R&D payroll cost	*(1,335,896)*	4.89%	*(1,254,062)*	5.79%	*81,834*	*6.53%*
Total R&D cost	*2,193,551*	8.03%	*1,913,849*	8.84%	*279,702*	*14.61%*
General costs	4,546,590	16.64%	3,952,789	18.27%	593,801	15.02%
Total other operating costs	8,648,574	31.66%	7,784,647	35.97%	863,927	11.10%
EBITDA	**2,879,407**	**10.54%**	**2,414,180**	**11.16%**	**465,226**	**19.27%**
Amortization COGS	(285,399)	1.04%	(291,537)	1.35%	6,138	(2.11%)
Amortization R&D	(1,188,643)	4.35%	(814,941)	3.77%	(373,702)	45.86%
General amortization	(125,266)	0.46%	(121,790)	0.56%	(3,476)	2.85%
Total amortization	(1,599,308)	5.85%	(1,228,268)	5.68%	(371,040)	30.21%
EBIT	**1,280,099**	**4.69%**	**1,185,912**	**5.48%**	**94,186**	**7.94%**
Financial operations	(77,797)	0.28%	(58,112)	0.27%	(19,685)	33.87%
EBT	**1,202,302**	**4.40%**	**1,127,801**	**5.21%**	**74,501**	**6.61%**
Income tax	(585,331)	2.14%	(494,847)	2.29%	(90,484)	18.29%

Prepaid tax	(23,929)	0.09%	(192,826)	0.89%	168,897	(87.59%)
Deferred tax	29,091	0.11%	13,412	0.06%	15,679	116.90%
Profit (loss) for the year	**611,809**	**2.24%**	**812,367**	**3.75%**	**(200,558)**	**(24.69%)**

The following table showing some Group profitability indexes, compared with the same indexes relating to the previous HY, provides a better illustration of the income situation.

	31/12/2017	*31/12/2016*
Net ROE (Net result/Net capital)	0.05	0.13
Gross ROE (EBT/Net capital)	0.09	0.18
ROI (EBITDA/Invested capital)	0.09	0.10
ROS (EBITDA/Sales revenues)	0.11	0.12

The positive economic results of the year, with consolidated EBITDA, EBIT and EBT growth, are only partially reflected in the dynamics of the respective income indices. ROE (Return on Equity) is influenced by the capital raising carried out on the market through the ABB (accelerated bookbuilding) transaction, finalized for Euro 6 million in July 2017; details are provided in the paragraph on main events in the year, and it has declined, although it has settled at positive values. The increase in capital mentioned is intended to finance extraordinary strategic operations for the Group's business that are currently being scouted. ROI (Return on Investment) and ROS (Return on Sales) reconfirm the positive figures already highlighted in the previous year.

Main equity figures for the MailUp Group

The Group's reclassified Balance Sheet, as compared with that of the previous financial statements year-end, is as follows:

Balance Sheet	31/12/2017	31/12/2016	Delta	Delta %
Intangible fixed assets	3,970,668	3,830,169	140,500	3.67%
Goodwill	9,829,834	10,308,159	(478,324)	(4.64%)
Tangible fixed assets	1,011,029	714,451	296,578	41.51%
Financial fixed assets	237,538	171,653	65,885	38.38%
Fixed assets	**15,049,070**	**15,024,431**	**24,638**	**0.16%**
Trade receivables	3,705,331	3,396,264	309,067	9.10%
Trade payables	(4,710,537)	(2,942,661)	(1,767,876)	60.08%
Commercial working capital	**(1,005,206)**	**448,683**	**(1,453,889)**	**(324.04%)**
Tax receivables and payables	777,012	416,107	360,905	86.73%
Accruals and deferrals	(5,328,250)	(5,120,696)	(207,554)	4.05%
Other receivables and payables	(1,552,663)	(3,679,173)	2,126,510	(57.80%)
Net working capital	**(7,109,107)**	**(7,935,080)**	**825,972**	**(10.41%)**
Provisions for risks and charges	(129,580)	(89,026)	(40,554)	45.55%
Provision for severance indemnity (TFR)	(1,115,151)	(933,526)	(181,624)	19.46%
Net invested capital	**6,695,232**	**6,066,799**	**628,433**	**10.36%**
Share capital	354,237	283,266	70,971	25.05%
Reserves	12,924,712	5,896,504	7,028,208	119.19%
Profit (loss) for the year	549,013	780,519	(231,505)	(29.66%)
Shareholders' equity of minority interests	121,788	59,959	61,830	103.12%
Shareholders' equity	**13,949,751**	**7,020,247**	**6,929,504**	**98.71%**
Short-term payables/(cash)	(9,026,526)	(3,199,592)	(5,826,934)	182.11%

Medium/long-term payables	1,772,007	2,246,145	(474,137)	(21.11%)
Net financial position	**(7,254,518)**	**(953,447)**	**(6,301,071)**	**660.87%**
Total sources	**6,695,232**	**6,066,799**	**628,433**	**10.36%**

In order to provide a better description of the Group's equity solidity, the table below shows a few indexes relating to both (i) the method of financing medium/long-term commitments and (ii) the breakdown of the sources of finance, compared with the same values related to the financial statements of the previous year.

	31/12/2017	*31/12/2016*
Primary structure margin (Own funds - Fixed assets)	(2,038,590)	(8,917,937)
Primary structure ratio (Own funds/Fixed assets)	0.87	0.44
Secondary structure margin ((Own funds + Consolidated liabilities) - Fixed assets)	978,147	(5,649,240)
Secondary structure ratio ((Own funds + Consolidated liabilities)/Fixed assets)	1.06	0.65

The specular effect with respect to as previously highlighted for profitability ratios is found in the case of structural margins. The collection of equity carried out by investors through ABB has definitely improved the capital ratios. Coverage of fixed assets by equity has increased substantially, exceeding the amount of fixed assets considering both long-term sources of financing as a whole, i.e. equity and medium-long term debt.

Main financial figures for the MailUp Group

The consolidated net financial position as at 31/12/2017 was as follows:

Net financial position	31/12/2017	31/12/2016	Delta	Delta %
A. Cash	10.706.217	4.461.219	6.244.998	139,98%
B. Other cash equivalents				
C. Securities held for trading				
D. Liquidity (A) + (B) + (C)	**10.706.217**	**4.461.219**	**6.244.998**	**139,98%**
E. Current financial receivables				
F. Current bank payables	37.643	23.762	13.881	58,42%
G. Current portion of non-current debt	1.642.048	1.221.115	420.933	34,47%
H. Other current finance payables		16.750	(16.750)	100,00%
I. Current financial debt (F) + (G) + (H)	**1.679.691**	**1.261.627**	**418.064**	**33,14%**
J. Net current financial debt (I) - (E) - (D)	**(9.026.526)**	**(3.199.592)**	**(5.826.934)**	**(182,11%)**
K. Non-current bank payables	1.772.007	2.246.145	(474.137)	(21,11%)
L. Bonds issued				
M. Other non-current payables				
N. Non-current financial debt (K) + (L) + (M)	**1.772.007**	**2.246.145**	**(474.137)**	**(21,11%)**
O. Net financial debt (J) + (N)	**(7.254.519)**	**(953.447)**	**(6.301.072)**	**(660,87%)**

Recommendation CESR 54/B 2005

Communication no. DEM/6064293 of 28/07/2006

The following table showing some related specific indicators, compared with the same data of the previous year, provides a better illustration of the consolidated financial position.

	31/12/2017	*31/12/2016*
Primary liquidity (Immediate and deferred liq./ Current liabilities)	0.95	0.52

Secondary liquidity (Current assets/Current liabilities)	1.06	0.73
Debt (Net debt/Shareholders' equity)	(0.52)	(0.14)
Fixed asset hedging rate (Own capital + Consolidated liabilities)/Fixed assets	1.02	0.59

It is clear that the liquidity indices are strongly conditioned by the presence, in the Group's availability at 31/12/2017, of the funding collected from investors on the occasion of the capital increase in July 2017 for around Euro 6 million and still not used in the extraordinary transactions to which it is destined since they are being scouted. The same NFP, which is amply positive, as can be seen from the negative sign of the indebtedness index, shows a very marked improvement largely attributable to the same effect, in addition to an improvement deriving from operations. It also affected cash and cash equivalents, reducing the increase, the payment of the first and most significant instalment of the earn-out in favour of the seller of Agile, equal to Euro 1 million. Again in 2017, this amount was in addition to the return, also related to the acquisition of Agile, of the deposit previously paid in cash for Euro 500 thousand by the seller, which provided a suitable surety guarantee in substitution.
Coverage of short-term liabilities is fully guaranteed by the immediately available liquidity; the ratio between medium/long-term assets and liabilities is extremely balanced, with a clear predominance of equity.
It is recalled that the Group does not use bank debt to finance operations.

Main economic figures for MailUp

The table below summarises the company's results in the last two years in terms of total revenues, EBITDA and pre-tax result (EBT).

	31/12/2017	31/12/2016
Total revenues	12,793,879	10,266,434
EBITDA	1,757,474	1,277,935
Pre-tax result (EBT)	1,114,670	1,192,554

The separate reclassified Income Statement has undergone the following changes with respect to that of the previous year:

Income statement	31/12/2017	%	31/12/2016	%	Delta	Delta %
E-mail revenues	8,010,006	62.61%	6,772,733	65.97%	1,237,273	18.27%
SMS revenues	2,937,299	22.96%	2,516,235	24.51%	421,065	16.73%
Professional services revenues	299,149	2.34%	173,625	1.69%	125,524	72.30%
Other revenues	1,547,425	12.10%	803,841	7.83%	743,584	92.50%
Total revenues	**12,793,879**	**100.00%**	**10,266,434**	**100.00%**	**2,527,445**	**24.62%**
Cost of goods sold (COGS)	4,785,584	37.41%	3,637,087	35.43%	1,148,497	31.58%
Gross profit	**8,008,295**	**62.59%**	**6,629,347**	**51.82%**	**1,378,948**	**20.80%**
Sales & Marketing costs	2,441,652	19.08%	2,221,797	21.64%	219,855	9.90%
Research & Development costs	822,781	6.43%	325,824	3.17%	496,957	152.52%
Capitalised R&D payroll cost	*(814,621)*	6.37%	*(1,217,703)*	11.86%	*(403,082)*	*(33.10%)*
Total R&D cost	*1,637,402*	12.80%	*1,543,527*	15.03%	*93,875*	*6.08%*
General costs	2,986,388	23.34%	2,803,790	27.31%	182,597	6.51%
Total other operating costs	6,250,821	48.86%	5,351,411	52.13%	899,409	16.81%

EBITDA	**1,757,474**	**13.74%**	**1,277,935**	**12.45%**	**479,539**	**37.52%**
Amortization COGS	(271,252)	2.12%	(268,902)	2.62%	(2,350)	0.87%
Amortization R&D	(1,086,080)	8.49%	(916,192)	8.92%	(169,888)	18.54%
General amortization	(93,172)	0.73%	(54,152)	0.53%	(39,020)	72.06%
Total amortization	(1,450,504)	11.34%	(1,239,246)	12.07%	(211,258)	17.05%
EBIT	**306,970**	**2.40%**	**38,689**	**0.38%**	**268,281**	**693.43%**
Financial operations	807,699	6.31%	1,153,865	11.24%	(346,165)	(30.00%)
EBT	**1,114,670**	**8.71%**	**1,192,554**	**11.62%**	**(77,884)**	**(6.53%)**
Income tax	(43,982)	0.34%	(8,955)	0.09%	(35,027)	391.14%
Prepaid tax	(14,334)	0.11%	26,188	-0.26%	(40,522)	(154.73%)
Deferred tax	2,750	0.02%	15,125	0.15%	(12,375)	(81.82%)
Profit (loss) for the year	**1,059,104**	**8.28%**	**1,224,912**	**11.93%**	**(165,808)**	**(13.54%)**

The following table showing some profitability indexes, compared with the same indexes relating to the financial statements of the previous year, provides a better illustration of the income situation.

	31/12/2017	*31/12/2016*
Net ROE (Net result/Net capital)	0.09	0.28
Gross ROE (EBT/Net capital)	0.09	0.27
ROI (EBITDA/Invested capital)	0.06	0.06
ROS (EBITDA/Income from sales)	0.16	0.14

Also in the case of MailUp, the positive income results, strong growth of EBITDA and improvement in EBIT compared to 2016, did not result in an improvement in ROE, down compared to the previous year as a result of the capital increase already amply mentioned in the analysis of consolidated ratios. ROI remained constant, while ROS improved due to higher operating margin growth in proportion to the significant increase in business revenues.

Main equity figures for MailUp

The reclassified Balance Sheet of the company compared with that of the previous year is as follows:

Balance Sheet	31/12/2017	31/12/2016	Delta	Delta %
Intangible fixed assets	3,523,559	3,660,657	(137,098)	(3.75%)
Tangible fixed assets	960,140	629,282	330,858	52.58%
Financial fixed assets	11,338,184	11,416,878	(78,693)	(0.69%)
Fixed assets	**15,821,884**	**15,706,817**	**115,067**	**0.73%**
Trade receivables	1,837,789	1,479,452	358,337	24.22%
Trade payables	(2,413,749)	(2,904,353)	490,604	(16.89%)
Commercial working capital	**(575,960)**	**(1,424,901)**	**848,941**	**(59.58%)**
Tax receivables and payables	322,328	423,436	(101,108)	(23.88%)
Accruals and deferrals	(5,053,508)	(4,949,607)	(103,901)	2.10%

Other receivables and payables	(1,435,481)	(3,314,133)	1,878,652	(56.69%)
Net working capital	**(6,742,621)**	**(9,265,205)**	**2,522,585**	**(27.23%)**
Provisions for risks and charges	(84,405)	(60,489)	(23,917)	39.54%
Provision for severance indemnity (TFR)	(943,829)	(387,921)	(555,907)	143.30%
Net invested capital	**8,051,029**	**5,993,202**	**2,057,827**	**34.34%**
Share capital	354,237	283,266	70,971	25.05%
Reserves	11,832,343	4,134,463	7,697,880	186.19%
Profit (loss) for the year	1,059,104	1,224,912	(165,808)	(13.54%)
Shareholders' equity	**13,245,684**	**5,642,640**	**7,603,043**	**134.74%**
Short-term payables/(cash)	(6,966,662)	(1,849,833)	(5,116,829)	276.61%
Medium/long-term payables	1,772,007	2,200,394	(428,387)	(19.47%)
Net financial position	**(5,194,655)**	**350,561**	**(5,545,216)**	**(1581.81%)**
Total sources	**8,051,029**	**5,993,202**	**2,057,827**	**34.34%**

In order to provide a better description of the company's equity solidity, the table below shows a few Balance Sheet indexes relating to both (i) the method of financing medium/long-term commitments and (ii) the breakdown of the sources of finance, compared with the same Balance Sheet indicators for the previous years.

	31/12/2017	*31/12/2016*
Primary structure margin (Own funds - Fixed assets)	(3,265,002)	(10,680,261)
Primary structure ratio (Own funds/Fixed assets)	0.80	0.35
Secondary structure margin ((Own funds + Consolidated liabilities) - Fixed assets)	(464,761)	(8,048,206)
Secondary structure ratio ((Own funds + Consolidated liabilities)/Fixed assets)	0.97	0.51

The impact of the ABB transaction on the composition of investments and the related medium/long-term sources also emerges from the equity point of view, thanks to the significant increase in equity of the parent company. All indicators are oriented towards a significant improvement and show an excellent balance between fixed assets and liabilities of the same range.

Main financial figures for MailUp

The Company's net financial position as of 31/12/2017 was as follows:

Net financial position	31/12/2017	31/12/2016	Delta	Delta %
A. Cash	8.569.540	3.023.456	5.546.083	183,44%
B. Other cash equivalents				
C. Securities held for trading				
D. Liquidity (A) + (B) + (C)	**8.569.540**	**3.023.456**	**5.546.083**	**183,44%**
E. Current financial receivables				
F. Current bank payables	23.330	15.008	8.322	55,45%
G. Current portion of non-current debt	1.579.548	1.158.615	420.933	36,33%
H. Other current finance payables	-	16.750	(16.750)	(100,00%)
I. Current financial debt (F) + (G) + (H)	**1.602.878**	**1.190.373**	**412.505**	**34,65%**
J. Net current financial debt (I) - (E) - (D)	**(6.966.662)**	**(1.833.084)**	**(5.133.579)**	**(280,05%)**
K. Non-current bank payables	1.772.007	2.183.645	(411.637)	(18,85%)
L. Bonds issued				
M. Other non-current payables				
N. Non-current financial debt (K) + (L) + (M)	**1.772.007**	**2.183.645**	**(411.637)**	**(18,85%)**
O. Net financial debt (J) + (N)	**(5.194.655)**	**350.561**	**(5.545.216)**	**(1581,81%)**

Recommendation CESR 54/B 2005

Communication no. DEM/6064293 of 28/07/2006

The following table showing some Balance Sheet indicators of the Company, compared with the same indicators relating to the financial statements of previous years, provides a better illustration of the financial situation.

	31/12/2017	*31/12/2016*
Primary liquidity (Immediate and deferred liq./ Current liabilities)	0.86	0.33
Secondary liquidity (Current assets/Current liabilities)	0.96	0.42
Debt (Net debt/Shareholders' equity)	(0.39)	0.06
Fixed asset hedging rate (Own capital + Consolidated liabilities)/Fixed assets	0.91	0.43

In 2017, the NFP of MailUp recorded a marked increase, already amply detailed in the previous analysis, and the uses - sources composition highlighted a particularly balanced structure compared to the previous year.
In addition to that already recalled previously on the consolidated financial indicators, please note that the Company has at length benefited from the liquidity generated by its core business. The collection of annual fees in advance and the consequent deferred income on the part of future economic competency mechanism, have represented, and indeed continue to represent the main source of finance, which is inexpensive and rises proportionally according to the systematic growth of turnover seen over time. Therefore, the use of medium-term bank debt leverage has been limited, in the presence of a favourable market rate situation and creditworthiness amply recognized by the banking system, to the financing of growth by external lines through M&A transactions that the company has pursued following the listing on the AIM market.
The NFP of the parent company was affected by the same incidence, in terms of lower growth in cash and cash equivalents, of payments attributable to the extraordinary acquisition of the subsidiary Agile Telecom, as outlined above in the section on consolidated liquidity.

Information pertaining to the environment and workforce

Considering the social role played by the business, we believe it appropriate to provide the following information on the environment and staff.

Workforce
During the year, no incidents took place nor any injuries at work involving staff on the payroll nor indeed were any charges recorded with regards to occupational diseases on employees or former employees and mobbing cases.
As at 31 December 2017, the Group's workforce numbers 140 employees, of whom 4 managers, 7 middle managers, 128 white-collar workers and 1 labourer.
As at 31 December 2016, the Group's workforce numbered 142 employees, of whom 2 managers, 7 middle managers, 132 white-collar workers and 1 labourer.
At the end of 2017, the workforce of the parent company MailUp included 113 employees, of which 2 executives, 6 managers and 105 clerical employees, while at the end of 2016, there were 58 employees, of which 2 managers and

56 clerical employees. The very significant increase is largely attributable to the merger by incorporation of Network, already mentioned in this report, which merged the employees of the former subsidiary pre-merger into MailUp.
The Group has always been committed to safeguarding relations with employees; at present, there are no employment law disputes in progress.
The MailUp Group has long been committed to promoting gender diversity in the workplace. 44% of Group employees are women - 28% in 2014, when the company was listed on the stock exchange. Following the listing, various measures were introduced to increase the number of women that produced the positive effects just mentioned. In any case, the Group will continue to adopt measures aimed at increasing the number of women in its workforce.

Environment
Please note that the type of business carried out by the company does not entail risks nor any onset of situations that may damage the environment.

Investments

In 2017, consolidated investments were made at Group level in the following areas:

Fixed assets	Period acquisitions
Platform development costs	1,410,954
Third-party software and trademarks	21,393
IT infrastructure and electronic office machines and systems	355,767
Furniture, office furnishings and leasehold improvements	252,512
Total investments	**2,040,626**

of which investments pertaining to the parent company alone, as specified below:

Fixed assets	Period acquisitions
Platform development costs	966,159
Third-party software and trademarks	21,393
IT infrastructure, electronic office machines and systems	343,580
Furniture, office furnishings and leasehold improvements	251,332
Total investments	**1,582,464**

Given the nature of its business, strongly focused on the digital marketing technology platform, MailUp investments are historically represented by intangible assets and in particular by the incremental development of the Software-as-a-Service platform, which has always been a strategic factor for success for the parent company’s business. The following paragraph provides the specifications of the development projects for the year 2017 and the new features that have emerged for the benefit of MailUp users. Consolidated investments also include the development of the BEE software owned by MailUp Inc.

The material investments of MailUp, mainly represented by servers, electronic equipment and furnishings, were more consistent than the recent past, as they relate to the costs of setting up new offices in Cremona at the “Digital Innovation Center”, new operational and administrative office of the parent company.

Research and development

In accordance with Civil Code article 2428, paragraph 2, number 1, it is specified that in 2017, MailUp entered development costs in the amount of Euro 966,159. As at 31 December 2017, net of amortization/depreciation, these were Euro 3,364,351. As underlined several times, the parent company mainly carries out incremental activities for the development of the MailUp platform. The related costs were capitalised by virtue of the future economic use, certifying the potential economic and financial recovery of the investment.

It is also noted that BEE software development costs amounted to U$D 511,000 in 2017. The BEE editor, originally developed by MailUp, was transferred at the end of 2016, in its two current versions, BEE Plugin and BEE Pro, to the American subsidiary MailUp Inc, which deals exclusively with its commercialization. This development activity, contracted by the subsidiary to the parent company under specific contractual arrangements, was finalized by a dedicated team of programmers of MailUp.

Below we summarize the main additions and improvements made in 2017 to the MailUp platform and to the BEE editor.

MailUp Platform:

- February 2017 marked a milestone in the development roadmap of the MailUp platform with the release of version 9, which determined the complete redesign, the result of the development work carried out several months by the R&D team and a long process of direct dialogue with users. MailUp 9 has not only introduced a completely new interface, but also a whole range of new features designed to make digital marketers' work easier and more effective. Basically every element of the platform has been redesigned to optimize the user experience, from navigation to the dashboard that welcomes the customer after access, also when used via mobile. A new collaborative tool has also been added that facilitates the sharing and review of marketing campaigns before they are sent to recipients. Statistics have also been redesigned, both for the email channel and for text messages. Further interventions were carried out, less evident but of substance, which allowed improving scalability and performance. In summary, 850 new features were introduced with MailUp 9, one of the most significant releases in the company's history;

- in April, additional features were added to help professional marketing operators in the creation and planning of online campaigns. These include: the calendar that allows viewing future scheduled mailings, a "link check" that allows quickly verifying the correctness of the links inserted in the newsletters or if the links are blacklisted, further improvements in statistics relating to campaigns, a new message import tool that supports Zip files, a new catalogue of integrations with other external applications that simplifies the use of these connections, making them more effective for users;

- in the June release, MailUp developers focused on marketing automation and message personalization. New statistics have been added, both at message and workflow levels, thus making it easier for users to measure the performance of automatic campaigns, with a view to future optimization. With reference to customization, we note the addition of a whole series of new features to the proprietary sending engine of the platform so that external and recipient-specific information (ex. product recommendations) can be dynamically derived from external sources and inserted in campaigns at the time of sending, using the increasingly widespread Liquid syntax;

- in October, version 9.0.3 of the MailUp platform was released, characterized by an important revision of the functions of "A/B test" and "message check-up". Not only have the usability, robustness and access to data been improved, but the revised A/B test now provides greater flexibility in choosing the proportions between the groupings considered. Thanks to the innovations introduced, it is now possible to obtain useful statistics for "Multivariate testing", a statistical technique widely used in web marketing;

- the November update contains important actions to make MailUp ready for the entry into force of the GDPR, the European regulation on the processing of personal data, which will take place on 25 May 2018. In addition, with the same release was added the possibility of great personalization of welcome emails, an increasingly important element in communication with customers. The extension does not only concern the contents, but also the possibility of creating "welcome series", with which to greater involve recipients who have just registered with a distribution list;

- an important development activity started in June 2017 focused on the inclusion of support for social channels. The first application concerns Facebook Messenger, with an integration that will be made available to customers in the first quarter of 2018. This will allow the creation of multi-channel campaigns, opening the doors to integration with bots and conversational marketing;

- in the second half of 2017, important additions were also made to the infrastructure underlying the platform. Among these certainly noteworthy is the replacement of the sending queue with one based on a different technology at the database level. The activity, which was then completed at the beginning of 2018, made an important contribution to reducing database licensing costs and improving the general performance of sending emails;

- during the year just ended, significant improvements were also made to the MailUp API, for both the email channel and for text messages. The new and improved APIs include: sender verification, multi-group sending, list management, text message credit check, improved import of email addresses and mobile numbers, and much more. A newsletter dedicated to the many developers using the MailUp APIs has also been launched: currently, it is sent to approximately 1,500 developers worldwide. It is recalled that the MailUp platform is integrated directly into more than 20 third-party products, famous brands such as Salesforce, Magento, Wordpress, Prestashop and Microsoft Dynamics. Users of these applications can adopt the MailUp technology by interconnecting data without interruption. In addition, through Zapier, Stamplay and PieSync, MailUp connects to 750 other products. The MailUp APIs provide developers with the option to connect and synchronize the platform with external databases, CRM, CMS, e-commerce and any other third-party application. Whatever the system used by users, it can be integrated with MailUp, which offers and configures all the tools necessary for synchronization. With the extensive API library, complete with WebHooks, FTP batches and much more, developers can connect MailUp to their applications to manage data quickly and efficiently.

BEE Editor:

BEE, the drag-and-drop editor for e-mails and landing pages owned by the subsidiary MailUp Inc., is seeing increasing and rapid dissemination both as a component to be integrated into other software applications (BEE Plugin), and as a suite for e-mail designers for marketing and freelance agencies (BEE Pro). In the year 2017, investments were therefore made in the development of both versions and in particular:

- BEE Pro: two new editions have been launched: “Team” edition, which allows email designers to manage shared projects and collaborate in the process of reviewing and approving them; “Agency” edition, which allows digital agencies or large companies to manage different customers or business lines separately, with limited access for different users and style management (ex. fonts) at the customer or brand level. Many new features have also been added, including connectors to various email marketing systems to make it easier to switch from the email creation suite to the sending systems;
- BEE Plugin: many new features have been added to the BEE editor, making it increasingly configurable by the applications in which it is incorporated. Among the many additions – communicated to the market through a new site dedicated to developers (https://docs.beefree.io/updates/) – we point out: a system for the simplified management of personalizations (ex. shows this content only to those who…); granular controls on the styles used when viewing the editor, which allows the editor to be even more in sync with the rest of the host application interface (feature available only in the most expensive subscription plans and has produced numerous upgrades to the same); a new version of the software engine that translates the files created by the editor in HTML language, guaranteeing better performance and greater compatibility with the various email clients; the possibility of managing dynamic images, allowing the dynamic loading of images when the message is opened or viewing the page, and therefore the use of personalized images, dynamic countdowns and more;
- it should be noted that, from a technical point of view, BEE Pro is essentially a “client” of BEE Plugin. It is in fact a software application that incorporates the BEE editor integrating it through the BEE Plugin service. The BEE Plugin improvements therefore have a positive effect also on BEE Pro. The MailUp platform is in turn a “client” of primary importance of the Plugin version, as BEE is the editor used in the platform, for which MailUp itself benefits from the developments mentioned above. Large MailUp customers, in turn, contribute to this process through continuous feedback on the editor, which is the basis of the constant improvement process of BEE. This virtuous circle is extremely important and positive as it contributes to the constructive exchange of information between the two business units and to product innovation for the benefit of both.

Again under the scope of research and development, a significant amount of the work carried out regarded the development of the "Innovative Big Data Analytics System" project. It is a project with a major impact on the future business of MailUp in the medium to long term, having a market potential also at international level, in particular in the English-speaking world, where Big Data Analytics tools are used today only by large multinational players of the sector, due to the complexity of the technologies and high specialization of resources that need to be put in place. At the beginning of 2018, MailUp received from Lombardy Region the first tranche of the non-refundable contribution equal to half of the maximum amount of Euro 860,122 against an overall investment of Euro 2,045,648 in the period. The contribution is intended to cover costs for personnel, training, tools and equipment and consultancy preparatory to the realization of the project, incurred during the 2 years of duration that ended in February 2018.

Transactions with subsidiaries, associates, parents and other related companies

In the year, transactions were implemented with subsidiaries included in the Group scope and with other related parties, as part of the Group's core business. Interventions all aimed to promote the development in a synergic context that enables positive integrations in the Group environment. No atypical or unusual operations were carried out with respect to normal business management. Operations essentially regard the exchange of assets, the provisions of services, the supply and use of financial means. Said relations come under the scope of ordinary business management and are stipulated at arm's length, or at the conditions that would have been established between independent parties.

Company name	Fixed receivables	Trade receivables	Trade payables	Other payables	Dividends	Sales	Purchases
Agile Telecom		128.720	750.408	814.372	881.934	241.565	1.606.004
Globase International		96.462				93.953	
MailUp Nordics	203.617					2.105	
MailUp Inc	174.057	471.001	25.748			493.339	22.637
Subsidiaries	**377.675**	**696.183**	**776.156**	**814.372**	**881.934**	**830.962**	**1.628.641**
Consorzio CRIT Scarl	64.641	19.368	-			18.740	843
Associates	**64.641**	**19.368**	**-**	**-**	**-**	**18.740**	**843**
Grafo Ventures di Giandomenico Sica			23.100				137.818
Zoidberg Srl				1.400.000			
Floor Srl							88.330
Other related parties	**-**	**-**	**23.100**	**1.400.000**	**-**	**-**	**226.148**

With regards to the table above, please note that other payables due to Agile Telecom (Euro 814,372 vs the original Euro 1,206,512) are represented by the residual assumption of debt by the seller with regards to Agile, which took place when the controlling share was acquired by the parent company. The payable to Zoidberg for Euro 1,400,000, represents the second and third tranche of the earn out defined by the parties that will be paid on 30 June 2018 and 2019 to the seller of Agile Telecom.
Grafo Ventures, owned by the Director Giandomenico Sica, provided strategic consultancy services on M&A and corporate development, while with the real estate Floor Srl, owned by some of the shareholders of reference of MailUp, a lease contract was signed for the property in Cremona where the administrative headquarters of the Parent Company are located.
In addition to the 2016 loan for Euro 203,693 granted by Danish subsidiary MailUp Nordics to its 100% subsidiary Globase International ApS, on 26 June 2017, MailUp granted a loan, also interest bearing, to the same Nordics an additional Euro 202,448, subsequently transferred to Globase to support its operations.

Treasury stock and shares/holdings in parent companies

MailUp owns 52,260 treasury shares for a total of Euro 115,219, purchased in part in 2015, at a price of Euro 57,502, in 2016, at a price of Euro 54,964 and in January 2017, for Euro 2,753, corresponding to 1,560 pieces. The average purchase price was globally equal to Euro 2.20 per share, while in the current year, this value was Euro 1,765 per share. Acquisitions in 2017 were realized as part of the program authorised by the shareholders' meeting on 28 April 2016, which had authorised purchases and disposals of own shares as from the same date of the meeting and for 18 months of that date, in an amount that can be freely decided by the Board, up to a maximum number of shares that shall not exceed 10% of the share capital. The purchase price of each share had to be no less and no more than 15% of the reference price recorded by the share during the stock market session of the day prior to each individual transaction.

The Shareholders' Meeting of 26 April 2017 then resolved the authorization to purchase and sell treasury shares and in particular the following:

- to revoke the previous resolution of the authorization to purchase and sell treasury shares of 28 April 2016 with effect from the date of the same Shareholders' Meeting; to authorize the Administrative Body to purchase and sell treasury shares to:
  (i) use its treasury shares as investment for efficient use of liquidity;
  (ii) purchase treasury shares from the beneficiaries of any stock option plans approved or however implement new plans or in any case proceed with free assignments to shareholders or fulfil obligations deriving from warrants, convertible financial instruments, with mandatory or conversion or exchangeable with shares (based on transactions in progress or to be approved/implemented);
  (iii) allow the use of treasury shares in transactions related to operations or projects consistent with the company's strategic lines also through equity exchanges, with the main objective of finalizing corporate integration operations with potential strategic partners; as well as
  (iv) to intervene, in accordance with current regulations, also through intermediaries, to contain anomalous changes in listings and to regularize the trend of trading and prices;

- to determine the arrangements for the purchase and sale of shares for a period of 18 months from the date of the resolution, up to a maximum amount of treasury shares the total of which, also taking into account the shares held by the company and its subsidiaries in the portfolio from time to time, does not exceed the 10% limit of the share capital.

To date, the latter resolution has not yet been subject to practical implementation.

Disclosure relative to risks and uncertainties pursuant to art. 2428, subsection 2, point 6-bis of the Civil Code

Risk analysis

As part of its business, the Group is exposed to risks and uncertainties, deriving from exogenous factors connected with the general macroeconomic context or the specific context to the segments in which it goes about its business, as well as to risks deriving from strategic choices or internal operating risks.
The identification and mitigation of such risks has been carried out systematically, allowing for the monitoring and timely overseeing of the risk levels detected.
Under the scope of the business risks, the main risks identified, monitored and managed by the company are as follows:
- risk connected with the general economic trend;
- market-related risks;
- risks connected with financial operations.

Risk connected with the general economic trend

The economic-financial position of the companies belonging to the Group, is influenced by all factors comprising the Italian and international macroeconomic context. In the reference period, although there is a growth period for the Italian economy and the Eurozone, there are still general economic uncertainties and regarding international policy, the effects of which are unpredictable and cannot be easily measured. The current positive phase is following a long period of recession that has resulted in a significant deterioration of the economy. In Italy, like in other EU countries, widespread austerity measures have been adopted, which have negatively influenced consumer trust, their buying power and spending capacity. The MailUp Group has been able to grow and achieve important objectives. However, the possible re-emergence of the national and international crisis and the unpredictable effects of the same, can still have negative effects on the Group's business.

Market risks

The sectors in which MailUp and the Group operate are characterised by rapid technological development and suffer the competitive pressure deriving from the past pace of development of technology. The Group and company's success depends, amongst other aspects, on the capacity to innovate and strengthen its technologies, in order to respond to the technological progress in the sector in which it operates. The Group may consequently find itself having to cope with a more acute competition by virtue of the emerging technologies and services that may be introduced or implemented in the future. The new technologies, in fact, may limit or reduce the company's business and/or encourage the development and growth of new operators. In particular, the SMS system may be surpassed by other network-based systems (such as WhatsApp, WeChat, Push Notifications), with the consequence that the Group may not be able to successfully and/or quickly manage any transition to the use of these technological platforms, although R&D activities are already underway in order to allow MailUp to be integrated with such systems.

If the solutions offered by the Group should be unable to satisfy the needs of clients and/or respond to technological progress, improvements will need to be made quickly to its technological tools and ability to develop and introduce new services, applications and solutions on the market quickly and at competitive prices. The Group's incapacity to improve, develop, introduce and supply services quickly that are able to satisfy market demands, including in technological terms, may have a negative impact on operating results or may make the services offered by the Group obsolete. In order to maintain its competitiveness on the market, the Group will therefore need to invest in research and development, with a high capacity to adjust to continue responding to the rapid technological changes and constantly develop the characteristics of its services so as to respond to the changing market demands.

If the Group should be unable to adjust promptly to the technological evolution and/or the introduction of a new technology on the market, negative effects may be seen on the consolidated economic, equity and financial position.

Risks connected with financial operations

Credit risk
The credit risk is determined by the exposure to potential losses deriving from failure by counterparties to fulfil the obligations they have assumed. Credit management is entrusted to the finance and administration department, which, on the basis of formalised assessment and appointment procedures of commercial partners, seeks to minimise the risk. Following the economy's difficulties, stricter procedures have been adopted to quantify and control client risk levels. In order to reduce the risk of insolvency deriving from trade receivables, a series of measures has been introduced aiming to encourage the use of electronic payment systems (credit cards, PayPal) by customers, for example strengthening and innovating the e-commerce sale system. This choice resulted in the constant growth of collections by electronic payments, improving the quality of trade receivables and reducing the impact of the costs of debt collection.
It must be considered that the financial assets of the Group have a good credit standing.

Liquidity risk
The liquidity risk consists of the impossibility of respecting payment commitments due to difficulties in obtaining funds or liquidating assets on the market. The consequence is a negative impact on the economic results if the Group is forced to incur additional costs to fulfil its commitments or, as an extreme consequence, a situation of insolvency that risks the company as a going concern. At present, also thanks to its listing on the AIM market and the excellent relations with the banking system, the MailUp Group enjoys a good level of liquidity and reduced debt, aimed exclusively at growth by external lines, implemented through acquisitions and the financing of investments in research and development.
In order to optimise the management of financial resources, reducing the liquidity risk, the Group has adopted processes for the systematic monitoring of prospective liquidity conditions, in connection with the business planning process. The Group expects to cope with its financial needs through the flows deriving from operations and cash on hand. Considering the positive trend of sales volumes, which is expected to be maintained in the forthcoming years, it is expected that also in the near future, financial resources can be generated that, together with current funds, will be able to guarantee suitable support for the ordinary and extraordinary investments planned too, as demonstrated by the decidedly positive trend in cash flows recorded in 2017.
It is considered that the liquidity risk is not significant.
With reference to the requirements laid down by art. 2428, paragraph 3, point 6-bis of the Civil Code in connection with the company's use of financial instruments, it is specified that no contracts have been stipulated in relation to financial instruments.

Interest rate risk
The parent company has prudently resorted, from the end of 2015, to the financial leverage through the medium and long-term banking channel, exploiting the favourable trend of debt costs, to support extraordinary growth operations by external lines and investments related to software development activities. As at 31/12/2017, consolidated bank debt is Euro 3,451,698, of which Euro 1,679,691 in the short-term, as compared with liquid funds of Euro 10,706,217. Current bank loans are all related to the parent company, except for a residual loan of Euro 62.5 thousand that will be fully repaid by Agile in 2018.
The underlying loan contracts envisage terms and conditions that are in line with market practice.

The loans are connected with the risk of interest rate changes, as they are mainly negotiated at variable rates. It cannot be excluded that growth of interest rates may result in an increase in related financial expenses with consequent negative effects on the company's economic-financial position.

Exchange rate risk
There are trade receivables and payables held in foreign currencies by MailUp, for limited amounts, mainly with regards to foreign subsidiaries, as well as marginal amounts for trade payables in foreign currencies with third-party suppliers and customers. The companies relating to the subsidiary MailUp Nordics, in particular Globase, operate on the Danish and Northern European market and the consolidated assets and liabilities on these financial statements are originally held in Danish Krone. Also for MailUp Inc, the consolidated financial statements are denominated in foreign currency, particularly in US Dollars. The Danish Krone/Euro exchange rate is extremely stable and historically oscillates only minimally. Exposure to risks connected with exchange rate fluctuation is therefore very limited. Under this scope, we also note the presence of a financial receivable held in US dollars due to MailUp Inc., in the amount of Euro 174,057 as at 31/12/2017, for a loan disbursed by the parent company in accordance with specific contractual provisions. As already noted earlier, MailUp Nordics is also benefiting from a loan granted by the parent company, denominated in Danish Krone and equal to Euro 203,617 at the date of this report. For completeness of information, it is recalled that intra-group receivables and payables, also in foreign currency, are not visible in the consolidated financial statements as they are subject to accounting elimination, but only in the pre-consolidation separate financial statements. The consolidated financial statements may also report any economic effects deriving from their conversion to the currency of preparation of the consolidated financial statements.

Risk of recovery/impairment assets
The risk of recovering the value of the assets held by the Group takes concrete form in connection with the economic performance of the companies consolidated and the capacity to produce sufficient cash flow to guarantee recovery of the investment value.
This risk is monitored by the management through the regular verification of economic results, including under the scope of specific valuation procedures, such as, for example, by carrying out impairment tests at least once a year.

Significant events after year-end

On 1 January 2018, Cinzia Tavernini was appointed **new CEO of Globase International ApS**, a Danish company controlled by the MailUp Group. In her new role, she will continue to promote the adoption of the company's latest email marketing platform, Globase V3, and implement the new organizational and development plan aimed at relaunching the business already starting in 2018. Cinzia Tavernini has been in Copenhagen at Globase since the beginning of 2017, when she started working on the migration of an increasing number of customers towards Globase V3. Previously, she has worked for MailUp for over three years, as head of international sales.
Globase, a technology company active in Nordics, was acquired in 2015 in a "fire sale" while it was in the middle of a restructuring process. After the unsuccessful attempt to restructure the business by updating historical products of Globase (Globase v1 and v2), the Group is now pushing strongly on the integration of the Globase and MailUp business units, launching the new version of the product "Globase V3", based on the cutting edge technology of MailUp, already used by thousands of customers all over the world. It is a more user-friendly and intuitive product compared to previous versions and presents a series of improvements, such as native integration with CRM platforms and e-commerce such as Microsoft Dynamics, Salesforce and Magento and it also respects the new European regulation on data protection (GDPR). The ultimate goal of the plan is to transform Globase into a strategic resource for the Group in the Nordics, a market known to be of high added value in terms of enterprise.

Outlook

The Group intends to continue to develop its business and services through a profitable growth process already in place, in order to successfully gain standing and reinforce its position in the reference sector. To this end, in particular, the aim is to proceed with the following:

- the incremental improvement of the MailUp platform, with the introduction of new features and the simplification of existing ones; in particular, the evolution will concern mobile marketing with the introduction of new channels, improved automation functionalities, 1:1 customization of messages, dynamic content management and various modifications in accordance with the new European regulation GDPR.

- investments in marketing & sales as necessary to increase the customer base, both in Italy and abroad, through international marketing campaigns and business development in select contexts;

- the incremental improvement of the Acumbamail platform, with the introduction of new automation features and the new premium version "AcumbamailPro"; among the new functions is also the possibility to automatically send at the best time;

- the incremental improvement of the Agile Telecom platform, with the introduction of new SMS price calculation automation systems of the various suppliers and the stipulation of new interconnection agreements; improvement also on the sending infrastructure with the OC9 project to increase capacity, speed and reliability;

- the progressive migration of existing Globase customers to the new V3 platform directly derived from MailUp and the acquisition of new customers in Nordics as users of the same V3;

- focussed business development aimed, amongst others, at developing new contacts with partners (suppliers of SaaS cloud systems, software and digital services) and retailers (such as, for example, hosting and telecommunications providers), which can speed up market penetration;

- focussed investments on improving performance in order to reduce the rate of clients lost and improve the use of its services, the on-boarding (i.e. service activation) process, the functions and integrations with external systems in order to improve the client conversion rate (intended as the ratio of potential clients and clients acquired);

- the introduction of new services, which should allow for an increase in client revenues, despite the fact that it is already driven to upgrade the service following the increase in the list of addressees and consequent increase of sending time. These also include strengthening the SMS services;

- investments aiming to develop integrations between the services supplied and other e-commerce systems, CRM and CMS;
- incremental improvements on the BEEPro and BEEPlugin platforms, in particular with the introduction of services dedicated to the Enterprise segment and the creation of new ways of using the service, such as landing page;

- acquisition, through controlling or minority investments, of systems, software and technologies under the scope of marketing technologies on cloud, which enable a rapid expansion of the service portfolio or the attack of market brackets that have thus far not been overly targeted;

- acquisition of companies in foreign countries that allow accelerating entry into new markets and/or improving its market share both in Italy and abroad, in the medium-term by external lines by acquiring or collaborating on a commercial level with other companies operating on the reference market or other related markets, assessing the relevant value of such both in strategic and financial terms.

In 2017, MailUp adopted a series of measures in view of the future listing on the main market of Borsa Italiana (MTA), which remains one of the strategic objectives pursued and in particular the following actions:

- appointment of Micaela Cristina Capelli and Armando Biondi as independent Directors. The presence of Micaela Cristina Capelli on the Board of Directors meets the requirement of having at least one female presence among the Directors of the Company;

- in July 2017, the Company's float was increased to approximately 33%;

- the MailUp Group introduced an updated management control system and finalized an incentive plan (MBO) for the first management lines;

- the Company has adopted international accounting standards;

- the “231 model” was introduced, a series of procedures and structural processes to support better risk management, required by Borsa Italiana for all companies listed in the STAR segment.

Organisation and management models of Legislative Decree no. 231/2001

In compliance with said regulation of Legislative Decree no. 231 of 8 June 2001 on the “Discipline of administrative liability of legal persons, companies and associations also without legal personality” - which introduced in our system the administrative responsibility of entities (legal persons, companies and associations also without legal personality) for certain types of offence committed in the interest or benefit of the entity by persons who are with the entity itself in particular management relations or collaboration - in 2015, MailUp adopted its own organizational model and code of ethics that meet the requirements of the Decree.

In 2016, this was followed by specific training of employees and implementation of the main operational procedures, developed in collaboration with the appointed Supervisory Body.

The constant regulatory amendments and company reorganizations that have affected the Group have, however, prompted MailUp to initiate in 2017 a review of its internal documents and procedures.

In collaboration with well-established professionals, a complex audit and internal audit process was therefore initiated, which is presumed to be completed by the end of April and which will be based on the following activities:

1. Preliminary analysis - collection of internal and corporate documentation and organization of interviews with staff in order to identify the types of predicate offences that can be abstractly hypothesized, with specific classification of the internal processes involved;
2. Risk assessment - completion of specific questionnaires with department managers in order to identify appropriate risk prevention measures;
3. Implementation of tools for the control and revision of the Model - assessment of the adequacy of the control system currently in place, in order to formalize the control protocols and update the documents that make up the Organizational Model.

At the end of the aforementioned activities, the Organizational Model and the Code of Ethics will be reviewed, updated and submitted to the approval of the Board of Directors of MailUp, which will proceed at the same time to resolve on the appointment of the Supervisory Body the office of which is due to expire with approval of the 2017 financial statements.

Personal data processing

MailUp, for the characteristics of its business, which requires the utmost correctness and attention in the processing of data held by the customers of the platform, has always been strategically and particularly sensitive to issues of Data Protection. In fact, the internal procedures on these matters are constantly formalised, monitored and updated, as is specific training of personnel. The Group has also for years been assisted by legal advisors of proven competence and experience, on both national and international level, on these matters.
The prevention and contrast of potential abuses by customers (spam) is also highly overseen, thanks to the presence of a technical department exclusively dedicated to this function, as demonstrated by the participation of MailUp, as already mentioned, in several organizations and international working groups at the forefront in combating unfair practices and engaged in the dissemination of industry best practices also in regarding personal data processing.

The regulatory amendments introduced by the new EU 2016/679 Data Protection Regulation, which will enter into force in all European countries on 25 May 2018, known as GDPR (General Data Protection Regulation) 2018 and which will also extend to non-European organizations, have however pushed MailUp to start the activities necessary to make its infrastructure fully “compliant” with the new regulations. Although the MailUp platform has always operated in the utmost respect of Italian and European privacy regulations, with provisions that are even more stringent than those of law, the new Regulation is, in fact, a strategic factor in support of the international growth path undertaken starting from admission to trading on AIM Italia in July 2014.
As part of the adaptation process mentioned above, in accordance with the provisions of the new European-level

regulation, on 27 September 2017, the Board of Directors appointed Alberto Miscia – formerly Head of Deliverability and Compliance of MailUp **Data Protection Officer** or DPO of MailUp, with a proven knowledge of data protection legislation and practices as well as the necessary expertise in technology and information technology, previously attributed the powers of Data Protection.

There were further measures that have characterized the company's activity in terms of adaptation to the provisions of the GDPR in the second half of 2017 and in particular:

1. a skills certification process was carried out to testify the commitment to training on Privacy that allowed the DPO to achieve the certifications CIPT (https://iapp.org/certify/cipt/) and CIPM (https://iapp.org/certify/cipm/) and the process to achieve the third certification (CIPP/E) is currently underway;
2. on the product side, some features have been identified and implemented that will allow MailUp customers to integrate the platform in their processing registers without having to compromise (greater security in the login procedure, possibility to define user profiles with consistent permission to view personal data);
3. on the organizational/technical side, an initial assessment was carried out to understand the current level of compliance and the activities to be implemented to fully cover the new regulation (gap analysis);
4. on the infrastructural/security side, a specific assessment was initiated based on cybersecurity measures developed by the American National Institute of Standards and Technology (NIST);
5. on the marketing side, a content/hub platform was launched focused on the GDPR (https://academy.mailup.it/focus/gdpr/), in which all the documentation will be loaded that will certify the level of compliance with the GDPR achieved;
6. we note the recent publication, also curated by the MailUp marketing team and by the Lawyer Marco Maglio, established expert and collaborator of MailUp on Data Protection issues, of the digital white paper "GDPR and personal data", available for free on the website mailup.it, in addition to the webinar, also free, held 11 October by the same expert on the main aspects of this turning point in personal data processing.

Proposal for allocation of profits

It is proposed to the Shareholders' Meeting to allocate the result for the year of the parent company MailUp SpA as follows:

- to legal reserve for Euro 20,000;
- to extraordinary reserve for Euro 1,039,104.

We thank you for your confidence and we request that you approve the financial statements presented here.

Milan, 27 March 2018

The Chairman of the Board of Directors

Matteo Monfredini

Matteo Monfredini

Group consolidated financial statements as at 31/12/2017

Balance Sheet	Notes	31/12/2017	31/12/2016	Delta	Delta %
Tangible assets	1	€ 1.011.029	€ 714.451	€ 296.579	41,51%
Intangible assets	2	€ 3.891.514	€ 3.751.016	€ 140.498	3,75%
Goodwill	3	€ 9.908.988	€ 10.387.313	(€ 478.324)	(4,60%)
Equity investments in associates and joint ventures	4	€ 107.821	€ 102.000	€ 5.821	5,71%
Other non-current assets	5	€ 255.614	€ 198.273	€ 57.342	28,92%
Deferred tax assets	6	€ 813.374	€ 785.139	€ 28.236	3,60%
Total non-current assets		**€ 15.988.341**	**€ 15.938.190**	**€ 50.151**	**0,31%**
Trade and other receivables	7	€ 3.705.331	€ 3.396.264	€ 309.067	9,10%
Other current assets	8	€ 1.745.569	€ 1.614.334	€ 131.235	8,13%
Liquid funds and equivalent	9	€ 10.706.217	€ 4.461.219	€ 6.244.998	139,98%
Total current assets		**€ 16.157.116**	**€ 9.471.817**	**€ 6.685.299**	**70,58%**
Total Assets		**€ 32.145.457**	**€ 25.410.007**	**€ 6.735.449**	**26,51%**
Group Shareholders' Equity					
Share capital	10	€ 354.237	€ 283.266	€ 70.971	25,05%
Reserves	11	€ 12.924.712	€ 5.896.510	€ 7.028.202	119,19%
Period result		€ 549.013	€ 780.519	(€ 231.505)	(29,66%)
Shareholders' equity of minority interests	12	€ 121.788	€ 59.959	€ 61.830	103,12%
Total shareholders' equity		**€ 13.949.751**	**€ 7.020.253**	**€ 6.929.498**	**98,71%**
Amounts due to banks and other lenders	13	€ 1.772.007	€ 2.246.145	(€ 474.137)	(21,11%)
Other non-current liabilities		-	-	-	-
Provisions for risks and charges	14	€ 97.739	€ 57.739	€ 40.000	69,28%
Staff funds	15	€ 1.115.151	€ 933.526	€ 181.624	19,46%
Deferred tax liabilities	16	€ 31.841	€ 31.287	€ 554	1,77%
Total non-current liabilities		**€ 3.016.737**	**€ 3.268.697**	**(€ 251.959)**	**(7,71%)**
Trade and other payables	17	€ 4.710.537	€ 2.947.547	€ 1.762.990	59,81%
Amounts due to banks and other lenders	18	€ 1.679.691	€ 1.261.627	€ 418.064	33,14%
Other current liabilities	19	€ 8.788.740	€ 10.911.883	(€ 2.123.143)	(19,46%)
Total current liabilities		**€ 15.178.968**	**€ 15.121.057**	**€ 57.911**	**0,38%**
Total liabilities		**€ 32.145.457**	**€ 25.410.007**	**€ 6.735.449**	**26,51%**

Income statement	Note	31/12/2017	%	31/12/2016	%	Delta	Delta %
E-mail revenues	20	9.431.330	34,52%	8.473.792	39,16%	957.538	11,30%
SMS revenues	20	15.933.655	58,32%	11.444.666	52,88%	4.488.989	39,22%
Professional services revenues	20	588.868	2,16%	792.175	3,66%	(203.307)	(25,66%)
BEE revenues	20	483.629	1,77%	154.679	0,71%	328.951	212,67%
Other revenues	20	882.128	3,23%	775.892	3,59%	106.236	13,69%
Total revenues		**27.319.610**	**100,00%**	**21.641.203**	**100,00%**	**5.678.407**	**26,24%**
Cost of goods sold (COGS)	21	15.791.629	57,80%	11.442.375	52,87%	4.349.254	38,01%
Gross profit		**11.527.981**	**42,20%**	**10.198.828**	**47,13%**	**1.329.153**	**13,03%**
Sales & Marketing costs	22	3.244.329	11,88%	3.172.071	14,66%	72.257	2,28%
Research & Development costs	23	857.655	3,14%	659.787	3,05%	197.869	29,99%
Capitalised R&D payroll cost		*(1.335.896)*	4,89%	*(1.254.062)*	5,79%	*81.834*	*6,53%*
Total R&D cost		*2.193.551*	8,03%	*1.913.849*	8,84%	*279.702*	*14,61%*
General costs	24	4.546.590	16,64%	3.952.789	18,27%	593.801	15,02%
Total other operating costs		8.648.574	31,66%	7.784.647	35,97%	863.927	11,10%
EBITDA		**2.879.407**	**10,54%**	**2.414.180**	**11,16%**	**465.226**	**19,27%**
Amortisation, depr. & prov. COGS	25	(285.399)	1,04%	(291.537)	1,35%	6.138	(2,11%)
Amortisation, depr. & prov. R&D	25	(1.188.643)	4,35%	(814.941)	3,77%	(373.702)	45,86%
Amortisation, depr. & prov. G&A	25	(125.266)	0,46%	(121.790)	0,56%	(3.476)	2,85%
Total amortization		(1.599.308)	5,85%	(1.228.268)	5,68%	(371.040)	30,21%
EBIT		**1.280.099**	**4,69%**	**1.185.912**	**5,48%**	**94.186**	**7,94%**
Financial operations	26	(77.797)	0,28%	(58.112)	0,27%	(19.685)	33,87%
EBT		**1.202.302**	**4,40%**	**1.127.801**	**5,21%**	**74.501**	**6,61%**
Income tax	27	(585.331)	2,14%	(494.847)	2,29%	(90.484)	18,29%
Prepaid tax	27	(23.929)	0,09%	(192.826)	0,89%	168.897	(87,59%)
Deferred tax	27	29.091	0,11%	13.412	0,06%	15.679	116,90%
Period profit/(loss)		**611.809**	**2,24%**	**812.367**	**3,75%**	**(200.558)**	**(24,69%)**
Group profit (loss)		*549.013*		*780.519*		*(231.505)*	*(29,66%)*
Minority interest profit (loss)		*62.795*		*31.849*		*30.947*	*97,17%*
Other items of the statement of comprehensive income							
Profit/(loss) that will not be subsequently reclassified to the year result:							
Actuarial profit/(loss) net of the tax effect		(€ 19.157)		(€ 49.924)		€ 30.767	(61,63%)
Profit/(loss) that will be subsequently reclassified to the year result:							
Profit/(loss) deriving from the conversion of the financial statements of consolidated companies carried in currencies other than the Euro		€ 9.050		€ 6.697		€ 2.353	35,13%
Comprehensive year profit/(loss)		**€ 601.702**		**€ 769.140**		**(€ 167.438)**	**(21,77%)**
Year profit attributable to:							
Shareholders of the parent company		549.013		780.519			
Minority shareholders		62.795		31.849			
Earnings:							
Per share		0,043		0,074			
Per share (diluted)		0,043		0,072			
Comprehensive profit attributable to:							
Shareholders of the parent company		538.907		737.292			
Minority shareholders		62.795		31.849			

Consolidated Statement of Changes in Equity

Figures in euros	31/12/2016	Allocation of MailUp resul	Share capital increase	Change to share premium reserve	Purchase of own shares	Comprehensive IS result	Stock option plan	Other transaction linked to the merge with network Srl	Profit/(loss) carried forward	Period result	31/12/2017
Share capital	283.266		68.375				2.596				354.237
Share premium reserve	4.607.721		5.989.680	96.240,00			347.665				11.041.306
Legal reserve	60.000										60.000
Extraordinary reserve	295.624	1.224.912									1.520.535
Reserve for treasury stock	(112.466)				(2.753)						(115.219)
Reserve for exchange rate gains	25.289										25.289
Profit/(loss) carried forward	1.473.972	780.519							(1.358.091)		896.400
Stock option reserve	243.316						(149.869)				93.448
OCI reserve	(106.628)					(10.037)					(116.664)
FTA reserve	(590.317)							(23.132)			(613.449)
Merger reserve	-							133.068			133.068
Period result	780.519	(780.519)								549.013	549.013
Shareholders' equity	**6.960.294**	**1.224.912**	**6.058.055**	**96.240**	**(2.753)**	**(10.037)**	**200.393**		**(1.358.091)**	**549.013**	**13.827.962**

Consolidated Statement of Cash Flows

Statement of cash flows	31/12/2017	31/12/2016
Period profit/(loss)	611.809	812.367
Income tax	585.331	495.981
Prepaid/deferred tax	5.162	(180.548)
Interest expense/(interest income)	27.190	48.165
Exchange (gains)/losses	50.607	9.978
1 Year profit/(loss) before income tax, interest, dividends and capital gains/losses on disposals	**1.280.098**	**1.185.944**
Value adjustments for non-monetary elements that have no equivalent item in net working capital		
Provisions for TFR	314.059	301.519
Other provisions	52.668	-
Amortisation and depreciation of fixed assets	1.591.584	1.206.869
2 Cash flow before changes in NWC	**3.238.409**	**2.694.331**
Changes to net working capital		
Decrease/(increase) in trade receivables	(309.067)	(529.542)
Increase/(decrease) in trade payables	1.762.956	627.285
Decrease/(increase) in accrued income and prepaid expenses	(35.191)	24.410
Increase/(decrease) in accrued liabilities and deferred income	242.745	1.301.589
Other changes in net working capital	(2.007.513)	(1.206.529)
3 Cash flow after changes in NWC	**2.892.340**	**2.911.544**
Other adjustments		
Interest collected/(paid)	(29.810)	(29.016)
(Income tax paid)	(477.231)	(981.375)
(Use of provisions)	(132.435)	(70.334)
4 Cash flow after other adjustments	**2.252.864**	**1.830.818**
A Cash flow from operations	**2.252.864**	**1.830.818**
Tangible fixed assets	(608.279)	(254.175)
(Investments)	*(608.279)*	*(254.175)*
Divestment realisation price		
Intangible fixed assets	(1.420.380)	(1.556.772)
(Investments)	*(1.420.380)*	*(1.556.772)*
Divestment realisation price		
Financial fixed assets	(65.885)	(35.305)
(Investments)	*(65.885)*	*(35.305)*
Divestment realisation price		
B Cash flow from investments	**(2.094.544)**	**(1.846.251)**
Minority interest funds	**83.835**	**1.265.900**
Increase (decrease) in short-term payables to banks	*13.881*	*2.806*
Stipulation of loans	*1.400.000*	*2.000.000*
Repayment of loans	*(1.330.046)*	*(736.906)*
Own funds	**6.002.843**	**(54.964)**
Capital increase by payment	*67.846*	-
Sale (purchase) of treasury shares	*(2.753)*	*(54.964)*
Change to share premium reserve	*5.937.750*	-
C Cash flow from loans	**6.086.678**	**1.210.936**
Increase (decrease) in liquid funds (A ± B ± C)	**6.244.997**	**1.195.502**
Initial cash and cash equivalents	4.461.219	3.265.717
Final cash and cash equivalents	10.706.217	4.461.219
Change in cash and cash equivalents	**6.244.997**	**1.195.502**

Explanatory Notes to the consolidated financial statements as at 31/12/2017

General information

The MailUp Group (hereinafter the "Group" or "MailUp Group") is an established business in the marketing technology on the cloud sector (newsletters/e-mails, text messages, social networks). It leads Italy in the ESP sector in terms of the number of e-mails sent and number of clients. The parent company MailUp has been admitted to trading since July 2014 on the AIM Italia market of Borsa Italiana (Italian Stock Exchange). For further details and information on the company's business, please refer to the Report on Operations to the separate and consolidated financial statements at 31/12/2017 that forms an integral part of these financial statements.

Accounting standards

Criteria for the preparation of the Group consolidated financial statements

In accordance with art. 4 of Italian Legislative Decree no. 38 of 28 February 2005, which regulates the exercise of options envisaged by art. 5 of Regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002 relative to the application of international accounting standards, the parent company has exercised the faculty to voluntarily adopt the international financial reporting standards (hereinafter also referred to as the "IFRS"), issued by the International Accounting Standards Board (the "IASB") and approved by the European Commission for the preparation of its consolidated financial statements starting from the year ended 31 December 2016. The term "IFRS" is used to refer to the International Financial Reporting Standards, the revised international accounting standards ("IAS"), all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").
The date of transition to the IFRS, as defined by IFRS 1 "First time adoption of IFRS was 1 January 2015, and these 2017 financial statements present a comparative year (FY 2016). In this regard, please note that the IFRS accounting standards applied in drafting the financial statements closed as at 31 December 2017 are those in force on that date and are compliant with those adopted for preparing the financial statements as at 31 December 2016.
For the purpose of preparing the accounting schedules, prevalence is given to the economic substance of transactions rather than to their legal form.
With reference to IAS 1, paragraphs 25 and 26, the Directors confirm that, in view of the economic prospects, the capitalisation and financial position of the company, there is no uncertainty as the fact that the Group can operate as a going concern and that, consequently, in preparing the financial statements as at 31 December 2017, it should adopt accounting standards precisely under these terms.
The consolidated financial statements closed as at 31/12/2017 will be submitted for voluntary audit by BDO Italia S.p.A., under the appointment conferred upon it for the period 2017-2019, as the Group respects the cases for exoneration from the obligation to draw up consolidated financial statements pursuant to art. 27 of Italian Legislative Decree no. 127/1991.
Please note that despite it holds controlling investments in MailUp Inc., Agile Telecom SpA, Acumbamail SL and, MailUp Nordics A/S, MailUp is not required to prepare consolidated financial statements. However, as the parent company of subsidiaries, strictly linked in terms of the creation of value within the Group business and in connection with the AIM Italia issuers' regulation, MailUp SpA has prepared the consolidated annual financial statements already since 2014.

Consolidation standards applied in preparing the consolidated financial statements

The consolidated financial statements have been prepared consolidating the financial statements of the parent company on a line-by-line basis, and those of all companies in which the company directly or indirectly holds the majority of voting rights as at 31 December 2017 (line-by-line consolidation).
Companies are defined as subsidiaries when the parent company has the power, directly or indirectly, to manage them so as to obtain benefits from the exercise of said activities. The financial statements of subsidiaries are consolidated as from the date on which the Group acquires control of such and deconsolidated as from the date on which said control eases.
According to the provisions of IFRS 3, the subsidiaries acquired by the Group are accounted for according to the acquisition method (purchase account).

The cost of acquisition corresponds to the current value of the assets acquired, shares issued or liabilities assumed as at the date of acquisition.
The equity investment in the associate that is scarcely significant within the Group has been accounted for using the purchase cost method.
In preparing these consolidated financial statements, the items of the assets and liabilities, as well as income and expenses of the businesses included in the consolidation area, have been stated on a line-by-line basis.
The following have then been eliminated:

- the book value of the investments held by the parent company in subsidiaries included in the consolidation area and the corresponding portions of the companies' equity;
- intra-group financial and trade receivables and payables;
- income and expenses relating to transactions implemented between consolidated companies;
- dividends distributed between Group companies;
- intra-group guarantees;
- the surplus acquisition cost with respect to the current value of the shares pertaining to the Group of the equity investments, is booked amongst the assets as goodwill. Any negative goodwill is booked on the Income Statement;
- portions of shareholders' equity and the period result pertaining to minority shareholders are highlighted separately, respectively in a specific item of the consolidated Balance Sheet and Income Statement.

The tax effects deriving from the consolidation adjustments made to the financial statements of the companies consolidated are booked, where necessary, to the provision for deferred tax or prepaid tax assets.

Full subsidiaries consolidated on a line-by-line basis

The line-by-line consolidation concerned the shareholdings of the companies listed below, for which the parent company directly holds control:

Company name	City or foreign country	Share capital	Shareholders' equity	Profit/ Loss	% held	Book value
MAILUP INC	UNITED STATES OF AMERICA	41,183*	354,302	(197,413)	100	688,655
ACUMBAMAIL SL	SPAIN	4,500	405,961	209,317	70	499,177
MAILUP NORDICS A/S	DENMARK	67,001*	1,020,881	(2,263)	100	800,000
AGILE TELECOM SpA	CARPI (MO)	500,000	1,473,933	873,933	100	8,800,000
						10,787,832

(* historic exchange rate applied as at the date of first consolidation)

MailUp Inc, established in San Francisco by the parent company in November 2011, it operated until 31 December 2016, aiming to market and localise the MailUp® platform in the United States of America and, more generally, on the American continent. In December 2016, the parent company conferred to MailUp Inc the intangible assets related to the BEE Plugin and BEE Pro products. On this occasion, the subsidiary resolved, in service of the conferment, to increase its capital reserves in accordance with local regulations. Since 2017, MailUp Inc has been dealing with the exclusive commercialization of the BEE editor, which it owns, in its various versions, having considerable interest in the public of specialized operators as evidenced by the brilliant month-on-month growth rates.

Acumbamail SL, a start-up founded in 2012 with registered office in Ciudad Real, Spain, has developed an e-mail marketing platform that is widespread on the Spanish-speaking markets (Spain and LATAM) and features considerable development potential, with a freemium sales model targeting a lower profile customer base, which therefore complements MailUp, which is instead increasingly taking a position on the medium/high bracket of the market. The freemium model, in fact, envisages an initial level of free use of the platform, which thereafter requires payment where a certain threshold of use is surpassed, thereby favouring customers with limited volumes and a reduced number of addressees.

MailUp Nordics A/S controls 100% of the capital of the company **Globase International ApS**, a Danish company operating in the e-mail marketing sector on the Scandinavian markets (Denmark, Norway, Sweden, Finland and Iceland) with a focus on medium/large customers. The acquisition of the Danish companies aims to position the

MailUp® platform on the Northern European market, exploiting the recognition of the Globase trademark and the favourable positioning on a market with high entry barriers and a high level of spending on e-mail marketing, both by offering the MailUp® platform to new customers and by progressively migrating Globase platform users to MailUp.

Agile Telecom SpA, with registered office in Carpi (MO), is an operator authorised by the Ministry of Economic Development and Communication to offer a public communication service and is also registered with the Register of Operators in Communication (ROC) held by the Italian Authority for Telecommunications Guarantees (AGCOM). Agile Telecom has been operating since 1999 as an independent international operator specialised in SMS services, particularly on the wholesale SMS market. Dozens of direct connections with carriers and operators across the globe allow Agile Telecom to optimise delivery of messages in all countries, guaranteeing its business customers the best possible sending quality at the lowest possible price. It is also the parent company's provider of reference for the SMS delivery services provided by the MailUp platform, thus making it possible to exploit profitable economic and technological synergies.

On 27 February 2017 was the completion of the path of organizational rethinking of the MailUp Group structure through the merger by incorporation of Network Srl into MailUp, undertaken to optimize intercompany processes. The analysis of the role of Network, a technology partner that has historically and exclusively handled all the technical functions and technology services related to the MailUp platform, has led to the merger by incorporation of the latter due to the simplification of the corporate and production structure of MailUp and of administrative processes, eliminating duplication and overlapping. The effects of the merger were finalized on 20 March 2017 with completion of registration at the company register, while the accounting and tax effects were effective from 1 January 2017 in accordance with the provisions of the specific legislation.

The Directors of MailUp considered that the companies had good prospects to make profit and believe that they represent strategic investments for the Group insofar as they will allow for important synergies with the business of the parent company. The Directors therefore confirm the values assigned and the figures booked, excluding any impairment, as seen from the provisional results of the three-year business plans (2018 - 2020) prepared by the administrative bodies of the subsidiaries and impairment tested in the Group consolidated financial statements.

Globase International ApS, in turn 100% controlled by the subholding MailUp Nordics, ended 2017 with an economic loss of Euro 528,073. Thanks to a series of interventions already implemented starting in 2017, but which will have full effect mainly in 2018, some significant savings will be made in the structural costs that weighed down the management considerably. In 2018, the relaunch plan will be fully implemented, which involves the migration of part of existing customers from the old Globase platform to the new V3 platform directly derived from MailUp, which is much more efficient also in terms of technological costs and reliable, in addition to the search for new customers in the Nordics market also to be allocated to the new digital marketing platform. Starting from 1 January 2018, a new management has been set up that, together with current employees, forms a small but very cohesive, motivated and competent team, with consolidated experience mainly on the features of the MailUp platform to be offered to Danish customers. On the basis of these considerations, the Business Plan formulated by the administrative body of Globase demonstrated the recoverability of the investment in the Danish group at the time of impairment.

The financial statements used for the consolidation are those approved or definitively prepared by the Boards of Directors of the individual companies for approval by the respective shareholders' meetings.
The consolidated financial statements refer to the same closing date of the parent company.

Criteria for converting financial statements not prepared in euros

The conversion of financial statements of subsidiaries denominated in currencies other than the Euro, MailUp Inc. and MailUp Nordics, including the Danish sub-subsidiary Globase International, is carried out by adopting the following procedures:

* the assets and liabilities have been converted at exchange rates current as at 31/12/2017;
* the items of the Income Statement have been converted at average exchange rates for FY 2017;
* the emerging exchange differences have been debited or credited to a specific reserve of consolidated equity named "Reserve from conversion differences";
* equity items are converted at historical exchange rates on the date of the first consolidation;
* where such exists, goodwill and adjustments to fair value connected with the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and converted at the exchange rate in force on the date of

first consolidation.

The following are the exchange rates used:

	Exchange rate as at 31/12/2017	Average exchange rate 2017	Exchange rate as at 31/12/2016	Average exchange rate 2016
USA Dollar	Euro 1.2065	Euro 1.1297	Euro 1.0541	Euro 1.1066
Danish Corona	Euro 7.4437	Euro 7.4386	Euro 7.4344	Euro 7.4454

Source http://cambi.bancaditalia.it/

Tables of the financial statements

The tables of the financial statements used have the following characteristics:
a) on the Balance Sheet - Statement of financial position, the assets and liabilities are stated in increasing order of liquidity; an asset/liability is classified as current when it meets one of the following criteria:
- it is expected to be realised/extinguished or expected to be sold or used in the normal operative cycle;
- it is mainly held for trading;
- it is expected to be realised/extinguished within 12 months of year end.

If none of these three conditions are met, the assets/liabilities are classified as not current;
b) in the Income Statement, the positive and negative items of income are stated according to destination for the first year. This choice was dictated by the greater ease of reading and comparability with respect to the financial statements of the other players in the same sector. In the reclassification adopted, revenues are segmented among the characteristic business lines, highlighting the different contribution of the individual components on the total volumes. Costs are divided into four macro areas: Cost of Goods Sold (COGS), or costs of providing the Group’s core services, and costs relating to the main operating areas, Sales and Marketing (S&M), Research and Development (R&D), in addition to General Costs (G&A) for administrative and structure expenses. Depreciation and amortization is also related to the different business areas. The section analyzing the contents of the Income Statement items illustrates in more detail the criteria followed in the economic reclassification adopted. In Appendix 1 at the end of this file, there is a table of reconciliation with the reclassification of the 2016 and 2017 Consolidated Income Statement reclassified according to the format by nature adopted in the previous consolidated financial statements. Also for the purposes mentioned above, reference was made to EBITDA (Earnings Before Interest Taxes Depreciation Amortization), an economic value not defined in the IAS/IFRS Accounting Standards, equal to the operating result net of tangible and intangible depreciation and amortization;
c) Other comprehensive income highlights all changes to Other comprehensive profits/(losses) occurring during the year, generated by transactions other than those implemented with shareholders and in accordance with the specific IAS/IFRS accounting standards. The Company has chosen to show said changes in a separate statement with respect to the Income Statement. Changes in Other comprehensive profits/(losses) are stated net of the related tax effects, separately identifying, in accordance with IAS 1R in force as from 1 January 2013, the components intended to be reversed on the Income Statement in subsequent years and those for which there is no provision for any reversal on the Income Statement;
d) the Statement of Changes in Equity, as required by international accounting standards, provides separate evidence of the period result and all other changes not carried on the Income Statement, but instead allocated directly to Other comprehensive profits/(losses) on the basis of specific IAS/IFRS accounting standards and transactions with shareholders in their capacity as shareholders;
e) the Statement of Cash Flows is prepared applying the indirect method.

Measurement criteria

For an analysis of the measurement criteria adopted in the preparation of these financial statements, please refer to the same section of the Separate Financial Statements as at 31/12/2017 of MailUp.

Changes in accounting standards

For the verification of updates in the IAS/IFRS Accounting Standards, please refer to the same section of the Separate

Financial Statements as at 31/12/2017 of MailUp.

Disclosure on the book value of financial instruments

In order to provide information capable of illustrating the exposure to financial risks, the information provided by the companies regarding the fair value measurement of financial instruments, as required by accounting standard IFRS 7, is of great importance.

The fair value hierarchy has three levels:

• level 1: if the financial instrument is listed on an active market;

• level 2: if the fair value is measured on the basis of valuation techniques that refer to parameters that can be observed on the market, other than the prices of the financial instrument;

• level 3: if the fair value is calculated on the basis of valuation techniques that refer to parameters that are not observable on the market.

31 December 2017 MailUp Group			
(Euro units)	**Book value**	**Fair value**	**Fair value hierarchy**
Other financial assets			
Other non-current financial assets	129,717	**129,717**	Level 3

Potential liabilities

In addition to that indicated in the paragraph on Provisions for risks, no legal or tax disputes are currently underway involving the Group companies.

NOTES ON THE EQUITY, FINANCIAL AND ECONOMIC STATEMENTS

Assets

Non-current assets

Tangible assets (1)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
1,011,029	714,451	296,579

Description	31/12/2017	31/12/2016	Changes
Plants and machinery	109,854	3,669	106,184
Other assets	901,176	710,782	190,394
Total	**1,011,029**	**714,451**	**296,578**

"Other assets" relates to the cost for the purchase of office furniture and furnishings, the purchase of electronic office machines, miscellaneous equipment, signs and costs for the purchase of mobile telephones, leasehold improvements, booked net of period amortisation/depreciation and consolidation adjustments.
No impairment or write-backs were applied this year or during previous years.

Intangible assets (2)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
3,891,514	3,751,016	140,498

Description	31/12/2017	31/12/2016	Changes
Platform development	3,719,137	3,496,825	222,312
Third party software	119,795	165,900	(46,104)
Trademarks	16,274	22,566	(6,292)
Other	36,308	65,725	(29,416)
total	**3,891,514**	**3,751,016**	**140,498**

"Platform development" includes, with the consent of the Board of Auditors, costs for the development of the MailUp platform, net of relevant amortisation/depreciation, of which details are given below; the same item also includes costs for projects to develop the MailUp platform currently in progress, activities not yet completed at year-end and which have therefore not been amortized yet. The capitalised developments relative to the BEE software should also be mentioned. This asset was conferred by the parent company to the subsidiary MailUp Inc, as from 31/12/2016.
"Third party software" includes costs relative to software owned by third parties. "Trademarks" includes the expenses incurred for the deposit and protection of the MailUp trademark in Italy and in other countries considered as strategic in commercial terms.
"Other" fixed assets consist of the costs for translating platform components of multiple-year use, incurred into order to allow for its use on export markets (ex. English, Spanish) under the scope of the general strategic international growth project pursued by the Group.
With regard to the recoverability of the value of intangible assets, it is recalled that, in the absence of impairment indicators of the same compared to the carrying amount in the financial statements, which occurred in 2017, it was not necessary to carry out further verifications regarding both the separate financial statements of the parent company and the consolidated financial statements.

For an in-depth analysis of the new functionalities introduced in 2017 to the MailUp platform and to the BEE software as part of the development activities carried out by MailUp, please refer to the paragraph "Research and development activities" of the Report on Operations to the consolidated and separate financial statements as at 31/12/2017, an integral part of these financial statements.

The research and development activities carried out also involved the **Innovative Big Data Analytics System** project. The focus of the project is the development of a new Big Data Analytics system for small and medium-sized companies. It is a project with a major impact on the future business of MailUp in the medium to long term, having a market potential also at international level, in particular in the English-speaking world, where Big Data Analytics tools are used today only by large multinational players of the sector, due to the complexity of the technologies and high specialization of resources that need to be put in place. On 29 April 2016, the Directorate General for Economic Development of the Lombardy Region approved the funding of the project presented by MailUp as leader of a consortium that involves a number of excellence companies adhering to the Technologies Centre of Cremona and the CRIT Consortium (Cremona Information Technology): Microdata Service, Lineacom and Politecnico di Milano. At the beginning of 2018, MailUp received from Lombardy Region the first tranche of the non-refundable contribution equal to half of the maximum amount of Euro 860,122 against an overall investment of Euro 2,045,648 in the period.

Goodwill (3)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
9,908,988	10,387,313	(478,324)

The change is determined by the definition, on 20 June 2017, in agreement with the sellers, of the supplementary fee due as earn-out to Zoidberg Srl for the acquisition of 100% of the share capital of Agile Telecom SpA, finalized in February 2016. Following agreement between the parties, the aforementioned supplementary fee was calculated taking into account the value of the average EBITDA of Agile Telecom for the two-year period 2015-2016 (this in line with the contents of the purchase and sale agreement) and was Euro 2.8 million to be paid as follows: Euro 2.4 million, in cash and in three separate tranches respectively of Euro 1 million by 30 June 2017, already paid, Euro 800 thousand by 30 June 2018 and Euro 600 thousand by 30 June 2019, and the remainder of Euro 400 thousand by means of payment in newly-issued shares already assigned to the sellers. The 125,000 ordinary shares of MailUp, with no indication of nominal value expressed, for the earn-out portion in kind, were issued at a unit price of Euro 3.20 each and derive from a specific capital increase totalling Euro 400,000 (including premium) of which 0.025 Euros for each share upon capital increase decided by the administrative body in execution of the delegation conferred on it on 23 December 2015. Goodwill relating to Agile Telecom, calculated on the basis of an estimated earn-out of Euro 3 million 278 thousand, was therefore adjusted to take account of the reduction negotiated by the parties in the amount of the supplementary fee of Euro 478 thousand.

Goodwill deriving from the acquisition of companies is detailed as follows:

Description	**31/12/2017**
MailUp Inc	162,418
Acumbamail SL	464,923
MailUp Nordics A/S	485,636
MailUp Nordics /Globase	460,137
Agile Telecom SpA	8,256,720
total	**9,829,834**

Goodwill is also booked relative to the business line Faxator, managed by Agile Telecom, for Euro 79,155.

Impairment testing of goodwill

The Directors, as recalled in the section on the accounting standards adopted, verify the potential recovery of goodwill recorded on the consolidated financial statements at least once a year, using specific assessments (impairment tests) on each Cash Generating Unit (CGU). Goodwill is calculated as the difference in purchase value of the equity in subsidiaries and shareholders' equity of the subsidiary at the time of first consolidation. In the specific case, the CGUs are represented by the specific subsidiary to which goodwill refers. The potential recovery of the investment is determined with reference to forecast cash flow.

Impairment testing was carried out considering the latest economic-financial forecasts for future years (2018-2020), as resulting from the budget data for FY 2018 and applying the forecasts of data contained therein for FYs from 2019 to 2020. These forecasts prepared for impairment testing have been approved by the administrative bodies of the subsidiaries and consider the effects envisaged for the application of the reference IAS/IFRS accounting standards.
The potential recovery of the value of goodwill recorded is checked through a comparison of the book value with the related value for recovery, determined as the value in use (recoverable amount). This recoverable amount is represented by the current value of future cash flows of the subsidiaries, both for the specific flow period and in terms of the specific forecasting time frame, on the basis of the determination of the Terminal Value (TV) in application of the perpetuity method.
In light of the Group's operations and valuation practice relative to similar operations in Italy and abroad, reference was made to the following valuation methods, commonly recognised by professional practice for operations of this type and companies operating in the reference sectors:

- Analytical methods (Discounted Cash Flow), as main method;
- Market multiples method, as control method.

The discounted cash flow (DCF) method applied to the forecasts of the 2018-2020 Plan approved by the administrative bodies of the subsidiaries and terminal value of the business estimated at the end of the specific period of the reference business plan, was based on the application of a WACC (weighted average cost of capital) discounting rate.
The calculation of the weighted average cost of capital is performed on the basis of the following variables:

- Risk free rate: rate of return without implicit risk determined on the basis of the returns of the ten-year Italian BTP or securities of similar risk and duration for foreign subsidiaries;
- Risk premium: return expected by investors on a specific market according to the specific country risk and average cost of debt (spread);
- Small Size Premium: a further spread of 2% was added, with prudential purposes, which takes into account the small size of the subsidiaries compared to the international competitors in the sector;
- Sector-specific beta that measures the expected variability of returns upon a 1% variation in the market prices;
- The cost of debt is also considered net of the specific tax rate;
- The final value of the WACC is weighted according to the average sector Debt/Equity ratio, obtained from the most recent equity research available (source: Value Track, updated 9 October 2017) to express the weight of recourse to equity and financial capital of third parties.

In order to further stress the results of the impairment test and verify that it holds out even in the worst hypotheses of expected results, the Directors applied prudent sensitivity hypotheses that simulate a reduction in EBITDA, maintaining costs unchanged, including variable costs. The sensitivity hypotheses have been modulated according to the specific business of the subsidiaries: in the case of Acumbamail and MailUp Inc, as the business is still in the initial or launch stages, sensitivity was raised to 15% of revenues, to reflect the greater uncertainty surrounding the brilliant forecasts of the business plan. In the presence of a more consolidated business, the sensitivity was adjusted to lower risk and to a consolidated turnover. In the case of Agile Telecom, 5% was applied which, in any case, determines a significant effect in terms of prudential reduction of results. Higher rates, in the presence, in the specific case, of variable costs with a high impact on turnover, would have had a distorting effect on the significance of the test. For the Danish subsidiaries MailUp Nordics/Globase, the three-year plan working hypothesis, already mentioned previously, envisages the replacement of the historical Globase platform with the V3 version directly derived from MailUp, a process that should flank the migration of most existing customers, the dissemination of the new platform amongst new customers in Northern Europe, thereby allowing for the achievement of interesting development rates in the medium-term, a hypothesis that is included in the tests with a prudent 2% of TV. In the case of Danish subsidiaries, the Directors introduced further prudential assumptions with respect to the negative results for 2017. Sensitivity was raised to 10% and a further spread of 4% was added to the WACC calculation, with respect to substantially zero country risk, precisely to highlight the greater risk and uncertainty of the specific business.
Reference was made to market multiples, EV/Sales (0.8x) applied to sales and EV/Ebitda (6.9x) to the gross operating margin, specific for the MailUp Group as per the already mentioned equity research, prudentially selecting the values related to the market price (Euro 2.57) compared to the multiple prospects related to the fair value of the security calculated by Value Track (Euro 3.35).
From the comparison with the multiples of comparable companies of Value Track (Peers Analysis) belonging to the MarTech (Marketing Technology) sector, composed of both large companies, also active in the field of digital solutions (Salesforce, Oracle), and small-medium companies focused on marketing technology (Hubspot, DotDigital, Twilio), average multiples also emerge, where available, extremely high and not in line with the current business model and dimensional profile of MailUp. For this reason, specific and much more conservative multiples have been preferred.

Following the assessments performed, confirmed by the positive outcome of the test performed with both methods described above, no need was seen to apply any impairment to the book values and intangible fixed assets booked.

Equity investments in associates (4)

Company name	Country	31/12/2016	Revaluations	Write-downs	Purchases	31/12/2017
CRIT Cremona information Technology	Italy	102,000	5,821			107,821
Total		**102,000**	**5,821**			**107,821**

The amount booked amongst the assets of the Balance Sheet refers to the equity investment of MailUp S.p.A. in Consorzio CRIT (CRemona Information Technology). The revaluation derives from the application of the equity method that takes into account the results achieved by the associate available at the current date.
The CRIT has allowed, as fundamental stimulus factor and meeting place for the players involved, not only consortium members but also the institutions, the creation of the “Digital Innovation Center” in Cremona, the new building complex officially inaugurated on 10 June 2017, where the consortium members are established, including MailUp, which transferred its operational and administrative office from Cremona in July 2017. Also the co-working space called Cobox, managed by the CRIT consortium, has been transferred to the Center.
All these initiatives refer to the strategic objectives of the CRIT, i.e. to enable synergies to be achieved between consortium members, develop services of mutual interest, both managerial and operative in nature (start-up incubator, common training structures, canteen, meeting rooms) and construct a centre of excellence that can generate new businesses and transfer economic opportunities and better quality of life to the local world of businesses and communities, deriving from the use of new communication and information technologies.

Other non-current assets (5)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
255,614	198,273	57,342

Description	31/12/2016	Increase	Decrease	31/12/2017
Receivables from associated companies	14,641	50,000		64,641
Other receivables	55,012	10,457	(393)	65,076
Tax receivables due beyond 12 months	128,620		(2,723)	125,897
Total	**198,273**	**60,457**	**(3,116)**	**255,614**

Receivables all have a maturity in excess of 12 months.

“Receivables due from others” relate to caution deposits due beyond the year.

Prepaid tax assets (6)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
813,374	785,139	28,236

Prepaid tax assets refer to temporary differences recorded in the individual financial statements and consolidation differences that will reverse over the next few years.

Details in connection with each Group company can be summarised as follows:

Description	31/12/2017
MailUp SpA	567,441
MailUp Inc	138,463
Acumbamail SL	1,126
MailUp Nordics A/S	81,948
MailUp Nordics /Globase	21,495
Agile Telecom SpA	2,856
Prepaid tax for consolidation differences	44
Total	**813,374**

Current assets

Trade and other receivables (7)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
3,705,331	3,396,264	309,067

Description	31/12/2017	31/12/2016	Changes
Trade receivables	3,685,963	3,346,710	339,253
Associated companies	19,368	49,554	(30,186)
	3,705,331	**3,396,264**	**309,067**

Below is the breakdown of receivables by geographic area:

Receivables divided by Geographic Area	Trade accounts	Associated companies	Total
Italy	2,123,919	19,368	2,143,287
EU	1,034,353		1,034,353
Non EU	527,691		527,691
Total	**3,685,963**	**19,368**	**3,705,331**

Other current assets (8)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
1,745,569	1,614,334	131,235

Description	31/12/2017	31/12/2016	Changes
Inventories	6,603	4,847	1,756
Tax receivables	514,717	227,164	287,553
Other receivables	924,410	1,077,272	(152,861)
Financial assets not held as fixed assets	0	40,404	(40,404)
Accruals and deferrals	299,838	264,647	35,191
	1,745,569	**1,614,334**	**131,235**

The item Receivables from others includes the receivable from the Lombardy Region for the contribution on the Big Data Analytics project, already mentioned previously, for Euro 860 thousand of which the first tranche was collected at the beginning of 2018, equal to 50% of the total amount. The item Tax receivables includes the VAT receivable of Agile Telecom for Euro 387 thousand relating to the fourth quarter of 2017.

Liquid funds (9)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
10,706,217	4,461,219	6,244,998

Description	31/12/2017	31/12/2016	Changes
Cash at bank and post office	10,705,318	4,460,497	6,244,821
Cash and cash equivalents	899	722	177
	10,706,217	**4,461,219**	**6,244,998**

The balance represents liquid funds and cash as well as valuables held on the closing date of the year.

Liabilities

Group Shareholders' Equity

Share capital (10)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
354,237	283,266	(70,971)

The share capital of the parent company MailUp S.p.A. is entirely paid in and is represented as at 31 December 2017 by 14,169,467 ordinary shares with no par value, whose accounting parity comes to Euro 0.025 each.

The share capital changed following the:
- execution during the meeting of the Board of Directors held on 20/06/2017 of the delegation conferred by the Extraordinary Shareholders' Meeting held on 23 December 2015, to increase the share capital in a divisible manner, in exchange for payment, with exclusion of option rights. The capital increase was made for a nominal amount of Euro 3,125 through the issue of 125,000 shares, issued at a price of Euro 3.20 per share, assigned to Zoidberg Srl as seller of Agile Telecom SpA for the portion of the earn-out in kind agreed by the parties in execution of the purchase and sale contract signed on 29 December 2015. The difference of Euro 396,875 was recognized under share premium reserve;
- execution during the meeting of the Board of Directors held on 25/07/2017 of the delegation conferred by the Extraordinary Shareholders' Meeting held on 23 December 2015, to increase the share capital in a divisible manner, in exchange for payment, for a total of Euro 6,264,000 (including premium) as part of a private placement to be realized by means of an accelerated bookbuilding procedure with exclusion of option rights. On 26 July 2017 was the successful conclusion of the capital increase subscription implemented through ABB concerning 2,610,000 new shares placed at a price per share of Euro 2.30 each. The transaction was regulated by means of delivery of securities and payment of the fee ("settlement") on 28 July 2017. Following the full subscription of newly-issued shares, the share capital of MailUp after the increase reached Euro 351,640.68, divided into 14,065,627 ordinary shares with no indication of the nominal value expressed, with a float of approximately 33%. The actual value of the capital increase at the end of the transaction was equal to Euro 6,003,000, of which Euro 5,937,750 as premium;
- on 2 August 2017 - following the share capital increase for the stock option plan referred to as "2016 Plan", approved by the Board of Directors of the Company on 29 March 2016 - 73,840 shares that will have a lock-up period of 12 months were actually assigned, following the exercise of the related stock options by the recipients of the Plan. Following the capital increase, the subscribed and paid-up share capital of the Company reached 353,486.68 divided into 14,139,467 ordinary shares without nominal value.
- on 04 October 2017 - following the share capital increase for the stock option plan referred to as "2016 Plan", approved by the Board of Directors of the Company on 29 March 2016 - 30,000 shares that will have a lock-up period of 12 months were actually assigned, following the exercise of the related stock options by the recipients of the Plan. Following the capital increase, the subscribed and paid-up share capital of the Company reached 354,236.68 divided into 14,169,467 ordinary shares without nominal value.

All shares issued are ordinary. There are no debenture loans in place.

Reserves (11)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
12,924,712	5,896,510	7,028,202

Description	31/12/2016	Increases	Decreases	31/12/2017
Share premium reserve	4,607,721	6,778,530	(344,945)	11,041,306
Stock option reserve	243,316	196,134	(346,002)	93,448
Legal reserve	60,000			60,000
Extraordinary or optional reserve	295,624	1,224,912		1,520,535
Reserve for exchange rate gains	25,289			25,289
FTA reserve	(590,317)		(23,132)	(613,449)
OCI reserve	(90,196)		(19,157)	(109,353)
Negative reserve for treasury stock	(112,466)		(2,753)	(115,219)
Merger surplus reserve		133,068		133,068
Translation reserve	(16,432)	9,120		(7,312)
Rounding off	(1)	1		
Profit/(loss) carried forward	1,473,972	780,519	(1,358,091)	896,400
Total	**5,896,510**	**9,122,284**	**(2,094,080)**	**12,924,712**

The FTA reserve was generated during the transition to the IFRS of the individual and consolidated financial statements.
The OCI reserve represents the effects deriving from the remeasuring of the defined benefits plan, as represented in the statement of comprehensive income.
The stock options reserve originates from the incentive plan to the benefit of senior management.
Amongst other aspects, the main aim of the Incentive Plan is to help strengthen the involvement of the people holding key positions in the pursuit of the Company and Group's operative objectives.
The negative reserve for treasury stock corresponds to the purchase price of own shares in the parent company held as at 31 December 2017.
The translation reserve expresses the net effect of the conversion in the consolidated financial statements of the financial statements of foreign subsidiaries held in currencies other than the euro (MailUp Inc and MailUp Nordics/Globase).

Period result
The net period result is positive and comes to Euro 611,809 with respect to Euro 812,367 as at 31 December 2016, including the minority share of Euro 62,795. For an in-depth analysis of the consolidated results, please refer to the specific section of the Report on Operations to the separate and consolidated financial statements as at 31/12/2017, an integral part of these financial statements.

Other comprehensive income
The section of the accounting schedules includes the Statement of Comprehensive Income, which highlights the other components of the comprehensive economic results, net of the tax effect.

Shareholders' equity of minority interests (12)

Description	31/12/2017	31/12/2016	Changes
Minority interests in capital and reserves	58,993	28,110	30,883
Third party income	62,795	31,849	30,947
Shareholders' equity of minority interests	**121,788**	**59,959**	**61,830**

Non-current liabilities

Amounts due to banks and other lenders (13)

Description	31/12/2017	31/12/2016	Changes
Amounts due to banks	1,772,007	2,246,145	(474,137)
	1,772,007	**2,246,145**	**(474,137)**

“Amounts due to banks” can be broken up as follows amongst the Group companies:

Description	31/12/2017	31/12/2016	Changes
MailUp SpA	1,772,007	2,183,645	(411,637)
Agile Telecom SpA		62,500	(62,500)
total	**1,772,007**	**2,246,145**	**(474,137)**

It is noted that the Group’s indebtedness at 31 December 2017 is at variable rates, except for the loan granted on 14 June 2017 to the parent company for Euro 1 million at fixed rate by Credito Emiliano, and is represented by unsecured loans.

Provisions for risks and charges (14)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
97,739	57,739	40,000

Description	31/12/2016	Increases	Decreases	Reclassifications	31/12/2017
Provision for legal disputes	57,739				57,739
Provision for pensions	0	40,000			40,000
	57,739	**40,000**			**97,739**

A provision has been established for current legal disputes. The parent company currently has a lawsuit underway with the Financial Administration in connection with the companies’ income tax, regional production tax and value added tax for 2004.
The office has issued a notice of assessment on the basis of the use of the results of the sector studies’ calculation; the reconstruction of revenues prepared by the Authority entailed greater tax, totalling Euro 58,468 and sanctions for Euro 49,344, already paid in full.
The petition proposed by the Company has been rejected on a first and second instance and the Company has submitted an appeal in cassation. The Company’s lawyers believe that they are likely to be successful in the last instance of proceedings. An amount has been allocated on the financial statements considering the reduction, by the tax courts, of the office claims. In the petitions submitted, it has, amongst other aspects, been shown that the recalculation of the sector study with a more evolved study, brings about a more favourable result for the Company. Therefore, a provision for risks has been allocated, in accordance with art. 2423-bis of the Civil Code and accounting standard OIC 19, for an amount equal to the greater tax deriving from the application of said study.

The provision for pension and similar commitments allocated by the parent company refers to the indemnity due to Directors upon cessation of office.

Staff funds (15)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
1,115,151	933,526	181,624

The change is as follows.

Description	31/12/2016	Increases	Decreases	Actuarial	31/12/2017

				Gains/Losses	
Staff funds	933,526	259,325	(102,908)	25,207	1,115,151
	933,526	**259,325**	**(102,908)**	**25,207**	**1,115,151**

The increases relate to year provisions. The decreases relate to year uses.

Deferred tax liabilities (16)

Description	31/12/2016	Increases	Decreases	31/12/2017
Deferred tax provision	31,287	31,841	(31,287)	31,841
	31,287	**31,841**	**(31,287)**	**31,841**

The provision for deferred taxes relates to consolidation differences deriving from the elimination of intra-group amortization/depreciation.

Current liabilities

Trade and other payables (17)

Description	31/12/2017	31/12/2016	Changes
Trade payables	4,710,537	2,942,626	1,767,911
Amounts due to associates		4,921	(4,921)
	4,710,537	**2,947,547**	**1,762,990**

"Trade payables" are stated net of commercial discounts.

Below is a breakdown of trade payables according to geographic area

Payables divided by Geographic area	Trade accounts	Associated companies	Total
Italy	3,696,977	4,921	3,701,898
EU	741,674		741,674
Non EU	266,965		266,965
Total	**4,705,616**	**4,921**	**4,710,537**

Amounts due to banks and other lenders (18)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
1,679,691	1,261,627	418,064

Description	31/12/2017	31/12/2016	Changes
Amounts due to banks	1,679,691	1,244,877	434,814
Amounts due to other providers of finance		16,750	(16,750)
	1,679,691	**1,261,627**	**418,064**

"Amounts due to banks" relates to the residual short-term portions of unsecured variable-rate loans stipulated by the parent company with Banco Popolare, Credito Valtellinese and Credito Emiliano by the subsidiary Agile Telecom with Deutsche Bank.

Other current liabilities (19)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
8,788,741	10,911,883	(2,123,142)

Below is the breakdown of current liabilities:

Description	31/12/2017
Advances	20,582
Tax payables	423,486
Amount payable to social security institutions	253,489
Amounts due to Directors for emoluments	101,180
Amounts due to employees for salaries, holidays, permits and additional months' salaries	957,299
Amounts due to Zoidberg s.r.l.	1,400,000
Accrued liabilities	2,551
Deferred income	5,625,537
Sundry	4,616
Total	**8,788,741**

"Tax payables" mainly refers to withholdings applied to income from employment and autonomous work to be paid during the following year, and the balance, for direct tax due and VAT.
Amount payable to social security institutions mainly relate to various types of social charges to be paid during the following year with reference to the remuneration of the month of December, the thirteenth month's salary and holiday accrued and not taken.
Amounts due to employees refer to remuneration for the month of December liquidated in January, holiday accrued and not taken and staff premiums.
The amount due to Zoidberg Srl relates to the acquisition of the company Agile Telecom on 29 December 2015. It consists of the second and third tranches of the earn-out agreed by the parties, as detailed above.
Deferred income: approximately 75% of the revenues of MailUp come from recurring charges. MailUp collects the recurring charges deriving from the e-mail service, but, on an accruals basis, only part of the charges are used to form the year's income, whilst the part of future competence is used as a basis for the following year's income.

Income statement

Revenues (20)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
27,319,610	21,641,203	5,678,407

Description	31/12/2017	31/12/2016	Changes
Revenues from sales of mail	9,431,330	8,473,792	957,358
Revenues from sales of SMS	15,933,655	11,444,666	4,488,989
Revenues from sales of BEE	483,629	154,679	328,951
Revenues from sales of professional services	588,868	792,175	(203,307)
Other revenues	882,128	775,892	106,236
Total	**27,319,610**	**21,641,203**	**5,678,407**

The increase in turnover compared to the previous year is mainly due to the economic consolidation of the revenues of Agile Telecom. The significant increase in revenues by external lines is in addition to the organic growth of turnover in any case significant and up 18.9% compared to 2016. For a detailed analysis, please refer to the notes on the economic and income results in the Report on Operations to the separate and consolidated financial statements.

"Other revenues" include:

- contributions on the call "Accordi Competitività" (Competitiveness Agreements) for Euro 288,785;
- contributions relative to tax credit for research and development, Euro 133,696;
- revenues from the sale of video surveillance services for Euro 135,053;
- revenues from the sale of hosting services and service exchanges for Euro 183,252;
- revenues from the sale of tickets for the MailUp Marketing Conference event for Euro 38,303;
- rental income from leased properties, Euro 23,863;
- other revenues and contingent assets for Euro 79,176.

COGS (Cost of Goods Sold) (21)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
15,791,629	11,442,375	4,349,253

The breakdown is as follows:

Description	31/12/2017	31/12/2016	Changes
Purchases	12,039,219	7,577,781	4,461,436
Services	1,465,605	1,625,458	(159,853)
Cost of rents and leases	239,740	316,067	(76,327)
Payroll costs	2,037,504	1,864,941	172,563
Sundry operating expenses	9,561	58,128	(48,567)
Total	**15,791,629**	**11,442,375**	**4,349,253**

The COGS are determined by the costs directly attributable to the provision of the services that represent the core business of the Group, i.e. the technological platforms managed by the companies included in the scope of consolidation. This category includes the costs for the IT technological infrastructure, including the costs of the specific personnel, the costs of the areas directly involved in the provision of the service, for example the deliverability departments, help desk, the areas that deal with the personalization of services on customer request and other variable costs directly related to services sold to customers. The largely predominant part is represented by the purchases of sending of text messages by Agile Telecom as well as by the parent company.

Sales & Marketing costs (22)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
3,244,329	3,172,071	72,257

The breakdown is as follows:

Description	31/12/2017	31/12/2016	Changes
Purchases	9,971	4,135	5,836
Services	1,020,972	1,047,738	(26,767)
Cost of rents and leases	8,221	6,877	1,344
Payroll costs	2,202,358	2,112,930	89,428
Sundry operating expenses	2,808	391	2,416
Total	**3,244,329**	**3,172,071**	**72,257**

This includes the costs of departments that deal with commercial and marketing activities on behalf of the MailUp Group. In addition to payroll costs, mainly relating to sales, there are some typical costs of marketing such as Pay per Click or events, including the MailUp Marketing Conference, held 12 December 2017 at Palazzo Mezzanotte, the headquarters of Borsa Italiana, which had great success in terms of interest and public among specialized and other operators.

Research & Development costs (23)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
857,655	659,787	197,869

The breakdown is as follows:

Description	31/12/2017	31/12/2016	Changes
Purchases	2,631	2,383	248
Services	302,784	127,118	175,666
Cost of rents and leases	4,868	4,054	813
Payroll costs	1,883,187	1,780,282	102,905
Capitalised payroll cost	(1,335,895)	(1,254,062)	(81,833)
Sundry operating expenses	81	11	70
Total	**857,655**	**659,787**	**197,869**

These costs relate to research and development activities carried out by Group companies. For purposes of greater clarity of exposure, the amount of capitalized payroll costs is recorded as a direct reduction in the total gross cost of personnel, then highlighting the resulting net cost in the Income Statement scheme adopted. The capitalization is carried out, with the consent of the Board of Statutory Auditors, in relation to the future usefulness of the software development projects of the MailUp platforms and the BEE software. The research and development activity for the year 2017 is described in detail in the specific section of the Report on Operations to these financial statements.

General costs (24)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
4,546,590	3,952,789	593,801

The breakdown is as follows:

Description	31/12/2017	31/12/2016	Changes
Purchases	95,255	17,256	77,999
Services	2,503,292	2,106,654	396,637
Cost of rents and leases	574,005	505,604	68,401
Payroll costs	1,227,509	1,043,864	183,645
Sundry operating expenses	146,529	279,411	(132,881)
Total	**4,546,590**	**3,952,789**	**593,801**

General costs express structure expenses, mainly related to the offices instrumental to the activity performed, (rents, utilities, maintenance, related purchases), administrative expenses in general, including costs of accounting, legal, back-office commercial clerical staff, human resources and management control, the remuneration of the Board of Directors, the Board of Statutory Auditors and the independent auditors, legal, tax, accounting, labour and other consultancy in general, costs related to the status of listed company and attributable to M&A activity.

Amortisation, depreciation and impairment (25)

Below are details by destination:

Description	31/12/2017	31/12/2016	Changes
Amortization COGS	285,399	291,537	(6,138)
Amortization R&D	1,188,643	814,941	373,703
General amortization	125,266	121,790	3,476
Total	**1,599,309**	**1,228,268**	**371,041**

Financial operations (26)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
(77,797)	(58,112)	(19,685)

The breakdown is as follows:

Description	31/12/2017	31/12/2016	Changes
Financial income	17,576	3,784	13,792
Financial expense	(44,765)	(51,949)	7,183
Exchange gains	17,861	8,690	9,171
Exchange losses	(68,468)	(18,637)	(49,831)
Total	**(77,797)**	**(58,112)**	**(19,685)**

The amount consists of interest income on bank current accounts and other remunerated deposits of liquidity, exchange rate gains and losses, interest expense on medium/long-term bank loans.
Financial expenses also include the interest cost deriving from the actuarial valuation according to IAS 19R.

FY income tax (27)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
590,493	315,433	275,059

Description	31/12/2017	31/12/2016	Changes
Current tax	585,331	494,847	90,484
Deferred (prepaid) tax	5,162	(179,414)	184,575
Total	**590,493**	**315,433**	**275,059**

The Group companies have set up year taxes on the basis of the application of current tax regulations in force in the relevant country. The year's taxes are made up of current tax, deferred tax and prepaid tax, relating to positive and negative items of income respectively subject to imposition or deductions in years other than those during which they are booked. Prepaid/deferred tax connected with the consolidation entries deriving from the elisions of intra-group margins and the related effect on the consolidation amortisation/depreciation shares, have also been calculated.

Earnings per share

Basic earnings per share are calculated by dividing the net period income attributable to ordinary company shareholders by the weighted average number of ordinary shares, excluding own shares, in issue during 2017 and totalling 14,169,467. Below is the income and information on shares used to calculate the basic earnings per share.

Description	31/12/2017
Net profit attributable to shareholders	549,014
Opening number of ordinary shares	11,288,207
Opening portfolio treasury shares	50,700
Closing number of ordinary shares	14,169,467
Closing portfolio treasury shares	52,260
Weighted number of shares in issue	12,677,357
Basic earnings per share	**0.043**

Diluted earnings per share were calculated as follows:

Description	31/12/2017
Net profit attributable to shareholders	549,014

Opening number of ordinary shares	11,288,207
Opening portfolio treasury shares	50,700
Opening shares potentially assignable	247,560
Closing number of ordinary shares	14,169,467
Closing portfolio treasury shares	52,260
Closing shares potentially assignable	143,720
Weighted number of shares in issue	12,872,997
Basic earnings per share	**0.043**

Workforce

The table below shows the Group workforce as at 31/12/2017, broken down according to geographic area:

Level of classification	Number Total	%	Italy	United States of America	Spain	Denmark
Labourers	1	1%	1			
Office workers	128	91%	115	2	6	5
Middle managers	7	5%	7			
Managers	4	3%	2	1		1
Total	**140**	**100%**	**125**	**3**	**6**	**6**

Related party transactions

Transactions implemented by the Group with related parties, identified according to the criteria defined by IAS 24 - Related party disclosure - are carried out at arm's length.
Below are the equity and economic balances relative to Group transactions with related parties for the year ended on 31 December 2017.

Company name	Fixed receivables	Trade receivables	Trade payables	Other payables	Dividends	Sales	Purchases
Consorzio CRIT Scarl	64.641	19.368	-			18.740	843
Associates	**64.641**	**19.368**	**-**	**-**	**-**	**18.740**	**843**
Grafo Ventures di Giandomenico Sica			23.100				137.818
Zoidberg Srl				1.400.000			
Floor Srl							88.330
Other related parties	**-**	**-**	**23.100**	**1.400.000**	**-**	**-**	**226.148**

Please refer to the specific section of the Report on Operations, an integral part of these financial statements, for any further information on the subject.

Potential assets and liabilities

The Group has no potential assets and liabilities as at 31/12/2017.

Fees to Directors and Auditors

Directors' fees came to Euro 910,722, whilst the fees to the Boards of Auditors, where present, came to Euro 43,500.

Fee to the independent auditing firm

Please note that - in accordance with letter 16-bis of art. 2427 of the Civil Code - the total amount of fees due to the independent auditing firm included in the 2017 financial statements was Euro 51,700, including costs and expenses.

Disclosure regarding coordination and management activities

In accordance with article 2497-bis of the Civil Code, it is specified that the Group is not subject to management and coordination activities.

Subsequent events

Please refer to the specific section of the Report on Operations to the separate and consolidated financial statements as at 31/12/2017, which is an integral part of these financial statements, for further details on the matter.

Milan, 27 March 2018

The Chairman of the Board of Directors

Matteo Monfredini

Appendix 1 - Reconciliation with the financial statement scheme by nature for 2016:

Income statement	31/12/2017	31/12/2016
E-mail revenues	9.431.330	8.473.792
SMS revenues	15.933.655	11.444.666
Professional services revenues	588.868	792.175
BEE revenues	483.629	154.679
Other revenues and income	882.128	775.892
Exchanges services	-	635
Total revenues	**27.319.610**	**21.641.838**
Cogs	(13.744.564)	(9.519.306)
S&M	(1.039.163)	(1.058.750)
R&D	(310.282)	(133.555)
General	(3.172.551)	(2.646.582)
Costs for services	**(18.266.561)**	**(13.358.194)**
Cogs	(2.037.504)	(1.864.941)
S&M	(2.202.358)	(2.112.930)
R&D	(1.883.187)	(1.780.282)
General	(1.227.509)	(1.003.163)
Payroll costs	**(7.350.558)**	**(6.761.317)**
Capitalised R&D payroll cost	1.335.895	1.254.380
Capitalisation of payroll costs for development activities	**1.335.895**	**1.254.380**
Cogs	(9.561)	(58.128)
S&M	(2.808)	(391)
R&D	(81)	(11)
General	(146.529)	(304.073)
Other operating expenses	**(158.979)**	**(362.603)**
EBITDA	**2.879.407**	**2.414.104**
Cogs	(23.502)	(22.483)
R&D	(1.188.643)	(814.941)
General	(67.737)	(70.070)
Amortization of intangible assets	***(1.279.883)***	***(907.493)***
Cogs	(261.897)	(269.055)
General	(49.804)	(30.321)
Depreciation of tangible assets	***(311.701)***	***(299.376)***
Provisions and impairment	***(7.725)***	***(21.399)***
Amortisation, depreciation and impairment	**(1.599.309)**	**(1.228.268)**
EBIT	**1.280.098**	**1.185.836**
Financial expense	(44.765)	(51.949)
Exchange losses	(68.468)	(18.584)
Financial expense	**(113.233)**	**(70.532)**
Financial income	17.576	3.784
Exchange gains	17.861	8.712
Financial income	**35.436**	**12.496**
EBT	**1.202.301**	**1.127.800**
Current tax	(585.331)	(494.847)
Deferred tax	(5.162)	179.414
Income tax	**(590.493)**	**(315.433)**
FY result	**611.809**	**812.367**

By means of the table above, it is possible to reconcile the Income Statement by nature adopted in the previous financial statements with the current Income Statement scheme by destination according to the allocation criteria previously illustrated in the notes to the Income Statement.

Milan, 27 March 2018

The Chairman of the Board of Directors

Matteo Monfredini

Mailup S.p.A.

Independent Auditors' report for the purpose of the AIM Italy Rules for Companies

Consolidated financial statements as of December 31, 2017

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

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Independent auditors' report
for the purpose of the AIM Italy Rules for Companies

To the Board of Directors of
Mailup S.p.A.

Report on the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Mailup S.p.A. (the "Company") and its subsidiaries (the "Group"), which comprise the statement of financial position as of December 31, 2017, the statement of comprehensive income, the statement of cash flow and the statement of changes in shareholders equity for the year then ended, a summary of significant accounting policies and other explanatory notes.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of DHH Group as of December 31, 2017, of the result of its operations and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities For The Audit Of The Consolidated Financial Statements* section of this report. We are independent of the company in accordance with ethical requirements and standards applicable in Italy that are relevant to the audit of consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

This report is not issued in accordance with law because directors of Mailup S.p.A. have prepared on voluntary basis the consolidated financial statements for the purposes of the AIM Italy Rules for Companies.

Responsibilities of Directors and Those Charged with Governance for the consolidated financial statements

The Directors of Mailup S.p.A. are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, within the limits of the law, for such internal control as Directors they determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Bari, Bergamo, Bologna, Brescia, Cagliari, Firenze, Genova, Milano, Napoli, Padova, Palermo, Pescara, Roma, Torino, Treviso, Trieste, Verona, Vicenza

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Auditor’s Responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of the audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. Furthermore:

- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- Obtain and understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control;
- Evaluate the appropriateness of accounting principles used and the reasonableness of accounting estimates and related disclosures made management;
- Conclude on the appropriateness of management’s use of the going concern and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions in a manner that achieves fair presentation.

We communicate with those charged with governance, identifies at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Milan, April 11, 2018

BDO Italia S.p.A.
Signed by
Manuel Coppola
Partner

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

Separate financial statements of MailUp as at 31/12/2017

Balance Sheet	NOTES	31/12/2017	31/12/2016	Delta	Delta %
Tangible assets	1	€ 960.140	€ 629.282	€ 330.858	52,58%
Intangible assets	2	€ 3.523.559	€ 3.660.657	(€ 137.098)	(3,75%)
Equity investments in subsidiaries	3	€ 10.787.832	€ 11.152.016	(€ 364.183)	(3,27%)
Equity investments in associates and joint ventures	4	€ 102.000	€ 102.000	-	
Other non-current assets	5	€ 569.714	€ 284.224	€ 285.490	100,45%
Deferred tax assets	6	€ 567.441	€ 494.723	€ 72.718	14,70%
Total non-current assets		**€ 16.510.686**	**€ 16.322.901**	**€ 187.785**	**1,15%**
Trade and other receivables	7	€ 1.122.239	€ 1.156.163	(€ 33.924)	(2,93%)
Receivables from subsidiaries	8	€ 696.183	€ 273.735	€ 422.447	154,33%
Receivables from associates	8	€ 19.368	€ 49.554	(€ 30.186)	(60,92%)
Other current assets	9	€ 1.243.559	€ 1.226.414	€ 17.145	1,40%
Liquid funds and equivalent	10	€ 8.569.540	€ 3.023.456	€ 5.546.083	183,44%
Total current assets		**€ 11.650.888**	**€ 5.729.322**	**€ 5.921.566**	**103,36%**
Assets held for sale					
Total Assets		**€ 28.161.574**	**€ 22.052.223**	**€ 6.109.350**	**27,70%**
Share capital	11	€ 354.237	€ 283.266	€ 70.971	25,05%
Reserves	12	€ 11.832.343	€ 4.134.463	€ 7.697.880	186,19%
Period result		€ 1.059.104	€ 1.224.912	(€ 165.808)	(13,54%)
Total shareholders' equity		**€ 13.245.684**	**€ 5.642.640**	**€ 7.603.043**	**134,74%**
Amounts due to banks and other lenders	13	€ 1.772.007	€ 2.183.645	(€ 411.637)	(18,85%)
Other non-current liabilities		-	-	-	
Provisions for risks and charges	14	€ 84.405	€ 57.739	€ 26.667	46,19%
Staff funds	15	€ 943.829	€ 387.921	€ 555.907	143,30%
Deferred tax liabilities	16	-	€ 2.750	(€ 2.750)	(100,00%)
Total non-current liabilities		**€ 2.800.241**	**€ 2.632.055**	**€ 168.186**	**6,39%**
Trade and other payables	17	€ 823.220	€ 691.622	€ 131.599	19,03%
Payables to subsidiaries	18	€ 1.590.528	€ 2.207.811	(€ 617.282)	(27,96%)
Payables to associates	18	-	€ 4.921	(€ 4.921)	
Amounts due to banks and other lenders	19	€ 1.602.878	€ 1.190.373	€ 412.505	34,65%
Other current liabilities	20	€ 8.099.023	€ 9.682.803	(€ 1.583.780)	(16,36%)
Total current liabilities		**€ 12.115.649**	**€ 13.777.528**	**(€ 1.661.879)**	**(12,06%)**
Total liabilities		**€ 28.161.574**	**€ 22.052.223**	**€ 6.109.350**	**27,70%**

Income statement	Note	31/12/2017	%	31/12/2016	%	Delta	Delta %
E-mail revenues	21	8.010.006	62,61%	6.772.733	65,97%	1.237.273	18,27%
SMS revenues	21	2.937.299	22,96%	2.516.235	24,51%	421.065	16,73%
Professional services revenues	21	299.149	2,34%	173.625	1,69%	125.524	72,30%
Other revenues	21	1.547.425	12,10%	803.841	7,83%	743.584	92,50%
Total revenues		**12.793.879**	**100,00%**	**10.266.434**	**100,00%**	**2.527.445**	**24,62%**
Cost of goods sold (COGS)	22	4.785.584	37,41%	3.637.087	35,43%	1.148.497	31,58%
Gross profit		**8.008.295**	**62,59%**	**6.629.347**	**51,82%**	**1.378.948**	**20,80%**
Sales & Marketing costs	23	2.441.652	19,08%	2.221.797	21,64%	219.855	9,90%
Research & Development costs	24	822.781	6,43%	325.824	3,17%	496.957	152,52%
Capitalised R&D payroll cost		*(814.621)*	6,37%	*(1.217.703)*	11,86%	*(403.082)*	*(33,10%)*
Total R&D cost		*1.637.402*	12,80%	*1.543.527*	15,03%	*93.875*	*6,08%*
General costs	25	2.986.388	23,34%	2.803.790	27,31%	182.597	6,51%
Total other operating costs		6.250.821	48,86%	5.351.411	52,13%	899.409	16,81%
EBITDA		**1.757.474**	**13,74%**	**1.277.935**	**12,45%**	**479.539**	**37,52%**
Amortisation, depr. & prov. COGS	26	(271.252)	2,12%	(268.902)	2,62%	(2.350)	0,87%
Amortisation, depr. & prov. R&D	26	(1.086.080)	8,49%	(916.192)	8,92%	(169.888)	18,54%
Amortisation, depr. & prov. G&A	26	(93.172)	0,73%	(54.152)	0,53%	(39.020)	72,06%
Total amortization		(1.450.504)	11,34%	(1.239.246)	12,07%	(211.258)	17,05%
EBIT		**306.970**	**2,40%**	**38.689**	**0,38%**	**268.281**	**693,43%**
Financial operations	27	807.699	6,31%	1.153.865	11,24%	(346.165)	(30,00%)
EBT		**1.114.670**	**8,71%**	**1.192.554**	**11,62%**	**(77.884)**	**(6,53%)**
Income tax	28	(43.982)	0,34%	(8.955)	0,09%	(35.027)	391,14%
Prepaid tax	28	(14.334)	0,11%	26.188	-0,26%	(40.522)	(154,73%)
Deferred tax	28	2.750	0,02%	15.125	0,15%	(12.375)	(81,82%)
Period profit/(loss)		**1.059.104**	**8,28%**	**1.224.912**	**11,93%**	**(165.808)**	**(13,54%)**
Group profit (loss)		*1.059.104*		*1.224.912*		*(165.808)*	*(13,54%)*
Minority interest profit (loss)							
Other items of the statement of comprehensive income							
Profit/(loss) that will not be subsequently reclassified to the year result:							
Actuarial profit/(loss) net of the tax effect		(50.352)		(28.377)		(21.975)	77,44%
Comprehensive year profit/(loss)		**1.008.752**		**1.196.535**		**(187.783)**	**(15,69%)**
Earnings:							
Per share		0,084		0,120			
Per share (diluted)		0,082		0,117			

Separate statement of changes in equity

Figures in euros	31/12/2016	Allocation of MailUp resul	Share capital increase	Change to share premium reserve	Purchase of own shares	Comprehensive IS result	Stock option plan	Other transaction linked to the merge with Network Srl	Period result	31/12/2017
Share capital	283.266		68.375				2.596			354.237
Share premium reserve	4.607.721		5.989.680	96.240			347.665			11.041.306
Legal reserve	60.000									60.000
Extraordinary reserve	295.624	1.224.912								1.520.535
Reserve for treasury stock	(112.466)				(2.753)					(115.219)
Reserve for exchange rate gains	25.289									25.289
Profit/(loss) carried forward	(178.028)							(34.640)		(212.668)
Stock option reserve	94.005						(557)			93.448
OCI reserve	(49.615)					(15.429)		(34.922)		(99.966)
FTA reserve	(608.066)							(5.383)		(613.449)
Merger reserve	-							133.068		133.068
Period result	1.224.912	(1.224.912)							1.059.104	1.059.104
Shareholders' equity	**5.642.641**	**-**	**6.058.055**	**96.240**	**(2.753)**	**(15.429)**	**349.704**	**58.122**	**1.059.104**	**13.245.684**

Separate statement of cash flows

Description	31/12/2017	31/12/2016
Period profit/(loss)	1.059.104	1.224.912
Income tax	43.982	8.955
Deferred/(prepaid) tax	11.584	(41.313)
Interest expense/(interest income)	16.683	30.066
Exchange (gains)/losses	57.552	8.209
(Dividends)	(881.934)	(1.192.140)
1 Period profit/(loss) before income tax, interest, dividends and capital gains/losses on disposals	**306.971**	**38.689**
Value adjustments for non-monetary elements that have no equivalent item in net working capital		
Provisions for TFR	244.551	122.225
Other provisions	39.335	
Amortisation and depreciation of fixed assets	1.444.971	1.233.546
2 Cash flow before changes in NWC	**2.035.827,9**	**1.394.460**
Changes to net working capital		
Decrease/(increase) in trade receivables	(269.710)	(196.840)
Increase/(decrease) in trade payables	308.686	154.931
Decrease/(increase) in accrued income and prepaid expenses	(86.265)	77.580
Increase/(decrease) in accrued liabilities and deferred income	198.261	1.261.597
Other changes in net working capital	(1.644.090)	(1.078.933)
3 Cash flow after changes in NWC	**542.711**	**1.612.795**
Other adjustments		
Interest collected/(paid)	(16.886)	(23.833)
(Income tax paid)		(24.550)
Dividends collected	881.934	1.192.140
(Use of provisions)	(50.484)	(52.778)
4 Cash flow after other adjustments	**1.357.274**	**2.703.774**
A Cash flow from operations	**1.357.274**	**2.703.774**
Tangible fixed assets	(594.912)	(243.440)
(Investments)	*(594.912)*	*(243.440)*
Divestment realisation price		
Intangible fixed assets	(975.535)	(1.729.569)
(Investments)	*(975.535)*	*(1.729.569)*
Divestment realisation price		
Financial fixed assets	(285.490)	(60.475)
(Investments)	*(285.490)*	*(60.475)*
Divestment realisation price		
Acquisition or disposal of subsidiaries		
B Cash flow from investments	**(1.855.938)**	**(2.033.484)**
Minority interest funds	15.776	1.321.794
Increase (decrease) in short-term payables to banks	*8.322*	*(3.800)*
Stipulation of loans	*1.400.000*	*2.000.000*
Repayment of loans	*(1.392.546)*	*(674.406)*
Own funds	6.002.843	(54.964)
Capital increase by payment	*67.846*	
Sale (purchase) of treasury shares	*(2.753)*	*(54.964)*
Change to share premium reserve	*5.937.750*	
C Cash flow from loans	**6.018.619**	**1.266.830**
Increase (decrease) in liquid funds (A ± B ± C)	**5.519.956**	**1.937.120**
Initial cash and cash equivalents	3.023.456	1.086.336
Initial cash and cash equivalents Network Srl (merged in MailUp as of 01/01/17	26.128	
Final cash and cash equivalents	8.569.540	3.023.456
	5.519.956	**1.937.120**

Notes to the Separate Financial Statements as at 31/12/2017

General information

Business

MailUp SpA (hereinafter “MailUp”) is an established business in the marketing technology sector on the cloud or MarTech (newsletters/e-mails, text messages, social networks). It leads Italy in the ESP sector in terms of the number of e-mails sent and number of clients. MailUp was admitted to trading in July 2014 on the Borsa Italiana AIM Italia market. For further details and information on the Company’s business, please refer to the Report on Operations to the separate and consolidated financial statements at 31/12/2017 that forms an integral part of these financial statements.

Accounting standards

Criteria for the preparation of the separate financial statements

In accordance with art. 4 of Italian Legislative Decree no. 38 of 28 February 2005, which regulates the exercise of options envisaged by art. 5 of Regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002 relative to the application of international accounting standards, the Company has exercised the faculty to voluntarily adopt the international financial reporting standards (hereinafter also referred to as the “IFRS”), issued by the International Accounting Standards Board (the “IASB”) and approved by the
European Commission for the preparation of its financial statements starting from the year ended 31 December 2016. The term “IFRS” is used to refer to the International Financial Reporting Standards, the revised international accounting standards (“IAS”), all interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), previously known as the Standing Interpretations Committee (“SIC”).
The date of transition to the IFRS, as defined by IFRS 1 “First time adoption of IFRS was 1 January 2015, and these 2017 financial statements present a comparative year (FY 2016). In this regard, please note that the IFRS accounting standards applied in drafting the financial statements closed as at 31 December 2017 are those in force on that date and are compliant with those adopted for preparing the financial statements as at 31 December 2016.
For the purpose of preparing the accounting schedules, prevalence is given to the economic substance of transactions rather than to their legal form.
With reference to IAS 1, paragraphs 25 and 26, the Directors confirm that, in view of the economic prospects, the capitalisation and financial position of the Company, there is no uncertainty as the fact that the Company can operate as a going concern and that, consequently, in preparing the financial statements as at 31 December 2017, it should adopt accounting standards precisely under these terms.
The financial statements for the year ended on 31/12/2017 will be subject to statutory auditing by BDO Italia S.p.A., under the appointment made upon it for the period 2017-2019.
Please note that despite it holds controlling investments in MailUp Inc., Agile Telecom SpA, Acumbamail SL and, MailUp Nordics A/S, MailUp is not required to prepare consolidated financial statements. However, as the parent company of subsidiaries, strictly linked in terms of the creation of value within the Group business and in connection with the AIM issuers’ regulation, it has chosen as from FY 2014 to also prepare consolidated annual accounts, this year prepared in compliance with the IAS/IFRS.

Tables of the financial statements

The tables of the financial statements used have the following characteristics:
a) on the Balance Sheet - Statement of financial position, the assets and liabilities are stated in increasing order of liquidity; an asset/liability is classified as current when it meets one of the following criteria:
- it is expected to be realised/extinguished or expected to be sold or used in the normal operative cycle;
- it is mainly held for trading;
- it is expected to be realised/extinguished within 12 months of year end.
If none of these three conditions are met, the assets/liabilities are classified as not current;
b) in the Income Statement, the positive and negative items of income are stated according to destination for the first year. This choice was dictated by the greater ease of reading and comparability with respect to the financial statements of the other players in the same sector. In the reclassification adopted, revenues are segmented among

the characteristic business lines, highlighting the different contribution of the individual components on the total volumes. Costs are divided into four macro areas: Cost of Goods Sold (COGS), or costs of providing the Group's core services, and costs relating to the main operating areas, Sales and Marketing (S&M), Research and Development (R&D), in addition to General Costs (G&A) for administrative and structure expenses. Depreciation and amortization is also related to the different business areas. The section analyzing the contents of the Income Statement items illustrates the criteria followed in the economic reclassification adopted. In Appendix 1 at the end of this file, there is a table of reconciliation with the reclassification of the 2016 and 2017 Income Statement reclassified according to the format by nature adopted in the previous financial statements. Also for the purposes mentioned above, reference was made to EBITDA (Earnings Before Interest Taxes Depreciation Amortization), an economic value not defined in the IAS/IFRS Accounting Standards, equal to the operating result net of tangible and intangible depreciation and amortization;
c) Other comprehensive income highlights all changes to Other comprehensive profits/(losses) occurring during the year, generated by transactions other than those implemented with shareholders and in accordance with the specific IAS/IFRS accounting standards. The Company has chosen to show said changes in a separate statement with respect to the Income Statement. Changes in Other comprehensive profits/(losses) are stated net of the related tax effects, separately identifying, in accordance with IAS 1R in force as from 1 January 2013, the components intended to be reversed on the Income Statement in subsequent years and those for which there is no provision for any reversal on the Income Statement;
d) the Statement of Changes in Equity, as required by international accounting standards, provides separate evidence of the period result and all other changes not carried on the Income Statement, but instead allocated directly to Other comprehensive profits/(losses) on the basis of specific IAS/IFRS accounting standards and transactions with shareholders in their capacity as shareholders;
e) the Statement of Cash Flows is prepared applying the indirect method.

Measurement criteria

Tangible assets

These mainly consist of:

a) Plants and machinery
b) Furniture and fittings
c) Electronic office machines
d) Leasehold improvements

Tangible assets are booked at the cost of purchase or production, including accessory expenses and net of the related depreciation.
Routine maintenance costs are charged in full to the Income Statement. Costs for improvements, modernisation and transformations intended to increase value are carried as assets.
Depreciation starts when the assets become available for use.
Depreciation is calculated on a straight-line basis, according to the estimated useful life of the related assets, revised from time to time if necessary, applying the following percentages, which have not changed from the previous year and with application of monthly depreciation according to the month of purchase or commissioning of the asset:

- Plant and machinery:
  - Generic and specific plants: 20%
  - Anti break-in systems: 30%
- Other assets:
  - Furniture and fittings: 12%
  - Electronic office machines: 20%
  - Signs: 20%
  - Improvements to third-party assets: depreciation according to the residual term of the lease contract of the property to which said improvement interventions refer

Assets with a unit value of less than Euro 516.46, susceptible to autonomous use, are registered in full to the Income Statement.

Intangible assets

An intangible asset is booked only when it can be identified, it is subject to the Company's control, it is destined to generate future economic benefits and if its cost can be determined.

Intangible fixed assets are initially recorded at historic purchase cost or cost of internal production and stated net of the amortisation charged over the years, charged directly to the individual items.
If impairment is noted, the intangible asset is written down accordingly, in line with the criteria set forth in the next standard “Impairment of intangible assets”.

Amortisation rates are revised annually and altered if the estimated useful life differs from that estimated previously. The estimated useful life is five years for development costs; five years for third party software; five years for trademarks and other intangible fixed assets.
Development of the platform, third party software and trademarks are amortised according to their assumed possible use, so as to ensure that the net value at period end corresponds to their residual possible use. Amortisation/depreciation starts when an asset becomes available for use and the corresponding development project completed. Platform development, recorded with the consent of the Board of Auditors, includes the development costs incurred internally to create and innovate the MailUp platform. Costs are capitalised only when the following can be shown:

- the intention to implement the intangible asset for use or sale;
- the capacity to use or sell the intangible asset;
- the capacity to reliably value the cost attributable to the intangible asset during its development;
- the availability of technical, financial or other resources, suitable to complete the development and use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits.

Other fixed assets, registered with the consent of the Board of Auditors, relate to the costs of translating platform components incurred to make it usable on the export markets.

Fixed assets under construction relate to costs incurred for development projects on the MailUp® platform, which as at 31/12/2017 had not been completed and, therefore, could not be used.

Equity investments
Subsidiaries are companies in which the Company simultaneously holds the following three elements: (a) power over the business; (b) exposure, or rights, to variable returns deriving from the involvement with it; (c) capacity to use power to influence the amount of said variable returns.
All equity investments are recorded at purchase cost, including accessory expenses, at the time of initial booking; thereafter, in the event of evidence that an equity investment may have suffered a loss in value, the estimated value that can be recovered on the equity investment is calculated. If impairment is noted, the equity investment is written down accordingly, in line with the criteria set forth in the next paragraph “Impairment of tangible and intangible assets and equity investments”.

Companies over which another company exerts significant influence, are considered as associates. Influence is assumed when in the ordinary shareholders’ meeting; at least one fifth of votes can be cast or one tenth, if the company has shares listed on the stock exchange. It is specified that in the separate financial statements, investments in associates are measured at cost as per IAS 28.

Other current and non-current assets, trade receivables and other receivables
Trade receivables, other current and non-current assets and other receivables are intended as financial instruments, mainly relative to receivables due from customers, not derivatives and not listed on an active market, from which fixed or determinable payments are expected. Trade receivables and other receivables are classified on the Balance Sheet of current assets, apart from those with a contractual due date that exceeds twelve months after the reporting date, which are classified as non-current assets.
These assets are valued at the time of first booking at fair value and, thereafter, at amortised cost, using the effective interest rate, less impairment. An exception is made for receivables for which the brief duration makes discounting insignificant.
Impairment of receivables is booked on the Income Statement when objective evidence is seen that the Company will be unable to collect the receivable due from the counterparty under the terms of the contract.
The value of the receivables is stated net of the related impairment.

Prepaid tax assets

Prepaid tax assets are booked at nominal value. They are booked when their collection is deemed to be “likely”. See also the comment given under “Income tax”.

Cash and liquid funds
Liquid funds include cash in hand, cheques and bank current accounts and deposits that can be reimbursed on demand, which are readily convertible into cash and subject to an insignificant risk of a change in value. They are booked at nominal value.

Own shares
Own shares are booked at purchase cost, including accessory expenses of the sale and are stated reducing shareholders’ equity. The financial effects deriving from any subsequent sales are noted as shareholders’ equity. For details on purchases of treasury shares carried out in 2017 and the related authorization resolutions, please refer to the specific explanatory paragraph in the Report on Operations to the separate and consolidated financial statements as at 31/12/2017, an integral part of this document.

Assets held for sale
According to the provisions of IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, non-current assets whose book value will mainly be recovered through a sale rather than continuous use, if the requirements are met as envisaged by the specific standard, are classified as held for sale and valued at the lesser of book value and fair value, net of the costs of sale. As from the date on which said assets are classified as non-current assets held for sale, the related amortisation is suspended. Liabilities connected with said assets are classified under “Liabilities relating to assets held for sale”, whilst the economic result relating to said assets is noted under “Other income”.

Non-current financial liabilities
Financial liabilities are initially recorded at cost, corresponding to the fair value of the price received net of the transaction costs directly attributable to the loan. After initial booking, loans are measured using the amortised cost criterion and the effective interest rate method. The amortised cost is calculated considering the issue costs and any discount or premium envisaged at the time of settlement.

Employee benefits
Staff provisions disbursed at or following termination of the contract of employment mainly consist of Severance Indemnity (“TFR”), which is regulated by Italian legislation under art. 2120 of the Civil Code. TFR is a defined benefits plan, i.e. a formalised programme of post-employment benefits that constitutes a future obligation and one for which the Group will bear the actuarial and related investment risks. As required by IAS 19R, MailUp uses the Projected Unit Credit Method to determine the current value of the obligations and the related social security cost of the current provisions; this method of calculation requires the use of objective actuarial hypotheses that are compatible with demographic (mortality rate, staff turnover rate) and financial (discounting rate, future increases in salary levels) variables. Actuarial gains and losses are immediately recognised in full on the statement of comprehensive income in compliance with IAS 19R.
Following the social security reform, as from 1 January 2007, the TFR accrued following the coming into force of said reform, is allocated to pension funds or treasury funds established by INPS for companies with more than 50 employees or, for companies with fewer than 50 employees, may remain in the company as for previous years, or alternatively allocated to pension funds. On this, the allocation of the accruing portions of TFR in pension funds or INPS means that a portion of the TFR accruing is classified as a defined contributions plan, insofar as the company obligation consists exclusively of paying the contributions to the pension provision or INPS. The liability relative to previous TFR continues to constitute a defined benefits plan, to be assessed according to actuarial hypotheses.
From an accounting viewpoint, through the actuarial valuation, the interest cost that constitutes the figurative expense that the company would incur in asking the market for a loan in the amount of the TFR is carried under “Financial income/expense” on the Income Statement, and the current service cost, which defines the amount of rights accrued during the year by the employees who have not transferred the portions accrued as from 01 January 2007 to complementary welfare, under “payroll costs”. Actuarial gains and losses that reflect the effects deriving from changes to the actuarial hypotheses used are booked directly as shareholders’ equity, without being carried on the Income Statement and are stated on the Statement of Comprehensive Income.

Benefits incentive plan for senior management
Additional benefits are recognised to the management team of MailUp through capital sharing plans. These plans are booked in accordance with the provisions of IFRS 2 (Share-based payments). According to the provisions of IFRS 2,

these plans are a component of the remuneration of beneficiaries; hence, for plans where remuneration takes the form of capital instruments, the cost is represented by the fair value of these instruments as at the date of assignment and is carried on the consolidated Income Statement as “Payroll costs” throughout the period running between the date of assignment and of accrual, with a counter-entry into an equity reserve called “Stock option plan reserve”. Changes in fair value subsequent to the date of assignment have no effect on initial valuation. At the end of each year, the estimated number of rights to be accrued through to maturity is updated. The change in estimate reduces the “Stock option plan reserve”, with a counter-entry under “Payroll costs”.
Starting in 2017, additional benefits are also recognized to the management of MailUp and other Group companies through an incentive plan of Management By Objectives or MBO, which consists in the recognition of bonuses upon achievement of certain results with respect to a pre-established plan previously communicated and accepted by the recipients. The pre-established targets referred to both economic and financial results, consolidated and by business unit, and to individual objectives or KPIs according to the relative areas of responsibility. These results were measured during the year and final reporting was at the beginning of 2018. The portion actually accrued was therefore allocated in 2017 on an accruals basis between personnel costs or Directors’ remuneration depending on the recipient.

Provisions for risks and charges
Provisions for risks and charges include provisions deriving from current obligations (legal or implicit) deriving from a past event, in order to fulfil which it is likely that resources will need to be used, the amount of which can be reliably estimated.
If forecast use of resources goes beyond the year after, the obligation is registered at current value, determined through the discounting of forecast future flows, discounted at a rate that also considers the cost of money and risk of the liability.
Instead, no provision is made against risks for which the onset of a liability is merely possible. In this event, a specific disclosure is given in the specific information section on commitments and risks and no provision is made.

Trade payables
Payables are booked at nominal value. When, considering the payment terms agreed, a financial transaction is implemented, payables are measured at current value, allocating the discount as a financial expense according to competence.

Other current liabilities
These refer to various types of transactions and are booked at nominal value.

Booking of revenues
Revenues are booked to the extent to which it is probable that the economic benefits are achieved and the related amount can be reliably determined. The following specific criteria in the booking of revenues must be respected before making the allocation to the Income Statement:
Sales of goods - The revenue is recognised, in accordance with that established by IAS 18, when all significant risks and benefits connected with the ownership of the asset are transferred to the buyer.
Provision of services - Revenues are recognised at the time of effective disbursement with reference to completion of the service supplied and in respect of total services still to be provided.
Interest - This is noted according to competence.

Costs
Costs and other operating expenses are noted on the Income Statement when they are incurred according to an accruals basis and correlation with revenues, when they do not produce future economic benefits or do not meet the requirements for booking as assets on the statement of financial position. Financial expenses are noted according to maturity, on the basis of the start of the terms, using the effective rate.

Impairment of intangible assets
The Company verifies the net book value of tangible and intangible assets, so as to determine if there is any indication that these assets may have suffered a loss in value. If there is any such evidence, the value that can be recovered on the assets is estimated.
The recoverable value of a tangible or intangible asset is defined as the greater of its fair value less the costs of sale and value in use, calculated as the current value of future cash flow that is expected to stem from an asset or cash generating unit (CGU). The cash flow forecast is based on corporate plans and reasonable, documented assumptions regarding the future results of the Company and macroeconomic conditions, also as regards the discounting rate used in the discounting process.

When it is not possible to estimate the value that can be recovered on an individual asset, the Company estimates the value that can be recovered on the cash generating unit to which the asset pertains. With reference to MailUp, a single CGU has been identified as coinciding with the legal entity, whose assets include tangible and intangible assets.
Each time the recoverable value of an asset (or cash generating unit) is less than the book value, the latter is reduced to the recoverable value and the loss is carried on the Income Statement. Thereafter, if a loss previously noted on assets other than goodwill should cease to apply or reduce, the book value of the asset (or cash generating unit) is increased up to the new estimated recoverable value (which shall not, in any case, exceed the net carrying amount of the asset had no impairment been applied).

Dividends
Income for dividends is recorded when the right to collection matures, which normally coincides with the meeting resolution to distribute the dividends.
The dividends resolved are recognised as amounts due to shareholders at the time the distribution is resolved.

Taxes
Period tax includes current and deferred tax. Income tax is generally carried on the Income Statement, except when relative to situations booked directly as equity.
Current tax is tax expected to be paid on taxable period income and calculated in compliance with current tax regulations and considering the exemptions applicable and any tax credits due.
Deferred tax is calculated using the liability method on temporary differences between the amount of assets and liabilities on the financial statements and the corresponding tax values. Deferred tax is calculated according to the tax rate expected to be in force at the time the asset is realised or the liability is extinguished.
Deferred tax assets are only noted if it is likely that in following years, sufficient taxable income will be generated to realise said assets.
Deferred tax assets and liabilities are only offset when there is a legal right to compensation and when they refer to tax due to the same tax authority.
Income tax relative to previous years includes expenses and income noted during the year for income tax relative to previous years.

Profit/(loss) per share
Basic
Profit/(loss) per share is calculated as a ratio of the economic result for the weighted average of ordinary shares in issue during the year, excluding any own shares.
Diluted
Diluted profit/(loss) per share is calculated as a ratio of the economic result for the weighted average of ordinary shares in issue during the year, excluding any own shares. In order to calculate the diluted earnings per share, the weighted average of shares in issue is altered, assuming the conversion of all potential shares with a diluting effect, whilst the economic result is adjusted to consider the effects, net of tax, of the conversion.

Discretionary valuations and significant accounting estimates
The preparation of the financial statements in compliance with the IFRS requires, from Directors, the application of accounting standards and methods that, in some circumstances, are based on valuations and estimates based on past experience and assumptions that are considered reasonable and realistic at the time, according to the related circumstances. The application of these estimates and assumptions influences the amounts booked and the information supplied. The end effective results of the items for which said estimates and assumptions were used, may differ from that reported on the financial statements, which note the effects of the onset of the event estimated, due to the uncertainty that characterises the assumptions and conditions on which the estimates are based.
Below is a brief list of items requiring a greater degree of subjectivity from the Directors in preparing the estimates and for which a change in the conditions underlying the assumptions used may have a significant impact on the financial results.

Provision for doubtful debt
The provision for doubtful debt reflects the best estimate of the Directors as to the losses relative to the loans portfolio with regards to customers. This forecast is based on the losses expected by the Company, determined according to previous experience with similar receivables, current and historic past due positions, careful monitoring of credit quality and forecasts regarding the economic and market conditions.

Prepaid tax

Prepaid tax is booked on the basis of expectations of taxable income in future years, which will allow for its recovery. The assessment of forecast taxable income for the purpose of booking prepaid tax depends on factors that may vary over time and determine significant effects on the potential recovery of prepaid tax receivables.

Provisions for risks and charges
Against legal and tax risks, provisions are made to represent the risk of a negative outcome. The value of provisions booked relative to said risks is the best estimated as at the date, prepared by the Directors. This estimate entails the adoption of assumptions that depend on factors that may change over time and which may, therefore, have significant effects on current estimates prepared by Directors in order to prepare the Company's financial statements.

Conversion of amounts denominated in foreign currency

Functional currency
The Company prepares the financial statements in accordance with the currency used in Italy. The functional currency of the Company is the euro, which is the currency in which the separate financial statements are presented.
Transactions and accounting entries
Transactions performed in foreign currencies are initially booked at the exchange rate as at the transaction date.
As at the account closing date, monetary assets and liabilities held in foreign currency are reconverted according to the exchange rate in force as at that date.
Non-monetary items measured at historic cost in foreign currency are converted using the exchange rate in force on the date of the transaction.
Non-monetary items registered at fair value are converted using the exchange rate in force as at the date on which the value was determined.

Changes in accounting standards

The accounting standards adopted by the Group have not been modified compared to those applied in the Annual Financial Report as at 31 December 2016. For the sake of completeness, the accounting standards and amendments subject to change during the year and the standards not yet approved/applied.

a. Accounting standards, amendments and interpretations approved, applicable/applied early by the Group

Amendment IAS 12 - Income Taxes (applicable from 1 January 2017 approved by the European Union on 6 November 2017)
On 19 January 2016, the IASB published some amendments to IAS 12. The amendment aims to clarify how to book deferred tax assets relative to debt instruments measured at fair value. The introduction of the new amendment did not have an impact on the financial position and profitability of the Group.

Amendment IAS 7 - Cash Flow Statement (applicable from 1 January 2017 approved by the European Union on 6 November 2017)
On 29 January 2016, the IASB issued amendments to IAS 7 "Cash Flow Statement" and the amendment requires the financial statements to provide information on the changes to financial liabilities with the aim of improving the disclosure given to investors to help them better understand the changes affecting these payables. This amendment, acting only on the presentation, had no impact on the financial position and Group profitability.

Annual Improvements to IFRSs 2014-2016 Cycle: The document "Annual Improvements to IFRSs 2014-2016 Cycle", approved on 7 February 2018, containing amendments, which are mainly technical and editorial, to some international financial reporting standards. The main clarifications regard IFRS 1, IAS 28 and IFRS 12. These improvements have no impact on the financial situation of the Group.

b. Accounting standards, amendments and interpretations approved, but not yet applicable/not applied early by the Group

IFRS 9 - Financial instruments (applicable as from 01 January 2018)
IFRS 9 Financial Instruments, published by the IASB in July 2014 and approved by the European Union in November 2016, replaces as from 1 January 2018 IAS 39 Financial instruments: Recognition and measurement. IFRS 9 introduces new criteria for the classification and measurement of financial assets and financial liabilities, a new model for

calculating the impairment of financial assets and new provisions for the accounting representation of hedging transactions (hedging accounting).
No significant impacts are expected on future economic and equity results.

a) New criteria for classifying and measuring financial assets
Summary of amendments
With IFRS 9, receivables, loans and debt securities recorded under financial assets are classified in the following three categories based on the characteristics of the financial flows of these assets and the business model in which the following are managed:
- assets measured at amortized cost;
- assets measured at fair value recorded in the other components of the comprehensive income statement (FVOCI);
- assets measured at fair value recorded in profit/(loss) for the year (FVTPL).

Derivatives incorporated in contracts where the primary element is a financial asset that falls within the scope of the standard no longer need to be separated. The hybrid instrument is instead examined for the purposes of the classification as a whole.

The aforementioned categories envisaged by IFRS 9 replace the previous categories of IAS 39, that is, assets held to maturity, loans and receivables, assets available for sale and assets measured at FVTPL.

Furthermore, IFRS 9 requires as a general rule that all investments other than those in subsidiaries, associates and joint ventures are measured at FVTPL. If these investments are not held for trading purposes, it is possible to adopt the option, investment by investment and irrevocably, to present the subsequent changes in fair value in the other components of the comprehensive income statement, recording under the profit (loss) of the year only the effects connected to the distribution of dividends; in this case, the amounts accumulated in the other components of the comprehensive income statement will never be reclassified to profit (loss) for the year, even when the investment is sold.

Potential impacts for the Group

Given the type of financial assets and liabilities of the Group as at 31 December 2017, no significant impacts are expected from the application of IFRS 9.

b) New criteria for classifying and measuring financial liabilities

Summary of amendments

IFRS 9 essentially maintains the provisions of IAS 39 for the classification and measurement of financial liabilities, with the exception of financial liabilities measured at FVTPL, for which it is envisaged that the changes in fair value related to changes in the credit risk of the issuers (own credit risk) are recognized under other components of the comprehensive income statement rather than under profit (loss) for the year, unless this results in accounting asymmetry.

Potential impacts for the Group

The Group does not hold significant financial liabilities measured at FVTPL as at 31 December 2017 and therefore the first application of IFRS 9 is not expected to have significant impacts with respect to financial liabilities.

c) New model for the impairment of financial assets

IFRS 9 replaces the impairment model based on the incurred loss envisaged by IAS 39 with a forecast model based on the expected credit loss (ECL).

The new impairment model applies to all financial assets that are not already measured at FVTPL or that are measured at amortized cost or FVOCI.
According to IFRS 9, provisions to cover credit losses will be measured using one of the following bases:
- 12-month ECL, i.e. ECL deriving from possible default within twelve months from the closing date of the year; and
- ECL lifetime, i.e. ECL deriving from all possible default along the expected life of a financial instrument.

The measurement of ECL lifetime always applies to trade receivables, including impaired loans, and to other financial assets whose credit risk at the end of the year recorded a significant increase starting from the initial recognition. If subsequently the credit risk of a financial asset, not represented by trade receivables, should significantly decrease, the measurement of the 12-month ECL will be applied.

Potential impacts for the Group

The main financial assets of the Group measured at amortized cost, to which the new impairment model is applied, are represented by trade receivables. In consideration of the Group's ordinary commercial activities, the management of relations with counterparties, the analysis of the historicity of insolvency situations and the forecast of future economic conditions, no significant misalignments are expected, at the current status of analysis, in the measurement of provision for doubtful accounts deriving from the first application of the new impairment model of IFRS 9.

IFRS 15 - Revenue from Contracts with Customers (applicable as from 01 January 2018)

The new standard aims to improve the quality and standardisation in the recording of revenues and comparability of financial statements prepared in accordance with the IFRS and the American accounting standards. According to the new standard, the model for recognising revenues can no longer be based on the earning method, but rather must use the asset-liability method that draws attention to the time of transfer of control over the asset sold. The Group finalized the analysis of the measurement model of its revenues in light of the provisions of the new standard.

On the basis of the analyzes conducted, no differences were identified related to the identification of the moment of recognition of revenues: therefore, there was no impact on the overall economic results of the Company deriving from the change in methodology. The Group does not estimate significant impacts on future economic and equity performance.

IFRS 16 - Leasing (applicable as from 1 January 2019, with the possibility of early application)

On 13 January 2016, the IASB published the new accounting standard IFRS 16 Leasing. The new standard replaces IAS 17 and provides accounting representation methods that are more suitable in terms of reflecting the nature of the lease in the financial statements. The new IFRS 16 is applicable as from 1 January 2019; however, early application is permitted for companies that also apply IFRS 15 - Revenues from contracts with Customers. In particular, IFRS 16 introduces a single accounting model for leases in the financial statements of the lessee according to which the lessee acquires an asset that represents the right to use the underlying asset and a liability that reflects the obligation to pay the lease fees. In addition, the nature of the costs associated with these leases will change as IFRS16 will replace the accounting on a straight-line basis of operating lease costs with amortization of the use right and financial expenses on lease liabilities. IFRS 16 will be applied by the Group starting from 1 January 2019 as follows:

- with regard to the first application of the standard, the Group intends to adopt the modified retrospective application of the model. Therefore, the figures of the comparative period will not be restated and some simplifications and practical expedients will be applied as permitted by the reference standard;
- in defining the scope of application, leasing contracts for assets with a modest unit value (i.e. unit value lower than Euro 5,000) and short-term contracts (i.e. duration less than 12 months) were managed separately. Costs relating to these contracts will continue to be recognized in the Income Statement as separately identified operating costs and will mainly refer to some IT equipment;
- the valuation of residual and significant contracts for the application of IFRS 16 is currently being finalized. According to the provisional analyses, the greatest impact will regard agreements in place relative to properties, cars and industrial equipment.

c. Accounting standards, amendments and interpretations not yet approved

IFRS 17 - Insurance contract (applicable as from 1 January 2021)

Standard aimed at regulating the accounting of insurance contracts (formerly known as IFRS 4 Phase II). The accounting model envisaged is the "Building Blocks Approach" (BBA), based on the discounting of the expected cash flows, which includes the explanation of a "risk adjustment" and a "contractual service margin" issued through amortization of the same. The new accounting standard does not apply to the consolidated financial report.

IFRS 14 - Regulatory Deferral Accounts (applicable as from 01 January 2016)

The new standard allows only those adopting IFRS for the first time to continue to book amounts relating to rate regulation according to the previous accounting standards adopted. In order to improve the comparability with entities applying IFRS and that do not book said amounts, the standard requires the effect of rate regulation to be presented separately from the other items. The European Commission has decided not to start the approval process of this standard ad interim, and instead to await the final standard. The new standard does not apply to the consolidated financial report.

IFRS 10 - IAS 28 amendment - Sale or contribution of assets between an investor and its associate or joint venture (applicable as from 01 January 2016)

The amendment, which was published in September 2014, aims to solve a conflict between the provisions of IFRS 10 and IAS 28 if an investor sells or contributes a business or associate or joint venture. The main change made to the amendment is the fact that the capital gain or loss consequent to the loss of control must be recorded in full at the time of the sale or contribution of the business. A partial capital gain or loss will be recorded only in the event of a sale or contribution involving individual assets only. The IASB has suspended publication and approval of said amendment to a date to be defined.

IFRS 2 Amendment - Classification and measurement of share-based payments (applicable as from 1 January 2018)
It includes clarifications on the accounting of stock options subject to vesting conditions connected with performance. The Group believes that the adoption of the new standard will not have any significant impact on its financial position and profitability.

IFRIC 22 interpretation - Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016)
IFRIC 22 aims to clarify the booking of operations involving the receipt or payment of advances in foreign currency, in particular when an entity records a non-monetary asset or liability before booking the related asset, revenue or cost. IFRIC 22 is applicable as from 1 January 2018; early application is permitted.

IAS 40 Amendment - Transfers of Investment Property (issued on 8 December 2016)
The main changes introduced by the amendment include the change in intended purpose of an investment property only being able to take place when there is evidence of a change in use.

IFRIC 23 Interpretation - Uncertainty over Income Tax Treatments (issued on 7 June 2017)
IFRIC 23 aims to clarify how to calculate current and deferred taxes when there are uncertainties about the tax treatment adopted by the entity preparing the financial statements and that may not be accepted by the tax authority.

Amendment IFRS 9-*Prepayment features with negative compensation* (issued 12 October 2017)
The main objective of the amendment is to evaluate the information provided by the application of the amortized cost for instruments that contain symmetrical prepayment options and have contractual cash flows that are exclusively capital and interest payments (SPPI). The modifications made with this amendment have been evaluated by the Group in the context of the overall analysis of the application of the IFRS 9 standard, commented above.

Amendment IAS 28 - Long-term interests in associates and joint-ventures (issued 12 October 2017)
The amendment introduced intends to clarify the application of IFRS 9 to long-term investments in associates and joint ventures, which are part of the net investment but for which the equity method is not applied. The modifications made with this amendment have been evaluated by the Group in the context of the overall analysis of the application of the IFRS 9 standard, commented above.

Risk analysis

For a detailed and in-depth analysis of the risks to which the Company is exposed in the context of its operating activities, please refer to the Report on Operations to the separate and consolidated financial statements as at 31/12/2017, which forms an integral part of these financial statements.

Disclosure on the book value of financial instruments

In order to provide information capable of illustrating the exposure to financial risks, the information provided by the companies regarding the fair value measurement of financial instruments, as required by accounting standard IFRS 7, is of great importance.
The fair value hierarchy has three levels:
• level 1: if the financial instrument is listed on an active market;
• level 2: if the fair value is measured on the basis of valuation techniques that refer to parameters that can be observed on the market, other than the prices of the financial instrument;
• level 3: if the fair value is calculated on the basis of valuation techniques that refer to parameters that are not observable on the market.

Below is the disclosure on the book value of the financial instruments for the financial year ended on 31 December 2017:

31 December 2017 MailUp S.p.A.			
(Euro units)	**Book value**	**Fair value**	**Fair value hierarchy**
Other financial assets			
Other non-current financial assets	448,353	**448,535**	Level 3
Other current financial assets	0	**0**	Level 3

Potential liabilities
In addition to that indicated in the paragraph on Provisions for risks, no legal or tax disputes are currently underway involving the Company.

NOTES ON THE EQUITY, FINANCIAL AND ECONOMIC STATEMENTS

Assets

Non-current assets

Tangible assets (1)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
960,140	629,282	330,858

Plants and machinery

Description	Amount
Historic cost	60,526
Previous years' depreciation/amortisation	(60,444)
Balance as at 31/12/2016	**82**
Period acquisitions	112,011
Net value of assets deriving from the merger with Network Srl	2,016
Period disposals	
Period amortisation/depreciation	(5,297)
Balance as at 31/12/2017	**108,730**

Other assets

Description	Amount
Historic cost	1,866,910
Previous years' depreciation/amortisation	(1,237,710)
Balance as at 31/12/2016	**629,200**
Period acquisitions	482,901
Net value of assets deriving from the merger with Network Srl	26,158
Period disposals	
Period amortisation/depreciation	(286,931)
Balance as at 31/12/2017	**851,328**

"Other tangible assets" include:

- expenses for the purchase of office furniture and furnishings for Euro 210,428, net of period depreciation;
- expenses for the purchase of electronic office machinery for Euro 541,870, net of depreciation for the year;
- expenses for the purchase and installation of signs, for Euro 4,520, net of period depreciation;
- expenses for the purchase of mobile telephones for Euro 1,109, net of period depreciation.
- expenses for improvements to third-party assets for Euro 93,401, net of depreciation in the year.

Intangible assets (2)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
3,523,559	3,660,657	137,098

Description of costs	Value 31/12/2016	Period increases	Period decreases	Other changes	Period amortisation /depreciation	Value 31/12/2017
Platform development	3,484,272	966,159			(1,086,080)	3,364,351
Third party software	105,370	18,953		28,094	(43,161)	109,256

Trademarks	22,567	2,440			(8,732)	16,274
Other	48,448				(14,770)	33,678
	3,660,657	**987,552**		**28,094**	**(1,152,743)**	**3,523,559**

“Platform development” includes, with the consent of the Board of Auditors, costs for the development of the MailUp platform for Euro 3,364,351, net of relevant amortisation/depreciation, of which details are given below; this same item also includes costs for projects to develop the MailUp platform currently in progress, activities not yet completed at year end and which have not, therefore, been amortised.
“Third party software” includes costs relative to software owned by third parties and purchased by the Company. The item “Other changes” includes third-party software deriving from the merger by incorporation of the subsidiary company Network Srl.
“Other” fixed assets consist of the costs for translating platform components of multiple-year use, incurred into order to allow for its use on export markets (ex. English, Spanish) under the scope of the general strategic international growth project pursued by the Group.

Impairment testing of intangible assets

In the event of signs that show impairment of intangible fixed assets recorded in the financial statements, as mentioned in the section on accounting standards adopted, the Company verifies the economic-financial recoverability of the same through specific assessments (impairment tests) on each Cash Generating Unit (CGU) in the specific case represented by the legal entity MailUp SpA, which has recorded these values in its financial statements. The potential recovery of the investment is determined with reference to forecast cash flow. Since these circumstances did not occur during 2017, the need to carry out the aforementioned test did not emerge.

Development costs

”Platform development” includes the costs relating to the incremental development, update and innovation of the SaaS (Software as a Service) MailUp® platform owned by the Company, which has always been a strategic factor in the business success. The same item includes costs for projects to develop the MailUp platform, currently under development; these had not been completed at year end and have therefore not been amortized. The costs are reasonably linked to benefits that extend over several years, and are amortised in relation to their residual possibilities of use, given the economic and financial potential recovery of the investment.
Also worthy of mention are the developments related to the BEE software of Dollars 511,000 in 2017. This asset was conferred to the subsidiary MailUp Inc at the end of 2016, at the value of Euro 462,162, as mentioned. This development activity, contracted by the subsidiary to the parent company under specific contractual arrangements, was finalized by a dedicated team of programmers of MailUp.

For an in-depth analysis of the new functionalities introduced in 2017 to the MailUp platform and to the BEE software as part of the development activities carried out by MailUp, please refer to the paragraph “Research and development activities” of the Report on Operations to the consolidated and separate financial statements as at 31/12/2017, an integral part of these financial statements.

The research and development activities carried out also involved the **Innovative Big Data Analytics System** project. The focus of the project is the development of a new Big Data Analytics system for small and medium-sized companies. It is a project with a major impact on the future business of MailUp in the medium to long term, having a market potential also at international level, in particular in the English-speaking world, where Big Data Analytics tools are used today only by large multinational players of the sector, due to the complexity of the technologies and high specialization of resources that need to be put in place. On 29 April 2016, the Directorate General for Economic Development of the Lombardy Region approved the funding of the project presented by MailUp as leader of a consortium that involves a number of excellence companies adhering to the Technologies Centre of Cremona and the CRIT Consortium (Cremona Information Technology): Microdata Service, Lineacom and Politecnico di Milano. At the beginning of 2018, MailUp received from Lombardy Region the first tranche of the non-refundable contribution equal to half of the maximum amount of Euro 860,122 against an overall investment of Euro 2,045,648 in the period.

Equity investments in subsidiaries (3)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
10,787,832	11,152,016	(364,183)

Description	31/12/2016	Increase	Decrease	31/12/2017
Subsidiary companies	11,152,016	189,141	(553,324)	10,787,832
	11,152,016	**189,141**	**(553,324)**	**10,787,832**

The increase in investments is related to the allocation of stock options by the parent company to the management of the subsidiary MailUp Inc.
The following information is supplied on the controlling equity investments held directly.

Subsidiary companies

Company name	City or foreign country	Share capital	Shareholders' equity	Profit/ (Loss)	% held	Book value
MAILUP INC	UNITED STATES OF AMERICA	41,183*	354,302	(197,413)	100	688,655
ACUMBAMAIL SL	SPAIN	4,500	405,961	209,317	70	499,177
MAILUP NORDICS A/S	DENMARK	67,001*	1,020,881	(2,263)	100	800,000
AGILE TELECOM S.P.A.	CARPI (MO)	500,000	1,473,933	873,933	100	8,800,000
						10,787,832

(* historic exchange rate applied as at the date of first consolidation)

MailUp Inc, established in San Francisco by the parent company in November 2011, it operated until 31 December 2016, aiming to market and localise the MailUp® platform in the United States of America and, more generally, on the American continent. In December 2016, the parent company conferred to MailUp Inc the intangible assets related to the BEE Plugin and BEE Pro products. On this occasion, the subsidiary resolved, in service of the conferment, to increase its capital reserves in accordance with local regulations. Since 2017, MailUp Inc has been dealing with the exclusive commercialization of the BEE editor, which it owns, in its various versions, having considerable interest in the public of specialized operators as evidenced by the brilliant month-on-month growth rates.

Acumbamail SL, a start-up founded in 2012 with registered office in Ciudad Real, Spain, has developed an e-mail marketing platform that is widespread on the Spanish-speaking markets (Spain and LATAM) and features considerable development potential, with a freemium sales model targeting a lower profile customer base, which therefore complements MailUp, which is instead increasingly taking a position on the medium/high bracket of the market. The freemium model, in fact, envisages an initial level of free use of the platform, which thereafter requires payment where a certain threshold of use is surpassed, thereby favouring customers with limited volumes and a reduced number of addressees.

MailUp Nordics A/S controls 100% of the capital of the company **Globase International ApS**, a Danish company operating in the e-mail marketing sector on the Scandinavian markets (Denmark, Norway, Sweden, Finland and Iceland) with a focus on medium/large customers. The acquisition of the Danish companies aims to position the MailUp® platform on the Northern European market, exploiting the recognition of the Globase trademark and the favourable positioning on a market with high entry barriers and a high level of spending on e-mail marketing, both by offering the MailUp® platform to new customers and by progressively migrating Globase platform users to MailUp.

Agile Telecom SpA, with registered office in Carpi (MO), is an operator authorised by the Ministry of Economic Development and Communication to offer a public communication service and is also registered with the Register of Operators in Communication (ROC) held by the Italian Authority for Telecommunications Guarantees (AGCOM). Agile Telecom has been operating since 1999 as an independent international operator specialised in SMS services, particularly on the wholesale SMS market. Dozens of direct connections with carriers and operators across the globe allow Agile Telecom to optimise delivery of messages in all countries, guaranteeing its business customers the best possible sending quality at the lowest possible price. It is also the parent company's provider of reference for the SMS delivery services provided by the MailUp platform, thus making it possible to exploit profitable economic and technological synergies.

On 27 February 2017 was the completion of the path of organizational rethinking of the MailUp Group structure through the **merger by incorporation of Network Srl into MailUp**, undertaken to optimize intercompany processes. The analysis of the role of Network, a technology partner that has historically and exclusively handled all the technical functions and technology services related to the MailUp platform, has led to the merger by incorporation of the latter due to the simplification of the corporate and production structure of MailUp and of administrative processes, eliminating duplication and overlapping. The effects of the merger were finalized on 20 March 2017 with completion of registration at the company register, while the accounting and tax effects were effective from 1 January 2017 in accordance with the provisions of the specific legislation.

Equity investments recognised as non-current assets represent a long-term and strategic investment for the Company.

The investments reported at purchase cost have not been written-down for lasting losses of value. No cases of "value restoration" occurred. To this end, please note that in the consolidated financial statements of the parent company MailUp, the goodwill entered relative to the controlling equity investments detailed above has been impairment tested by the management, which confirmed the potential economic-financial recovery of the investment. Reference is made to the explanatory notes to the consolidated financial statements, for full details.

Equity investments in associates and joint ventures (4)

Associated companies

Description	31/12/2016	Increase	Decrease	31/12/2017
Associated companies	102,000			102,000
	102,000			**102,000**

Company name	City or foreign country	Share capital	Shareholders' equity	Profit/ (Loss)	% held	Book value
CRIT - CRemona Information Technology	CREMONA (CR)	310,000	327,690	(23,424)	33%	102,000

The Company purchased shares for Euro 2 thousand in the consortium CRIT CRemona Information Technology upon incorporation. It then increased its investment in the associated company by Euro 100 thousand as a result of the transformation to consortium with limited liability on 16 March 2016 and the subsequent strengthening of the capital by the shareholders on 30 March to relaunch the growth project of the consortium. The purpose of the CRIT is to develop a technological pole in Cremona that enables synergies to be achieved between consortium members, to develop services of mutual interest, both managerial and operative in nature (co-working, start-up incubator, common training structures, canteen, meeting room). The consortium also developed a building complex, the "Digital innovation pole", where Cremona-based ICT companies, starting from the consortium members themselves, can operate at their best and construct a centre of excellence that can generate new businesses and transfer economic opportunities and better quality of life to the local world of businesses and communities, deriving from the use of new communication and information technologies. MailUp moved its operative and administrative headquarters to Cremona, at the Centre, as of July 2017.

Other non-current assets (5)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
569,714	284,224	285,490

Description	31/12/2016	Increase	Decrease	Reclassifications	31/12/2017
Receivables from subsidiaries	142,302	235,373			377,675
Receivables from associated companies	14,641	50,000			64,641
Other receivables	5,919	117			6,036
Tax receivables due beyond 12 months	121,362				121,362
	284,224	**285,490**			**569,714**

The receivable from subsidiaries refers to interest bearing loans to the companies MailUp Inc and MailUp Nordics. On 26 June, MailUp SpA granted a loan to the subsidiary MailUp Nordics for Euro 202,448 and a loan for Dollars 60,000 to the subsidiary MailUp Inc.

"Receivables due from others" relate to caution deposits due beyond the year.

Receivables all have a maturity in excess of 12 months.

Prepaid tax assets (6)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
567,441	494,723	72,718

Prepaid tax assets refer to tax losses that can be carried forward, to future amortisation of intangible fixed assets reclassified in application of the IAS criteria during FTA and the recalculation of the TFR provision made in accordance with the actuarial logics required by IAS 19.

Current assets

Trade and other receivables (7)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
1,122,239	1,156,163	(33,924)

The amount relates to trade receivables and also includes receivables for invoices to be issued, in the amount of Euro 29,200.

The adjustment of the nominal loan value to fair value has been obtained by means of a specific provision for doubtful debt, that has been affected as follows during the year:

Description	
Balance as at 31/12/2016	5,700
Provision for write-downs	6,012
Former Network	
Period use	11,712
Period provision	5,533
Balance as at 31/12/2017	**5,533**

Key accounts

In accordance with the provisions of IFRS 8, please note that for the years ended on 31/12/2017 and 31/12/2016, there are no customers generating revenues that exceed 10% of total revenues.

Receivables from subsidiaries and associates (8)

Description	31/12/2017	31/12/2016	Changes
Subsidiaries	696,183	273,735	422,448
Associated companies	19,368	49,554	(30,186)
	715,551	**323,289**	**392,262**

Receivables due from subsidiaries and associates derive from normal commercial operations implemented during FY 2017.

Below is the breakdown of receivables by geographic area:

Receivables divided by Geographic Area	Trade accounts	Subsidiaries	Associated companies	Total
Italy	1,057,199	128,720	19,368	1,205,286
EU	44,780	96,462		141,242
Non EU	20,260	471,001		491,260
Total	**1,122,239**	**696,183**	**19,368**	**1,837,788**

Other current assets (9)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
1,243,559	1,226,414	17,145

The item is as follows:

Description	31/12/2017	31/12/2016	Changes
Tax receivables	82,907	65,877	17,030
Other receivables	885,205	979,450	(94,245)
Accruals and deferrals	275,447	181,087	94,360
	1,243,559	**1,226,414**	**17,145**

Tax receivables as at 31/12/2017 are as follows:

Description	Amount
Receivables from the tax authority for withholdings applied	39,624
Receivables for IRES tax	11,075
Receivables for IRAP tax	10,261
Tax receivable for hiring of qualified personnel	15,142
Related VAT receivables deriving from the merger with the company Network Srl	6,805
Total	**82,907**

Receivables due from third parties as at 31/12/2017 are as follows:

Description	Amount
Contributions on competitiveness Agreements Tender Lombardy Region	860,122

Inventory of video surveillance material	6,603
Supplier deposits	10,200
Sundry	8,280
Total	885,205

Accrued and deferred assets as at 31/12/2017 are as follows:

Description	Amount
Accrued income	275,448
Total	275,448

These record the income and expenses with an earlier or postponed accrual compared with the actual cash and/or document manifestation, they do not take into account the data of payment or collection of the related income or expenses, common to two or more periods and divisible based on time.

As at 31/12/2017, there were no accruals or deferrals with a residual duration of more than five years.

Liquid funds (10)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
8,569,540	3,023,457	5,546,083

Description	31/12/2017	31/12/2016
Cash at bank and post office	8,569,389	3,023,336
Cash and cash equivalents	151	120
	8,569,540	**3,023,457**

The balance represents liquid funds and cash as well as valuables held on the closing date of the year.

Liabilities

Shareholders' equity

Share capital (11)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
354,237	283,266	(70,971)

The share capital of the parent company MailUp S.p.A. is entirely paid in and is represented as at 31 December 2017 by 14,169,467 ordinary shares with no par value, whose accounting parity comes to Euro 0.025 each.

The share capital changed following the:
- execution during the meeting of the Board of Directors held on 20/06/2017 of the delegation conferred by the Extraordinary Shareholders' Meeting held on 23 December 2015, to increase the share capital in a divisible manner, in exchange for payment, with exclusion of option rights. The capital increase was made for a nominal amount of Euro 3,125 through the issue of 125,000 shares, issued at a price of Euro 3.20 per share, assigned to Zoidberg Srl as seller of Agile Telecom SpA for the portion of the earn-out in kind agreed by the parties in execution of the purchase and sale contract signed on 29 December 2015. The difference of Euro 396,875 was recognized under share premium reserve;
- execution during the meeting of the Board of Directors held on 25/07/2017 of the delegation conferred by the Extraordinary Shareholders' Meeting held on 23 December 2015, to increase the share capital in a divisible manner, in exchange for payment, for a total of Euro 6,264,000 (including premium) as part of a private placement to be realized by means of an accelerated bookbuilding procedure with exclusion of option rights. On 26 July 2017 was the successful conclusion of the capital increase subscription implemented through ABB concerning 2,610,000 new shares placed at a price per share of Euro 2.30 each. The transaction was regulated by means of delivery of securities and

payment of the fee (“settlement”) on 28 July 2017. Following the full subscription of newly-issued shares, the share capital of MailUp after the increase reached Euro 351,640.68, divided into 14,065,627 ordinary shares with no indication of the nominal value expressed, with a float of approximately 33%. The actual value of the capital increase at the end of the transaction was equal to Euro 6,003,000, of which Euro 5,937,750 as premium;
- on 2 August 2017 - following the share capital increase for the stock option plan referred to as “2016 Plan”, approved by the Board of Directors of the Company on 29 March 2016 - 73,840 shares that will have a lock-up period of 12 months were actually assigned, following the exercise of the related stock options by the recipients of the Plan. Following the capital increase, the subscribed and paid-up share capital of the Company reached 353,486.68 divided into 14,139,467 ordinary shares without nominal value.
- on 04 October 2017 - following the share capital increase for the stock option plan referred to as “2016 Plan”, approved by the Board of Directors of the Company on 29 March 2016 - 30,000 shares that will have a lock-up period of 12 months were actually assigned, following the exercise of the related stock options by the recipients of the Plan. Following the capital increase, the subscribed and paid-up share capital of the Company reached 354,236.68 divided into 14,169,467 ordinary shares without nominal value.
All shares issued are ordinary. There are no debenture loans in place.

Reserves (12)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
11,832,343	4,134,463	7,697,880

Description	31/12/2016	Increases	Decreases	31/12/2017
Share premium reserve	4,607,721	6,778,530	(344,945)	11,041,306
Stock option reserve	94,005	196,134	(196,691)	93,448
Legal reserve	60,000			60,000
Extraordinary or optional reserve	295,624	1,224,911		1,520,535
Reserve for exchange rate gains	25,289			25,289
FTA reserve	(608,066)	1,700	(7,083)	(613,449)
OCI reserve	(49,615)	36,263	(86,615)	(99,966)
Negative reserve for treasury stock	(112,466)		(2,753)	(115,219)
Losses carried forward	(178,029)	30,408	(65,047)	(212,668)
Merger surplus reserve		133,068		133,068
Total	**4,134,463**	**8,304,774**	**(606,894)**	**11,832,343**

In compliance with the provisions of arts. 2357 and 2424 of the Civil Code, the Reserve for own shares in portfolio has been entered under the liabilities, under Group equity, by way of counter-entry in an amount equal to the own shares held as at 31/12/2017. The own share reserve is restricted and shall be maintained until such time as the shares are sold. The decrease in the Share premium reserve is attributable to the costs incurred as part of the accelerated bookbuilding transaction previously detailed, while for the Stock Options Reserve the amount set aside of the options actually exercised by MailUp employees was recorded in the Share premium reserve.

Losses carried forward
The change in the item is related to gains and losses deriving from the application of the IAS accounting standards, net of the related tax effect, in the financial statements of the subsidiary Network Srl, merged by incorporation from 1 January 2017.

The shareholders’ equity accounts are broken down as follows according to their origin, possible use, distributable nature and use made in last the three years.

Nature/Description	Amount	Possible use (*)	Available amount
Share premium reserve	11,041,306	A, B	10,970,459
Stock option reserve	93,448	B	
Legal reserve	60,000	B	
Extraordinary reserve	1,520,535	A, B, C, D	1,520,535
Reserve for exchange rate gains	25,289		

FTA reserve	(613,449)		
OCI reserve	(99,966)		
Negative reserve for treasury stock	(115,219)		
Merger surplus reserve	133,068	B	
Losses carried forward	(212,668)		
Total	**11,832,344**		**12,490,994**
Restricted portion			
Residual distributable portion			**12,490,994**

(*) A: capital increase; B: loss coverage; C: shareholder distribution; D: other statutory restrictions

Reserves incorporated into the share capital

The share capital includes Euro 219,293 consisting of previous years' profits, formerly the extraordinary reserve, following the resolutions to increase the share capital passed on 03 July 2014 and 29 March 2016.

Non-current liabilities

Amounts due to banks and other lenders (13)

Description	31/12/2017	31/12/2016	Changes
Amounts due to banks	1,772,007	2,183,645	(411,638)
	1,772,007	**2,183,645**	**(411,638)**

Amounts due to banks relates to the residual medium/long-term portion of unsecured loans taken out.

Provisions for risks and charges (14)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
84,405	57,739	26,666

Description	31/12/2016	Increases	Decreases	Reclassifications	31/12/2017
Provision for legal disputes	57,739				57,739
Provision for pensions (TFM)		26,666			26,666
	57,739	**26,666**			**84,405**

A provision has been established for current legal disputes. The Company currently has a lawsuit underway with the Financial Administration in connection with the companies' income tax, regional production tax and value added tax for 2004.
The office has issued a notice of assessment on the basis of the use of the results of the sector studies' calculation; the reconstruction of revenues prepared by the Authority entailed greater tax, totalling Euro 58,468 and sanctions for Euro 49,344, already paid in full.
The petition proposed by the Company has been rejected on a first and second instance and the Company has submitted an appeal in cassation. The Company's lawyers believe that they are likely to be successful in the last instance of proceedings. An amount has been allocated on the financial statements considering the reduction, by the tax courts, of the office claims. In the petitions submitted, it has, amongst other aspects, been shown that the recalculation of the sector study with a more evolved study, brings about a more favourable result for the Company. Therefore, a provision for risks has been allocated, in accordance with art. 2423-bis of the Civil Code, for an amount equal to the greater tax deriving from the application of said study.

The provision for pension and similar commitments is related to the indemnity due to Directors upon cessation of office (TFM).

Staff funds (15)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
943,829	387,921	555,908

The change is as follows.

Description	31/12/2016	Increases	Decreases	Other changes	Actuarial (losses)/gains	31/12/2017
Staff provision (TFR)	387,921	234,763	(96,900)	397,743	20,302	943,829
	387,921	**234,763**	**(96,900)**	**397,743**	**20,302**	**943,829**

The increases relate to year provisions made for employee severance indemnity. The decreases relate to year uses. The item "Other changes" refers to the provision of the company Network Srl, merged into MailUp from 1 January 2017.

The main actuarial assumptions are:

Demographic hypotheses

As regards the demographic hypotheses, the ISTAT 2011 mortality tables were used and the INPS disability/invalidity tables.
As regards the probability of leaving work for reasons other than death, the turnover probabilities noted by the companies assessed over a time frame of observation deemed to be representative, were used; more specifically, annual frequencies of 10% were considered.

Economic-financial hypotheses

These regard the theoretical lines of remuneration, the technical interest rate, the inflation rate and the value adjustment rates of salaries and TFR.
The technical assessments were carried out on the basis of the hypotheses described below:

	31/12/2017
Annual technical discounting rate	1.30%
Annual inflation rate	1.50%
Annual comprehensive remuneration increase rate	2.50%

As regards the choice of the discounting rate, the index for the Eurozone Iboxx Corporate AA has been taken as benchmark, with duration in line with the average financial duration of the group valued (10+ years).

Deferred tax liabilities (16)

Description	31/12/2016	Increases	Decreases	31/12/2017
Deferred tax provision	2,750		(2,750)	0
	2,750		**(2,750)**	**0**

Current liabilities

Trade and other payables (17)

Description	31/12/2017	31/12/2016	Change
Trade payables	823,220	691,622	131,598
	823,220	**691,622**	**131,598**

"Trade payables" are stated net of commercial discounts. The item also includes payables:
- for invoices to be received from Italy suppliers, Euro 234,153;
- payables for invoices to be received from EU suppliers, Euro 9,619;
- payables for invoices to be received from non-EU suppliers, Euro 19,136.

Payables to subsidiaries and associates (18)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
1,590,528	2,212,732	(622,203)

Description	31/12/2017	31/12/2016	Changes
Subsidiary companies	1,590,528	2,207,811	(617,282)
Associated companies		4,921	(4,921)
Total	**1,590,528**	**2,212,732**	**(622,203)**

Amounts due to subsidiaries are detailed below:
- amounts due to MailUp Inc. for Euro 25,748;
- amounts due to Agile Telecom S.p.A. for Euro 1,564,780.

Payables expressed in a foreign currency have been adjusted to the year end spot exchange rate.

Amounts due to banks and other lenders (19)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
1,602,878	1,190,373	412,505

Description	31/12/2017	31/12/2016	Changes
Amounts due to banks	1,602,878	1,173,623	429,255
Amounts due to other providers of finance		16,750	(16,750)
	1,602,878	**1,190,373**	**412,505**

Amounts due to banks mainly refer to the short-term portions of unsecured loans taken out by the Company with Banco Popolare, Credito Valtellinese and Credito Emiliano.

Other current liabilities (20)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
8,099,023	9,682,803	(1,594,041)

Tax payables

Description	31/12/2017	31/12/2016	Changes
VAT payable	39,469	49,387	(9,918)
Amount payable to the tax authority for withholdings applied at source	184,363	103,261	81,102
Payables for IRES		5,796	(5,796)
Total	**223,832**	**158,444**	**65,389**

Other current liabilities:

Description	31/12/2017	31/12/2015	Changes
Advances	16,677	6,437	10,135
Amount payable to social security institutions	225,549	100,081	125,468
Amounts due to Directors for emoluments	79,705	40,598	39,107
Amounts due to employees for salaries and wages payable	288,717	143,474	145,243
Amounts due to employees for holidays, permits and additional months' salaries	532,421	209,414	323,006
Amounts due to Zoidberg s.r.l.	1,400,000	3,778,324	(2,378,324)
Amounts due for TFM		100,000	(100,000)
Accrued liabilities	2,551	8,589	(6,038)
Deferred income	5,326,404	5,122,106	204,298
Sundry	3,167	15,335	(12,168)
Total	**7,875,190**	**9,524,358**	**(1,649,168)**

The amount due to Zoidberg Srl relates to the acquisition of the company Agile Telecom on 29 December 2015. It consists of the second and third tranches of the earn-out agreed by the parties.

Deferred income: approximately 75% of the revenues of MailUp come from recurring annual charges. MailUp collects the recurring charges deriving from the e-mail service, but, on an accruals basis, only part of the charges are used to form the year's income, whilst the part not pertaining to it, i.e. the Deferred liabilities, is used as a basis for the following year's income.

Commitments and guarantees

As at 31/12/2017, there are no commitments and guarantees given by MailUp to third parties.

Income statement

Revenues (21)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
12,793,879	10,266,434	2,527,445

Income from sales and services comes to Euro 12.8 million (Euro 10.3 million as at 31/12/2016), recording an increase of Euro 2.5 million (+24.6%) on the corresponding figure for 2016.

Revenues by product type

Below are details of revenues according to product type.

Description	31/12/2017	31/12/2016	Changes
Revenues for mail fees	8,010,006	6,772,733	1,237,273
Revenues for SMS	2,937,299	2,516,235	421,065
Professional services revenues PSE	299,149	173,625	125,524
Intercompany Revenues	826,363	367,759	458,604
Other revenues	721,062	436,082	284,980
Total	**12,793,879**	**10,266,434**	**2,527,445**

For a more in-depth analysis of the economic results of the Company, please refer to the specific section of the Report on Operations to the separate and consolidated financial statements as at 31/12/2017.

COGS (Cost of Goods Sold) (22)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
4,785,584	3,637,087	1,148,497

The breakdown is as follows:

Description	31/12/2017	31/12/2016	Changes
Purchases	2,067,669	1,658,740	408,929
Services	910,334	1,365,413	(455,080)
Cost of rents and leases	72,049	70,957	1,092
Payroll costs	1,726,014	509,601	1,216,413
Sundry operating expenses	9,519	32,376	(22,857)
Total	**4,785,584**	**3,637,087**	**1,148,497**

The COGS are determined by the costs directly related to the provision of the service that represents the Company's core business, that is the digital marketing platform MailUp. This category includes the costs for the IT technological infrastructure to support the platform, including the costs of the specific personnel, the costs of the areas directly involved in the provision of the service, for example the deliverability departments, help desk, the areas that deal with the personalization of services on customer request and other variable costs directly related to services sold to customers. Most of these costs, Euro 1.9 million, is represented by purchases of sending of text messages, the main provider of which consists, for Euro 1.6 million, by the subsidiary Agile Telecom.

Sales & Marketing costs (23)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
2,441,652	2,221,797	219,855

The breakdown is as follows:

Description	31/12/2017	31/12/2016	Changes
Purchases	6,925	4,356	2,568
Services	789,095	721,446	67,648
Cost of rents and leases	664		664
Payroll costs	1,642,161	1,495,635	146,526
Sundry operating expenses	2,808	360	2,448
Total	**2,441,652**	**2,221,797**	**219,855**

This includes the costs of departments that deal with commercial and marketing activities located at the Milan office. In addition to payroll costs, mainly relating to sales, there are some typical costs of marketing such as Pay per Click or events, including the MailUp Marketing Conference, held 12 December 2017 at Palazzo Mezzanotte, the headquarters of Borsa Italiana, which had great success in terms of interest and public among specialized and other operators.

Research & Development costs (24)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
822,781	325,824	496,957

The breakdown is as follows:

Description	31/12/2017	31/12/2016	Changes
Purchases	906		906
Services	272,721		272,721
Payroll costs	1,363,693	1,543,527	(179,834)
Capitalised R&D payroll costs	(814,621)	(1,217,703)	403,082
Sundry operating expenses	81		81
Total	**822,781**	**325,824**	**496,957**

These costs relate to departments that deal with research and development related to the MailUp platform. For purposes of greater clarity of exposure, the amount of capitalized payroll costs is recorded as a direct reduction in the total gross cost of personnel, then highlighting the resulting net cost in the Income Statement scheme adopted. The capitalization is carried out, with the consent of the Board of Statutory Auditors, in relation to the future usefulness of

the software development projects of the MailUp platforms. The research and development activity for the year 2017 is described in detail in the specific section of the Report on Operations to the consolidated financial statements. In 2016, these activities were carried out by the subsidiary Network Srl, subsequently merged by incorporation, which exclusively managed technological services on behalf of the parent company.
There are also the costs of the Italian team that deals with the development of BEE software, owned by the subsidiary MailUp Inc.

General costs (25)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
2,986,388	2,803,790	182,597

The breakdown is as follows:

Description	31/12/2017	31/12/2016	Changes
Purchases	66,519	9,447	57,072
Services	1,819,968	1,795,347	24,622
Cost of rents and leases	387,729	266,653	121,076
Payroll costs	634,108	623,251	10,857
Sundry operating expenses	78,063	109,092	(31,029)
Total	**2,986,388**	**2,803,790**	**182,597**

General costs express structure expenses, mainly related to the offices instrumental to the activity performed, (rents, utilities, maintenance, related purchases), administrative expenses in general, including costs of accounting, legal, back-office commercial clerical staff, human resources and management control, the remuneration of the Board of Directors, the Board of Statutory Auditors and the independent auditors, legal, tax, accounting, labour and other consultancy in general, in addition to costs related to the status of listed company and costs of M&A activity.

Amortisation, depreciation and impairment (26)

Below are details:

Description	31/12/2017	31/12/2016	Changes
Amortization COGS	271,252	268,902	2,350
Amortization R&D	1,086,080	916,192	169,888
General amortization	87,639	48,452	39,187
Provisions for doubtful debt	5,533	5,700	(168)
Total	**1,450,504**	**1,239,246**	**211,258**

Financial operations (27)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
807,699	1,153,865	(346,165)

The breakdown is as follows:

Description	31/12/2017	31/12/2016	Changes
Dividends from subsidiaries	881,934	1,192,140	(310,206)
Financial income	24,302	3,583	20,719
Financial expense	(40,984)	(33,649)	(7,335)
Exchange gains	6,389	7,885	(1,496)
Exchange losses	(63,941)	(16,095)	(47,846)
Total	**807,699**	**1,153,865**	**(346,165)**

The amount consists of interest income on bank current accounts and other remunerated deposits of liquidity,

exchange rate gains and losses, interest expense on medium/long-term bank loans.
Financial expenses also include the interest cost deriving from the actuarial valuation according to IAS 19R.
Dividends are those resolved by the shareholders' meeting of Agile Telecom spa on 30 March 2017.

FY income tax (28)

Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
55,566	(32,358)	87,924

Taxes	Balance as at 31/12/2017	Balance as at 31/12/2016	Changes
Current tax:	**43,982**	**8,955**	**35,027**
IRES			
IRAP	43,982	8,955	35,027
Substitute tax			
Deferred (prepaid) tax	**11,584**	**(41,313)**	**52,897**
IRES	11,584	(41,313)	52,897
IRAP			
	55,566	**(32,358)**	**87,924**

The Company has set up year taxes on the basis of the application of current tax regulations. The year's taxes are made up of current tax, deferred tax and prepaid tax, relating to positive and negative items of income respectively subject to imposition or deductions in years other than those during which they are booked. The statements below acknowledge the reconciliation of the theoretical expense resulting from the financial statements and the tax expense.

Reconciliation between the tax liability as per the financial statements and the theoretical tax liability (IRES)

Description	Value	Taxes
Pre-tax result	1,114,670	
Theoretical tax liability (%)	24%	267,521
Timing differences taxable in subsequent years	(213,665)	(51,280)
Timing differences deductible in subsequent years	102,812	24,675
Reversal of timing differences from previous years	(30,589)	(7,341)
Differences which do not reverse in subsequent years	(1,339,852)	(321,564)
Taxable amount	**(366,624)**	**0**
Current period income tax		**0**
Deferred tax net of uses of tax accrued in previous years	**(11,584)**	
Net period IRES tax		**0**

Determination of the tax base for IRAP

Description	Value	Taxes
Difference between value and cost of production, gross of CDL and impairment	6,329,050	
Costs not significant for IRAP purposes	84,070	
Income not significant for IRAP purposes	(342,877)	
	6,070,243	
Theoretical tax liability (%)	3.9%	236,739
Deductions for employed staff:	(4,942,497)	(192,757)
Tax base for IRAP	**1,127,746**	
Current IRAP for the year		**43,982**

Earnings per share

Basic earnings per share are calculated by dividing the net period income attributable to ordinary company shareholders by the weighted average number of ordinary shares, excluding own shares, in issue during 2017 and totalling 14,169,467. Below is the income and information on shares used to calculate the basic earnings per share.

Description	**31/12/2017**
Net profit attributable to shareholders	1,059,064
Opening number of ordinary shares	11,288,207
Opening portfolio treasury shares	50,700
Closing number of ordinary shares	14,169,467
Closing portfolio treasury shares	52,260
Weighted number of shares in issue	12,677,357
Basic earnings per share	**0.084**

Diluted earnings per share were calculated as follows:

Description	**31/12/2017**
Net profit attributable to shareholders	1,059,104
Opening number of ordinary shares	11,288,207
Opening portfolio treasury shares	50,700
Opening shares potentially assignable	247,560
Closing number of ordinary shares	14,169,467
Closing portfolio treasury shares	52,260
Closing shares potentially assignable	143,720
Weighted number of shares in issue	12,872,997
Basic earnings per share	**0.082**

Workforce

In 2017, the number of employees of MailUp came to 113, of whom 2 executives, 6 managers and 105 clerical employees.

Disclosure on related party transactions

During the year, the Company performed commercial and financial transactions with related companies. The transactions were implemented as part of normal business, regulated at the conditions contracted by the parties, in line with ordinary market practice and are summarised below:

Company name	Fixed receivables	Trade receivables	Trade payables	Other payables	Dividends	Sales	Purchases
Agile Telecom		128.720	750.408	814.372	881.934	241.565	1.606.004
Globase International		96.462				93.953	
MailUp Nordics	203.617					2.105	
MailUp Inc	174.057	471.001	25.748			493.339	22.637
Subsidiaries	**377.675**	**696.183**	**776.156**	**814.372**	**881.934**	**830.962**	**1.628.641**
Consorzio CRIT Scarl	64.641	19.368	-			18.740	843
Associates	**64.641**	**19.368**	**-**	**-**	**-**	**18.740**	**843**
Grafo Ventures di Giandomenico Sica			23.100				137.818
Zoidberg Srl				1.400.000			
Floor Srl							88.330
Other related parties	**-**	**-**	**23.100**	**1.400.000**	**-**	**-**	**226.148**

For further information, please refer to the separate and consolidated Report on Operations, which is an integral part of these financial statements.

Information on the fees due to the Board of Directors, Board of Auditors and Independent Auditing Firm

In accordance with the law, please note the total fees due to Directors, the Board of Auditors and the independent auditing firm:

Title	31/12/2017	31/12/2016
Directors	685,904	938,364
Board of Auditors	22,500	17,943
Independent auditing company	21,000	43,650

Requirements envisaged by art. 25, paragraph 2, letter H Decree Law 179 2012

For the purpose of identifying innovative SMEs and their registration with the specific special section of Companies House, art. 25, paragraph 2, letter h of Decree Law 179/2012, converted with amendments with Law no. 221/2012 establishes that at least two of the following requirements must be met:

1) research and development costs shall be equal to or greater than three percent of the larger of cost and total value of production of the innovative SME.

2) use of employees or collaborators, by any title, in a percentage equal to or greater than two thirds of the total workforce, of staff with a degree.

3) owner or depositary or licensee of at least one industrial property right relative to an industrial, biotechnological invention, topography of a product with semi-conductors or new plant variety or owner of rights relating to an original processing program registered with the Special public register for processing programs, as long as said rights relate directly to the Company object and business.

As regards research and development costs incurred by the innovative SME, as required by article 4 of Italian Decree Law no. 3 of 24 January 2015 regarding research, development and innovation costs, it is specified that during the year, the Company incurred costs exceeding 3% of the greater value of cost and total value of production, as envisaged by the point on the requirements listed above.
The maintenance of the requirement under point 2 is also confirmed, also in terms of compliance with art. 25, paragraph 15 of Decree Law 179/2012.
Below are details of the research and development projects:

Project	31/12/2017
DEVELOPMENT OF MAILUP 9.0 AND SUBSEQUENT	1.018.457
DEVELOPMENT OF MAILUP CONSOLE INTEGRATIONS	919.921
DEVELOPMENT OF THE DATABASE MANAGEMENT PROJECT	11.439
MAILUP INFRASTRUCTURE DEVELOPMENT 9.0 AND SUBSEQ	12.893.217
Investments in R&S	**14.843.034**
Value of production	**12.793.879**
% incidence	**116%**

These financial statements, comprising the Balance Sheet, Income Statement, Statement of Changes in Equity, Statement of Cash Flows and Explanatory Notes, including appendix 1, provide a true and fair view of the equity and financial situation as well as the economic result for the year and are consistent with the underlying accounting records.

Milan, 2т March 2018

The Chairman of the Board of Directors

Matteo Monfredini Matteo Monfredini

Appendix 1 - Reconciliation with the financial statement scheme by nature for 2016:

Income statement	31/12/2017	31/12/2016
E-mail revenues	8.010.006	6.772.733
SMS revenues	2.937.299	2.516.235
Professional services revenues	299.149	173.625
Intercompany revenue	453.466	211.987
Other revenues and income	1.093.958	591.854
Capitalised R&D payroll cost	814.621	-
Exchanges services	-	(1.878)
Total revenues	**13.608.500**	**10.264.556**
COGS	(3.059.389)	(3.097.631)
S&M	(801.490)	(727.280)
R&D	(278.717)	(325.824)
General	(2.280.508)	(2.089.472)
Costs for services	***(6.420.103)***	***(6.240.207)***
COGS	(1.817.664)	(509.601)
S&M	(1.637.098)	(1.492.255)
R&D	(1.257.616)	-
General	(626.980)	(604.221)
Payroll costs	***(5.339.359)***	***(2.606.077)***
COGS	(9.519)	(29.855)
S&M	(3.065)	(384)
R&D	(81)	-
General	(78.900)	(110.097)
Other operating expenses	***(91.564)***	***(140.336)***
EBITDA	**1.757.474**	**1.277.935**
Cogs	(23.502)	(22.483)
R&D	(1.086.080)	(916.192)
General	(43.161)	(29.630)
Amortization of intangible assets	***(1.152.743)***	***(968.305)***
Cogs	(247.749)	(246.419)
General	(44.478)	(18.822)
Depreciation of tangible assets	***(292.227)***	***(265.241)***
Provisions and impairment	***(5.533)***	***(5.700)***
EBIT	**306.972**	**38.689**
Financial expense	(40.984)	(33.649)
Exchange losses	(63.941)	(16.095)
Financial expense	***(104.925)***	***(49.743)***
Dividends	881.934	1.192.140
Financial income from subsidiaries	***881.934***	***1.192.140***
Financial income	24.302	3.583
Exchange gains	6.389	7.885
Financial income	***30.691***	***11.468***
EBT	**1.114.671**	**1.192.554**
Current tax	(43.982)	(8.955)
Deferred tax	(11.584)	41.313
Income tax	***(55.566)***	***32.358***
FY result	**1.059.105**	**1.224.912**

By means of the table above, it is possible to reconcile the Income Statement by nature adopted in the previous financial statements with the current Income Statement scheme by destination according to the allocation criteria previously illustrated in the notes to the Income Statement.

Milan, 27/03/2018

The Chairman of the BoD

Matteo Monfredini

REPORT BY THE BOARD OF AUDITORS TO THE FINANCIAL STATEMENTS AS AT 31/12/2017

To the Shareholders' Meeting of MAILUP SPA
This Report has been approved by the board in time for its deposit at the Company's office within 15 days prior to the convening of the Shareholders' Meeting to approve these financial statements.
The administrative body has made the following documents available, approved on 27/03/2018 relative to the financial year ended on 31/12/2017:

- draft financial statements, complete with Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement and Notes;
- Report on Operations.

The layout of this Report is in accordance with the provisions of law and rules of conduct of the board of auditors issued by CNDCEC.
The Financial Statements certified by BDO ITALIA Spa, appointed by the Shareholders' Meeting on 27/04/2017 until approval of the Financial Statements at 31/12/2019
The Board of Auditors in office as at the date of this Report took office after appointment during the same Shareholders' Meeting of 27/04/2017. It is recalled that its office will end with the Meeting to approve the financial statements at 31/12/2019.

General introduction

The Board of Auditors already mentioned in the previous report to the 2016 Financial Statements that the administrative body has chosen to adopt, as from 2016, the international accounting standards IAS/IFRS.
The Board of Auditors acknowledges that it has adequately assessed during the year, with reference to all Auditors and on the basis of the declarations made by the Auditors and information that is in any case available, the lack of any grounds for forfeiture, ineligibility and incompatibility as envisaged by articles 2382 and 2399 of the Civil Code and by article 148 of Italian Legislative Decree 58/9 and compliance with the independence requirements established by the law, on the basis of the criteria set forth by the Rules of Conduct of the Board of Auditors, drafted by the Italian National Board of Chartered and Certified Accountants. In particular, it is acknowledged that no events took place that may cause the requirement of independence to be lost with respect to the verification performed at the time of appointment.
No Auditor has had any interest, on their own behalf or for third parties, in a given operation carried out during the year.
This report therefore summarizes the activities concerning the information envisaged by article 2429, paragraph 2 of the Italian Civil Code and, more specifically:

- the activities carried out in the performance of duties provided for by law;
- the observations and proposals regarding the financial statements, with particular reference to the possible use by of the board of the derogation referred to in article 2423, paragraph 5 of the Italian Civil Code;
- the possible receipt of complaints from shareholders under article 2408 of the Italian Civil Code,
- the results of the financial year;

In any case, we remain at your disposal for further information on any aspects during the meeting discussion.

Meeting attendance of the corporate bodies

The Board of Auditors certifies that:

[SIGNATURES]

In 2017, the Board of Auditors held four meetings and attended the Shareholders' meeting and the seven meetings of the Board of Directors;
Since the closure of the financial statements and up to the date of this report, the Board of Auditors has met twice.
The activities carried out by the Board regarded, in terms of time frame, the whole year; during the year, the meetings were held regularly pursuant to article 2404 of the Civil Code and specific minutes were duly prepared of said meetings, signed as a mark of unanimous approval.

Supervision of compliance with the law, the Articles of Association and the regulations and compliance with standards of correct administration
By attending the meetings of shareholders and the Board of Directors, the Board of Auditors has monitored compliance with the provisions of the Articles of Association, the law and regulations, governing the operation and function of the Company's bodies and compliance with standards of correct administration. The frequency of the meetings of the Board of Directors, the average percentage attendance by Directors and meeting duration were appropriate and no significant resolutions were passed without suitably informing the Directors and Auditors. The Board of Auditors verified that all resolutions were passed in the interests of the Company and supported by suitable documentation.
The disclosure obligations relating to regulated or inside information or that required by the Supervisory Authorities, were duly fulfilled.
Information on the activities carried out by the Company and its subsidiaries
The Board of Auditors has acquired suitable information from the Directors, at least once a quarter, on the activities pursued by the Company in the various sectors in which it operates, including through subsidiaries, and on the most important operations in terms of economics, finances and equity. Also on the basis of the information flows acquired as part of its supervisory activities, the Board of Auditors has successfully ascertained that the action resolved and implemented was compliant with the law and the Articles of Association and not evidently imprudent or risky, in potential conflict of interests or in conflict with resolutions passed by the Corporate Bodies or such as to risk the integrity of the Company's assets. The Board of Auditors has also monitored compliance with the Guidelines, Standards of Conduct and Procedures in force in the Group, as well as compliance with the processes whose outcome is submitted to the attention of the Directors and on which they resolve.
The Board of Auditors has acquired knowledge of and monitored, insofar as it is competent to do so, compliance with standards of correct administration, including through the information received directly from the parties responsible for the various corporate departments and the Independent auditing firm. On the basis of the information acquired during the supervisory activities, it has been seen that the operations of greatest importance in terms of economics, finances and equity, carried out by the Company, including through direct or indirect subsidiaries, were the following:

- Merger by incorporation of the company wholly controlled Network Srl with effect as of 1/1/2017
- Appointments of the delegated bodies, conferment of special proxies and signing of agreements with Key Managers
- Exercise of the proxy to increase the capital to service the payment of the purchase price of Agile Telecom SpA
- Assignment of shares in accordance with the Stock Option Plan referred to as the "2016 Plan"

[SIGNATURES]

- Issue of a short-term incentive plan for top management
- Transfer to the new headquarters to the technological center of Cremona
- Increase in share capital with accelerated bookbuilding procedure
- Appointment of a data protection manager as required by the EU legislation to be implemented in the future

All the above operations have been suitably explained and presented during the meetings of the Board of Directors called to pass the related resolutions and fully explained in the Report on Operations for FY 2017, which also provides a complete update on the evolution of the reference legislative framework.

Market abuse legislation

The Board of Auditors monitored the fulfilment of the duties connected with Market abuse legislation regarding corporate disclosures and internal dealing, with specific reference to the processing of inside information and the procedure by which to issue press releases and public information. More specifically, the Board of Auditors has monitored compliance with provisions on the update of the Register of persons having access to inside information.

Supervisory activities regarding transactions with subsidiaries

The provisions issued to subsidiaries suffice to guarantee the timely fulfilment by the latter of the disclosure obligations laid down by the law.

The Board of Auditors has examined and assessed the document of verification and updating, both of the areas in which the management and coordination of the parent company takes place and of the companies with regards to which said activities is carried out, verifying compliance with the applicable provisions of arts. 2497 ff of the Italian Civil Code.

Supervisory activities of infra-group and related party transactions

As concerns infra-group transactions, the Directors have highlighted, in the Notes to the financial statements and the Report on Operations, just as in previous years, the existence of commercial and financial relations between the Group companies, specifying that said transactions are part of ordinary operations and regulated at market conditions.

Related part transactions refer almost entirely to operations carried out with the aim of rationalising business and ensuring correct economics with subsidiaries and associates; these come under the scope of ordinary operations, are settled at arm's length and are explained in the Report on Operations and Notes financial statements.

Opinions given by the Board of Auditors

During the year, the Board of Statutory Auditors expressed a congruity opinion on the issue price of the shares regarding the capital increase with exclusion of the option right, in relation to the resolution of the Board of Directors, concerning:

- Exercise of the proxy to increase the capital to service the payment of the purchase price of Agile Telecom SpA

Supervision of the suitability of the organisational structure

The Board of Auditors has been suitably informed on the Group's organisational structure, developed according to standards of coherence of form and substance, verifying that the decision-making structure of the Company coincides with the delegations assigned.

Requirements connected with Italian Legislative Decree no. 231/2001

With reference to the organisational and procedural activities implemented in accordance with and pursuant to Italian Legislative Decree no. 231/2001 for the administrative liability of entities for the crimes envisaged by the legislation, the Board of Auditors has acknowledged, both during the meetings with the Supervisory Body and in the regular reports prepared by said Body on the activities carried out, that no significant critical issues have emerged concerning the implementation and effectiveness of the Organisation, Management and Control Model.

[SIGNATURES]

Insofar as competent to do so, the Board of Auditors has:

– assessed that the professional requirements of the members of the Supervisory Body are met, as envisaged by the Model in accordance with Italian Legislative Decree no. 231/2001;

– noted the suitability of the delegations and financial resources assigned to the Supervisory Body for it to go about its institutional duties;

– verified the consistency of the reports received and disclosures required by the Model;

– examined the plan of activities and budget of the Supervisory Body for 2018.

Privacy regulations

During the year, the Group adequately updated its security policies so as to guarantee a suitable level of protection of personal data processed in application of the Privacy Code (Legislative Decree 196/2003) and the provisions issued by the Data Protection Authority.

Supervision of the suitability of the administrative-accounting system

With reference to the supervisory activities regarding the suitability of the administrative-accounting system and its reliability in terms of providing a correct representation of management events, the Board of Auditors acknowledges that it has received suitable information on the monitoring of business processes with an administrative-accounting impact under the scope of the Internal control system, carried out both during the year in connection with the regular reports on operations and during the closure of the accounts in order to prepare the financial statements.

The suitability of the administrative-accounting system was also assessed through the acquisition of information from the managers of the respective departments and the analysis of the results of the work carried out by the Independent auditing firm.

The Board of Auditors has monitored compliance with the legislation on the preparation and publication of the Interim Report and Interim Reports on Operations and on the structure given them and the correct application of accounting standards, also using the information obtained from the Independent auditing firm.

Omissions or inappropriate actions

Following the supervisory and control activities carried out during the year, the Board of Auditors can certify and note that:

- during the course of its activities, no omissions or irregularities or inappropriate actions or in any case significant actions worthy of note took place, needing to be reported to the control bodies or described in this report;
- the Board of Auditors did not receive any notifications in accordance with art. 2408 of the Italian Civil Code. nor any claims made by third parties;
- no transactions were identified, neither with third parties nor infra-group nor with related parties that suggests any non-typical or unusual nature, in terms of the contents, nature, dimensions and time frame.

Supervision of the statutory auditing of the accounts

During the year, regular relations were entertained with the Independent auditing firm, both through formal meetings also attended by the Company’s administrative managers and informal meetings between individual members of the Board and representatives of the independent auditing firm, in order to allow for a mutual exchange of significant data and information, in compliance with the provisions of article 150 of Italian Legislative Decree no. 58/98. Complete collaboration was afforded at all times, including as regards the preparation of the annual financial statements and no critical issues were noted, worthy of mention.

[SIGNATURES]

Supervisory activities with regards to the Annual and Consolidated financial statements

As regards the annual financial statements, please note the following:

– the Board of Auditors has ascertained, through direct checks and information obtained from the independent auditing firm, due compliance with the provisions of law governing the preparation and structure of the Financial Statements and Report on Operations, the tables of the Financial Statements used, certifying the correct use of accounting standards as described in the Notes to the Financial Statements and Company's Report on Operations;

– the Notes to the Financial Statements give, where necessary, the information required by the international accounting standards on impairment. Compliance of the impairment testing procedure with the requirements of IAS 36 and the joint document prepared by the Bank of Italy/Consob/Isvap no. 4 of 03 March 2010 was adequately assessed by the Board of Directors in the meeting held on 27/03/2018 autonomously and ahead of the approval of the financial reports, as recommended by the aforementioned Document. The Board of Statutory Auditors shared the assessments made by the Directors.

The Financial Statements are compliant with the events and information of which the Board of Auditors has become aware under the scope of the exercise of its duties to supervision and its powers of control and inspection. The Report on Operations meets the legal requirements and is coherent with the data and results of the financial statements; it provides an extensive disclosure on the important activities and operations, of which the Board of Auditors had been promptly made aware, and on the main risks of the Company and subsidiary companies and infra-group and related party transactions.

Observations regarding the annual financial statements and their approval

The draft financial statements for the year ended on 31 December 2017 have been approved by the administrative body and consist of the Balance Sheet, Income Statement, Notes and Statement of Cash Flows. Moreover:

- the documents were delivered to the Board of Auditors in time to allow for their deposit at the Company's office complete with this report, regardless of the terms envisaged by article 2429, paragraph 1 of the Italian Civil Code,
- the Independent auditing firm as issued its report in accordance with articles 14 and 16 of Legislative Decree 39/2010, stating that the Annual Financial Statements as at 31 December 2017 are compliant with the International financial reporting standards - IFRS - adopted by the European Union and the provisions issued in implementation of article 9 of Legislative Decree 38/2005 and have been prepared clearly, providing a truthful, correct representation of the equity and financial position, the economic result and cash flow of MAILUP S.p.A. for the year ended as at that date.

The auditing report gives opinions on the consistency with the financial statements of the Report on Operations and information on the Corporate Governance Report pursuant to art. 123-*bis* of Italian Legislative Decree no. 58/98.

The draft Financial Statements were therefore further examined, regarding which the following additional information is provided:

- the Board has expressed its consent to the recognition as intangible assets of the development costs of the Mailup platform under realization;
- as already mentioned, the Company has adopted the international accounting standards IAS/IFRS as from 2016.

[SIGNATURES]

In this regard, the Board of Statutory Auditors ascertained the observance of the conditions for applying the impairment test processes aimed at ascertaining that, therefore, they did not undergo an impairment loss such as to be recognized at the end of the year. The Board shared the assessments made by the Directors regarding the failure to apply these valuation processes (impairment test) as there were no circumstances of signs of impairment loss of intangible assets.

Period result

The net result ascertained by the administrative body in relation to the year ended on 31/12/2017, as is also evident from a reading of the financial year ended on, is positive for Euro 1,059,104.

For all that explained in this report, the Board of Auditors has not observations to make regarding the approval of the Annual Financial Statements as at 31 December 2017 and the proposal made by the Board of Directors as to the allocation of the period profit.

Conclusions

On the basis of the foregoing and insofar as the Board of Auditors is aware and as has been seen from the regular controls performed, it is unanimously agreed that there is no reason why you should not approve the draft Financial Statements for the year ended on 31 December 2017 as they have been prepared and proposed to you by the administrative body.

The Board of Statutory Auditors would like to thank you for your trust.

Cremona, 11/04/2018
The Board of Auditors
Michele Manfredini (Chairman) [SIGNATURE]
Giovanni Rosaschino (Regular auditor) [SIGNATURE]
Fabrizio Ferrari (Regular auditor) [SIGNATURE]

[SIGNATURES]

Mailup S.p.A.

Independent Auditors' report in accordance with article 14 of legislative decree N. 39 of January 27, 2010

Financial statements as of December 31, 2017

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

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Independent Auditors' report
in accordance with article 14 of legislative decree n. 39 of January 27, 2010

To the shareholders of
Mailup S.p.A.

Report on the financial statements

Opinion

We have audited the accompanying financial statements of Mailup S.p.A. (the "Company"), which comprise the statement of financial position as of December 31, 2017, the statement of comprehensive income, the statement of cash flow and the statement of changes in shareholders equity for the year then ended, a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of December 31, 2017, of the result of its operations and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities For The Audit Of The Financial Statements* section of this report. We are independent of the company in accordance with ethical requirements and standards applicable in Italy that are relevant to the audit of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

This report is not issued in accordance with law because directors of Mailup S.p.A. have prepared on voluntary basis the consolidated financial statements for the purposes of the AIM Italy Rules for Companies.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors of Mailup S.p.A. are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, within the limits of the law, for such internal control as Directors they determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Bari, Bergamo, Bologna, Brescia, Cagliari, Firenze, Genova, Milano, Napoli, Padova, Palermo, Pescara, Roma, Torino, Treviso, Trieste, Verona, Vicenza

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Auditor’s Responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. Furthermore:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- Obtain and understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control;
- Evaluate the appropriateness of accounting principles used and the reasonableness of accounting estimates and related disclosures made management;
- Conclude on the appropriateness of management’s use of the going concern and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions in a manner that achieves fair presentation.

We communicate with those charged with governance, identifies at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, letter e), of Legislative Decree n. 39/10

The directors of Mailup S.p.A. are responsible for the preparation of the report on operations and of the corporate governance report of Mailup S.p.A. as of December 31, 2017, including their consistency with the financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Mailup S.p.A. as of December 31, 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report are consistent with the financial statements of Mailup S.p.A. as of December 31, 2017 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, letter e), of Legislative Decree n. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, April 11, 2018

BDO Italia S.p.A.
Signed by
Manuel Coppola
Partner

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

MAILUP GROUP

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