(Translation from the Italian original which remains the definitive version)

M&C S.p.A.

Registered office - Via Valeggio 41 - Turin
Head office - Via Ciovassino 1/A, Milan
Tax code and Turin company registration no. 09187080016
Share capital € 80,000,000.00 fully paid-up
Managed and coordinated by PER S.p.A.

2016 Annual Report

M & C S.p.A.

Honorary chair

Carlo De Benedetti

Board of directors

Franco Girard (Chair) (*)
Emanuele Bosio (Managing director) (**)
Orazio Mascheroni
François Pauly
Marina Vaciago

Board of Statutory auditors

Vittorio Ferreri (Chair)
Pietro Bessi
Leonilde Petito

Independent auditors

Deloitte & Touche S.p.A.

(*) Passed away on 5 January 2017

(**) Also chair since 31 January 2017

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Directors' report

2016 results

Separate financial statements of M&C S.p.A.

M&C made a profit of €1.9 million for 2016 compared to a profit of €0.7 million for 2015, being the sum of:

a) income of €5.5 million (2015: €3.8 million), including €3.4 million mainly generated by liquidity management (interest, dividends, gains and other revenue), due to the sale of all the securities held in portfolio in the last quarter of the year, and €2.1 million of interest income on the shareholder loan granted to Treofan;

b) losses on equity investments and securities of €1.2 million (2015: €1.2 million), consisting of the losses on some of the securities sold in the last three months of the year;

c) operating expenses of €2.3 million (2015: €1.9 million), comprising:
   - personnel expense of €0.9 million (2015: €1.0 million), including €0.3 million for employees and €0.6 million of directors' and statutory auditors' fees;
   - professional services, other general expenses, amortisation and depreciation and income tax expense of €1.4 million (2015: €0.9 million); the increase is due to the costs incurred to acquire control of Treofan Group.

Comprehensive income amounts to €1.2 million compared to €1.3 million for 2015.

Like in previous years, the directors recognise deferred tax assets on the carry forward tax losses in line with its deferred tax liabilities, when recognised, as the company's activities and financial market trends do not allow them to quantify future taxable profits and when they would be earned with reasonable certainty as would be required for their recognition.

At 31 December 2016, M&C had a net financial position of €23.9 million (31 December 2015: €17.1 million), equal to €0.06 per outstanding share, and equity of €80.2 million (31 December 2015: €79.0 million), equal to €0.20 per outstanding share.

Its net financial position solely consisted of liquidity deposited in bank current accounts. The €6.8 million improvement on 31 December 2015 is due to the sale of the IDeA EESS fund units for €5.3 million, whose carrying amount was not included in the net financial position at 31 December 2015, repayments of principal by IDeA Fund net of management fees of €3.3 million, the smaller value of the securities sold of €0.8 million and the use of cash flows from operations for €1.0 million.

At 31 December 2016, the company has recognised the 41.6% investment in Treofan Holdings Gmbh (€37.7 million), which includes the €16.7 million shareholder loan.

Treofan Holdings GmbH

Given this investment's significance, although it is not of a controlling nature, Treofan Group's key figures for the year provided by its management are reported herein.
Treofan Group confirmed its recovery and upturn in profits during the year, continuing the trend seen since the end of 2014, reflecting the successful completion of the last stage of its restructuring rolled out in 2014 by the new management team.
The Group's 2016 normalised EBITDA was €37.8 million, up 16% on the previous year's figure of €32.6 million, equal to 9.1% of 2016 turnover (2015: 7.8%), despite the slight decrease in turnover in 2016 (€413.9 million compared to €419.3 million in 2015), mainly attributable to the European division.
The improved profitability is entirely due to the US division, which recorded normalised EBITDA of USD29.9 million (+38% on the 2015 EBITDA of USD21.7 million), as the European division's normalised EBITDA decreased from €13.4 million for 2015 to €11.1 million for 2016 (-17%).

The reason for the European division's large contraction in its EBITDA was mainly the reduction in sales prices (-11.3%) on the market, the effects of which more than eroded the positive effect of the significant upturn in sales volumes (+4.4%). This upturn was mostly seen for standard products with lower profit margins, whose production was useful for the roll out of the new TL production line in Neunkirchen.

The German Group's pre-tax profit improved significantly at €6.6 million compared to the 2015 pre-tax loss of €1.6 million.

The Group's loss of €7.4 million for the year (2015: loss of €4.9 million) was heavily affected by deferred tax expense of roughly €12.3 million, including €5.3 million due to the derecognition of deferred tax assets on unused tax losses, as the conditions provided for by German law in the case of a change in the controlling shareholder were met.

Net financial debt decreased to €48.0 million at year end (excluding the shareholder loan of €36.7 million) compared to €56.0 million at the end of 2015.

Overall, Treofan Group continued to cut overheads, generating savings of €4.9 million for the year, achieved in part through the progressively centralised management of procurement, production planning and R&D activities. In addition, R&D activities will be increasingly carried out in conjunction with, and tailored to the requirements of the Group's major international customers in order to comply with the ever more stringent legislation about food packaging and to meet customers' specific requests.

Raw materials prices increased towards the end of the year, but thanks to the indexation mechanism included in contracts with the Group's main international customers, these increases will be passed on to the customers in early 2017.

Plant production output improved significantly in the second half of the year, especially at Neunkirchen in Germany, after the replacement of the manager in charge of the European operations.

Launch of the new TreoPore product line (lithium-ion battery separator membrane), slated for the second half of 2016, was pushed back as the product had to be modified to meet the standards required by the Chinese market (where the highest concentration of producers of these new batteries operate). The new features have been successfully incorporated and the product newly endorsed by the Group's main customers. However, sales have been postponed to Spring 2017.

Turnover generated on the European market is expected to increase slightly in 2017 while the US market will perform better, with a probable reduction in volumes in the tobacco sector and very volatile raw materials prices.

IDeA EESS fund

In October 2016, M&C sold all its units of the IDeA EESS fund to DeA Capital S.p.A.. It had decided to invest in this fund in March 2013, agreeing a draw-down commitment of €15.1 million. At the sales date, it had taken part in draw-down requests, contributing €10.1 million, and had received principal reimbursements of €5.1 million. It sold the units for €5.3 million, thus substantially covering its investment outlay.

As a result of this transaction, the agreements with IDeA SGR, which included the appointment of an M&C representative to the fund's investment committee and another to its advisory board, were terminated.

Individual financial statements of M&C

The investment in the associate (Treofan Holdings GmbH) is measured using the equity method in the individual financial statements while, like in previous years, it is measured at cost in the separate financial statements. The two different methods lead to changes in certain captions of the statement of financial position and the income statement.

The individual financial statements show a loss for the year of €1.2 million (2015: loss of €1.3 million) and equity of €68.9 million (31 December 2015: €74.7 million).

The reconciliation of equity and the loss for the year of M&C with the equity and loss for the year shown in the individual financial statements is as follows:

(€'000)	31 December 2016 Equity	Profit (loss) for the year
M&C S.p.A. - separate financial statements	**80,181**	**1,921**
Reinstatement of equity investment at cost in 2014	5,180	-
Impairment test 2014	(8,500)	-
Reversal of increase in equity investments in previous years	(5,105)	-
Measurement of the equity investment using the equity method in previous years	4,141	-
Measurement of the equity investment using the equity method at 31 December 2016	(7,016)	(3,079)
M&C - individual financial statements	**68,881**	**(1,158)**

Shareholding structure

There are no shareholders' agreements.

The company's ordinary shares are listed on the stock exchange managed by Borsa Italiana in the Investment Vehicles market (MIV) segment set up for Investment Companies.

Its share capital consists of 474.2 million ordinary shares for €80 million.

Treasury shares

At the reporting date, M&C held 66,754,352 treasury shares repurchased for €50.0 million (average unit price of €0.7495). The number of treasury shares held and their value did not change during the year. The shareholders have not taken any resolutions to repurchase treasury shares at present.

M&C is a SME, as defined by article 1 of the Consolidated Finance Act. Accordingly, shareholders that have an investment of more than 5% at the reporting date, based on the available information, are shown in the following table:

Name	**% of share capital**
PER S.p.A. (Carlo De Benedetti)	54.0
Treasury shares in portfolio	14.1
Compagnie Financière La Luxembourgeoise SA	9.3
Other and market	22.6
Total	100.0

Other information

Management and coordination, related party transactions

M&C is managed and coordinated, as per the definition of article 2497-sexies of the Italian Civil Code, by PER S.p.A., which is controlled by Carlo De Benedetti.

Pursuant to article 2.6.2.9 of the Regulation for the stock exchanges organised and managed by Borsa Italiana S.p.A., M&C's directors state that the company complies with the provisions of article 37 of Consob regulation no. 16191/2007 as subsequently amended and integrated.

Reference should be made to Section D.3.3 of the notes to the separate and individual financial statements for information about related party transactions.

Stock option plans

As provided for by the regulation of the two stock option plans adopted by the company in 2005 and 2006, the possibility to exercise vested options expired on 27 May 2016, the thirtieth day after approval of the 2015 financial statements. None of the beneficiaries exercised the options and M&C has not had active stock option plans since 28 May 2016.

Workforce and personnel expense

Information about the workforce is given in Section C.2.1 of the notes to the separate and individual financial statements.

Financial risk objectives and their taking on, management and hedging

Up until 31 December 2016, M&C invested in equity investments and other financial instruments and is exposed to different types of risks which are described in Section D.2 of the notes to the separate and individual financial statements.
Uncertainty is defined as a possible event, the potential impact of which (related to one of the identified risk categories) cannot be presently determined and which is, therefore, not quantifiable. The main uncertainties are tied to changes in the macroeconomic situation, the performance of financial markets and legislative changes. Management assesses and monitors risks and uncertainties regularly and deems that such risks and uncertainties are not urgent, thus confirming the parent's solid financial standing.
Pursuant to Document ESMA/2016/1528 of 28 October 2016 - European common enforcement priorities for 2016 financial statements, M&C, which does not have a place of business in the UK, is not exposed to risks related to Brexit, except for that which could arise from a more generalised economic and financial impact on the entire economic-industrial system and uncertainties about the timing and method of the UK's exit from the EU. Treofan Group does not have production facilities in the UK.

Research and development

M&C does not carry out any research and development activities. Treofan researches and develops innovative production processes and products in order to increase turnover and profitability.

Personal data protection code

The company complies with the requirements of Legislative decree no. 196 of 30 June 2003 (the Personal Data Protection Code).

Corporate Governance

Reference should be made to the Annual report on corporate governance and compliance with the Code of Conduct of Listed Companies, approved and published jointly with this annual report for the disclosures required by article 123-bis of the Consolidated Finance Act. This report is also posted in the "Corporate governance" section on M&C's internet site.

Atypical and/or unusual transactions

Pursuant to the Consob communication of 28 July 2006, it is noted that the company has not undertaken atypical and/or unusual transactions during the year.

Significant non-recurring events and/or transactions

No such transactions or events, as per the above Consob communication, took place during the year, except for that set out below.

Other significant events that took place during the year

1) At the end of January 2016, M&C and Treofan's other main shareholders began to implement the decision taken some while ago to sell Treofan Group. They engaged an international advisor and their aim was to sell the Group before the end of 2016.
2) In March 2016 and as agreed with the other main shareholders, M&C decided to pay Treofan's managing director a bonus should the sale of the Treofan investment take place before 31 December 2017. The bonus was to equal 1% of the consideration attributable to the main shareholders, net of €750 thousand. This percentage would have been increased to 2% if the consideration attributable to the main shareholders exceeded €150 million. As this condition was not met, the bonus was not paid.
3) Treofan Group management negotiated a one-year extension (to 31 December 2017) of its revolving credit facility renewed in 2013 for €62 million with the bank syndicate led by Deutsche Bank and HVB. Subsequently, M&C and the other main shareholders of Treofan Group renegotiated the shareholder loan of €35 million, postponing its repayment date to 31 March 2018 (3 months after repayment of the revolving credit facility, as contractually provided for).
4) Upon completion of the sales process as per point 1), a private equity fund made a non-binding offer, assessing the equity value of 100% of Treofan Group to be €85 million (without deducting the liability for the shareholder loan of €36.7 million), to be possibly adjusted at the closing to reflect changes in net financial debt and net working capital. Treofan's other two main shareholders (Merced Capital and Goldman Sachs) formally accepted the offer while M&C decided not to, based on the German Group's profitability and expectations about additional significant improvements that the Group should see in the next few years. M&C found the offer to be too low and, accordingly, decided to exercise its purchase option and to buy Merced Capital's and Goldman Sachs' investments at the same conditions as those set out in the third party's offer.
5) On 22 December 2016, M&C, Merced Capital and Goldman Sachs formalised the agreement for the acquisition of their investments held directly and indirectly by Goldman Sachs (23.5%) and Merced Capital (22.6%), as well as their part of the shareholder loan. This gave M&C an 87.7% stake in Treofan, given its existing investment of 41.6% and also allowed the other shareholders to sell their 12.3% stakes in Treofan to M&C by agreeing to the sale.

Investment policy and other information

The company continued its investment policy in 2016 in line with that approved by the shareholders in their extraordinary meeting of 1 July 2011. During the year, it paid the drawdowns for the IDeA EESS fund, as per the March 2013 agreement, and temporarily invested liquidity in listed financial instruments. During the last quarter of the year, it sold all its investments in these financial instruments.

The company opted not to publish the information required for significant mergers, demergers, capital increases through the contribution of assets in kind, acquisitions and disposals as allowed by articles 70.8 and 71.1-bis of Consob regulation no. 11971/99, as amended by Consob resolution no. 18079 of 20 January 2012.

Events after the reporting date

On 5 January 2017, the chair of M&C's board of directors, Mr. Franco GIRARD, unexpectedly passed away. He was a person of vision, ability and exceptional humanity. During its meeting of 31 January 2017, the board of directors decided not to co-opt a new director given that the company bodies are to be renewed in the near future by the shareholders in their meeting called to approve the 2016 financial statements. It appointed Mr. Emanuele Bosio, the former managing director, as the new chair.

On 31 January 2017, the directors resolved that, with respect to the publication of the additional periodic financial reporting required by article 82-ter of the Issuer Regulation, the company will publish periodic financial reports for the first and third quarter of each year, to ensure continuity with the previous quarterly reports, on a voluntary basis. These financial reports will provide information about the key financial indicators of the Issuer and Treofan Group and will be consistent and comparable with the corresponding figures provided in the previously issued quarterly reports. They will also include a summary of the key events of the quarter. The board of directors will approve the periodic financial reports, which will be made available to the market through their lodgement with Borsa Italiana S.p.A., publication on the company's website (www.mecinv.com) and inclusion in the authorised storage system, eMarket STORAGE (www.emarketstorage.com), within the timeframe envisaged in the company's financial calendar and within 45 days of the quarterly closing date.

The shareholders met in an extraordinary meeting on 31 January 2017 and approved:

1) the capital increase of €30,555,393.30 to be offered to shareholders in a ratio of one new share to every two shares held for €0.15 per share. The 66,754,352 treasury shares held by M&C do not have this option. This resolution was taken to obtain the funding necessary to acquire control of Treofan Group;
2) amendments to articles 3 (Object) and 10 (Shareholders' meetings) of the company's by-laws. Again, the resolution reflects the board of directors' decision to acquire control of Treofan Group, with the company's resulting focus on just one investment that it intends to hold in the medium to long-term, which is the core business of a holding company, i.e, the acquisition of interests in other entities for a return on its investment. The amendments to articles 3 and 10 of the by-laws better reflect the company's real business object as a holding company. As a result of this resolution, the company recognises the right of those shareholders that did not agree with the resolution to exercise their withdrawal right, pursuant to article 2437 and following articles of the Italian Civil Code;
3) the application to delist the ordinary M&C shares from the investment vehicles segment of the stock exchange (MIV) and concurrent listing of the shares on the screen-based segment of the stock exchange (MTA) organised and managed by Borsa Italiana S.p.A..

The transaction to acquire control of Treofan Group as per the agreement signed on 22 December 2016 was closed on 9 February 2017. M&C increased its interest in Treofan Group from 41.59% to 98.75% at a cost of €45.8 million, including €26.3 million to acquire the shares and €19.5 million to take over the shareholder loan disbursed to Treofan by the selling shareholders. Note 2.5 in section B.2 of the notes to the financial statements provides information about this outlay.

Outlook

The company will implement the resolutions passed by the shareholders in their meeting of 31 January 2017 for the non-recurring transactions in early 2017 and will take steps to ensure the efficient and effective two-way communication between M&C and its subsidiary Treofan. It will optimise strategic planning and controls for the optimal implementation of the development and enhancement plans agreed with Treofan Group management.

As a result of acquisition of control of Treofan Group, the company's risks and uncertainties will become those of an industrial and financial nature related to the German Group, as M&C's financial position will be closely tied to that of this Group.

Proposed allocation of the profit for the year

Dear shareholders, based on the above, we propose you approve the following resolution:

"*In their ordinary meeting, the shareholders of M&C S.p.A.*

- *after having examined the financial statements as at and for the year ended 31 December 2016 and the accompanying directors' report,*
- *after having acknowledged the reports of the board of statutory auditors and the independent auditors,*

resolve

1. *to approve the financial statements as at and for the year ended 31 December 2016;*
2. *to allocate the profit for 12016 of €1,921,300.46 as follows:*
    - *€96,065.02 to the legal reserve;*
    - *€1,825,235.44 to retained earnings"*

Milan, 17 March 2017

The Chair
Emanuele Bosio
(signed on the original)

Relazione del Collegio Sindacale
al bilancio al 31 dicembre 2016

ai sensi dell'art. 153 del D.Lgs. 58/1998
e dell'art. 2429, terzo comma, del Codice Civile

All'Assemblea degli Azionisti di M&C S.p.A.

Il Collegio Sindacale ha svolto la propria attività di vigilanza in conformità alla legge tenendo anche conto delle Norme di Comportamento del Collegio Sindacale raccomandate dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili. Avuto riguardo alle modalità con cui si è svolta l'attività di nostra competenza, in ossequio a quanto previsto dagli articoli 2429 del Codice Civile e 153 del D.Lgs. 58/1998, e considerate le indicazioni fornite nella Comunicazione Consob n. DEM/1025564 del 6 aprile 2001, riferiamo quanto segue.

Operazioni di maggior rilievo economico, finanziario e patrimoniale effettuate

Gli Amministratori ci hanno tempestivamente informato sulle operazioni di maggior rilievo effettuate dalla Società che sono state oggetto di analisi nelle relative riunioni del Consiglio di Amministrazione e sono illustrate nella Relazione sulla gestione.

Il Collegio ha acquisito adeguate informazioni ed ha riscontrato che le operazioni effettuate non erano imprudenti, azzardate, in conflitto di interesse o contrarie alle delibere assembleari o allo statuto o comunque tali da compromettere l'integrità del patrimonio aziendale.

La Società ha acquisito il controllo di Treofan Holdings GmbH in data 9 febbraio 2017 in forza del contratto stipulato il 22 dicembre 2016.

Operazioni atipiche e/o inusuali e operazioni con parti correlate

Non risultano poste in essere operazioni atipiche e/o inusuali con terzi o con parti correlate.

Le operazioni ordinarie con parti correlate sono adeguatamente e puntualmente descritte nelle note esplicative a cui si rinvia per quanto attiene alle caratteristiche delle stesse e ai loro effetti economici. Il Collegio ritiene che tali operazioni siano congrue e che rispondano all'interesse societario.

Relazione della società di revisione

La società di revisione Deloitte & Touche S.p.A. ha emesso in data odierna le proprie relazioni relative al bilancio d'esercizio e al bilancio individuale al 31 dicembre 2016 ai sensi degli articoli 14 e 16 del D. Lgs. 39/2010.

In tali relazioni, che non contengono rilievi, la società di revisione esprime il proprio giudizio rilevando che il bilancio d'esercizio ed il bilancio individuale forniscono una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria di M&C S.p.A. al 31 dicembre 2016, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli IFRS adottati dall'Unione Europea e ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs.vo n. 38/2005. La società di revisione attesta inoltre che la relazione sulla gestione e le informazioni della relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma quattro, del D. Lgs.vo 58/1998 sono coerenti con il bilancio di esercizio e con il bilancio individuale di M&C S.p.A. al 31 dicembre 2016.

Presentazione di denunce ex articolo 2408 del Codice Civile e di esposti

Non sono pervenuti al Collegio Sindacale esposti né denunce ex articolo 2408 del Codice Civile.

Indicazione di eventuali incarichi supplementari alla società di revisione e/o a soggetti ad essa legati

Il Collegio Sindacale ha ottenuto dalla società incaricata della revisione legale l'attestazione circa i propri requisiti di indipendenza ed al riguardo non è emerso nulla da segnalare.

A Deloitte & Touche S.p.A., società incaricata della revisione legale dei conti, in aggiunta alle attività previste al momento del conferimento dell'incarico di revisione è stato conferito l'incarico di effettuare le procedure di verifica per la sottoscrizione obbligatoria della dichiarazione IVA 2016 ai sensi dell'articolo 10 del D.L. 78/2009.

Numero delle riunioni degli organi societari
Nell'esercizio chiuso il 31 dicembre 2016 il Collegio Sindacale ha tenuto sei riunioni e ha partecipato all'Assemblea degli Azionisti ed alle sei riunioni tenute dal Consiglio di Amministrazione.

Osservazioni sui principi di corretta amministrazione
Il Collegio Sindacale non ha rilievi da formulare in ordine al rispetto dei principi di corretta amministrazione che risultano essere stati costantemente osservati.

Osservazioni sull'adeguatezza della struttura organizzativa
Non abbiamo particolari osservazioni da segnalare sull'adeguatezza della struttura organizzativa che riteniamo idonea al soddisfacimento della buona gestione aziendale.

Osservazioni sull'adeguatezza del sistema di controllo interno
Abbiamo partecipato alle riunioni del Comitato Controllo e Rischi raccogliendo informazioni sulle attività da questo svolte e da cui non sono emerse problematiche significative. Nella sua relazione annuale il Comitato Controllo e Rischi attesta di non avere rilevato criticità nel sistema di controllo interno e di gestione dei rischi che sono ritenuti adeguati alla struttura ed all'attività della Società.
Il Collegio ha mantenuto un dialogo costante con il responsabile della funzione di Internal Audit riscontrandone l'efficacia dell'operato.
Nell'esercizio chiuso al 31 dicembre 2016 il Collegio Sindacale ha mantenuto costanti contatti con l'Organismo di Vigilanza; a tale proposito si segnala che i flussi informativi sono garantiti anche dalla partecipazione di un Sindaco Effettivo in qualità di membro dell'Organismo di Vigilanza. Dalle informazioni ricevute e dalla relazione annuale sull'attività svolta dall'Organismo di Vigilanza non sono emersi aspetti da segnalare nella presente relazione.

Adeguatezza del processo di informativa finanziaria, adeguatezza del sistema amministrativo-contabile e sua affidabilità
Il Collegio Sindacale ha vigilato sul processo di informativa finanziaria e sul sistema amministrativo-contabile nonché sull'affidabilità di quest'ultimo anche mediante l'ottenimento di informazioni dal Dirigente preposto alla redazione dei documenti contabili societari.
Il Collegio valuta adeguato e affidabile il sistema amministrativo-contabile e lo ritiene idoneo a rappresentare correttamente i fatti di gestione.

Adeguatezza delle disposizioni impartite alla società partecipata
Abbiamo monitorato la funzionalità del sistema di controllo sulla società partecipata Treofan Holdings GmbH e l'adeguatezza delle disposizioni alla stessa impartite.
Non abbiamo osservazioni da formulare sull'adeguatezza dei flussi informativi resi a M&C SpA dalla società partecipata e volti ad assicurare il tempestivo adempimento degli obblighi di comunicazione previsti dalla legge.

Eventuali aspetti rilevanti emersi negli incontri con la società di revisione
Nel corso delle riunioni tenute con la società di revisione, ai sensi dell'art. 150, terzo comma, del D. Lgs. 58/1998, non sono emersi aspetti rilevanti o degni di essere segnalati nella presente relazione.
Il Collegio Sindacale ha ottenuto dalla società incaricata della revisione legale la relazione sulle questioni fondamentali emerse in sede di revisione nella quale non sono riportate carenze significative nel sistema di controllo interno in relazione al processo di informativa finanziaria.

Adesione al Codice di Autodisciplina
La Società ha aderito alle raccomandazioni contenute nel Codice di Autodisciplina delle società quotate promosso da Borsa Italiana e ha illustrato il proprio modello di governo societario nell'apposita relazione sul sistema di *corporate governance*,

predisposta ai sensi dell'art. 123-bis del D. Lgs. 58/1998, inserita nel fascicolo annuale di bilancio.
Il Collegio Sindacale ha espresso parere positivo circa la sussistenza dei requisiti di indipendenza in capo ai Consiglieri di Amministrazione non esecutivi che hanno dichiarato di potersi qualificare indipendenti.

Bilancio al 31 dicembre 2016
È sottoposto al Vostro esame e approvazione il bilancio di esercizio separato di M&C S.p.A. al 31 dicembre 2016 redatto secondo i principi contabili internazionali Ias/Ifrs, omologati dalla Commissione Europea, che presenta un utile di esercizio di euro 1.921 mila.
Viene inoltre presentato il bilancio individuale al 31 dicembre 2016 che evidenzia una perdita di esercizio di euro 1.158 mila.
Abbiamo verificato l'osservanza delle norme di legge regolanti la formazione e l'impostazione degli schemi del bilancio d'esercizio separato e di quello individuale e della relazione sulla gestione, nonché dei relativi documenti di corredo.
Il Presidente del Consiglio di Amministrazione ed il Dirigente preposto alla redazione dei documenti contabili societari hanno rilasciato la dichiarazione e le attestazioni previste ai sensi dell'art. 154-bis del D. Lgs. 58/1998 e dell'art. 81-ter del Regolamento Consob 11971 del 14 maggio 1999.

Valutazioni conclusive e proposte all'Assemblea
Il Collegio - nel fornire un giudizio positivo sulle risultanze dell'attività di vigilanza da esso svolta, da cui non sono emersi fatti significativi tali da richiedere la segnalazione agli organi di controllo o menzione nella presente relazione - esprime parere favorevole all'approvazione del bilancio di esercizio separato al 31 dicembre 2016 e alla proposta di destinazione dell'utile di esercizio di euro 1.921.300 formulata dal Consiglio di Amministrazione.

Il Collegio Sindacale desidera infine ricordare il dott. Franco Girard, Presidente della Società sino alla sua improvvisa scomparsa avvenuta il 5 gennaio 2017, rammentandone le grandi doti umane e professionali.

Milano, 5 aprile 2017

Il Collegio Sindacale

Avv. Vittorio Ferreri – presidente

Dott.ssa Leonilde Petito – sindaco effettivo Leonilde Petito

Dott. Pietro Bessi – sindaco effettivo

A.1 SEPARATE FINANCIAL STATEMENTS

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  - Part C - Notes to the income statement
  - Part D - Other information

M&C S.p.A.

Separate financial statements as at and for the year ended 31 December 2016

STATEMENT OF FINANCIAL POSITION (*)

(in Euros)

ASSETS	Note	31.12.2016	31.12.2015
Non-current assets			
Property, plant and equipment	1.1	2,595	4,004
Intangible assets	1.2	-	204
Equity investments	1.3	37,726,638	37,726,638
Other non-current assets	1.4	814,326	1,043,612
Non-current financial assets	1.5	16,706,717	14,622,947
Deferred tax assets	1.6	-	-
Total non-current assets		**55,250,276**	**53,397,405**
Current assets			
Loans and receivables	2.1	596,520	655,870
Current tax assets	2.2	627,915	589,131
Other current assets	2.3	839,175	754,291
Current financial assets	2.4	-	16,563,969
Cash and cash equivalents	2.5	23,902,289	7,718,690
Total current assets		**25,965,899**	**26,281,951**
Total assets		**81,216,175**	**79,679,356**

LIABILITIES AND EQUITY	Note	31.12.2016	31.12.2015
Equity			
Share capital	3.1	80,000,000	80,000,000
Treasury shares	3.2	(50,032,057)	(50,032,057)
Reserves	3.3	48,306,246	47,574,795
Valuation reserves	3.4	(14,441)	684,292
Profit for the year		1,921,300	731,451
Total		**80,181,048**	**78,958,481**
Liabilities			
Non-current liabilities			
Employee benefits	4.1	64,743	56,678
Deferred tax liabilities	4.2	-	264,044
Total non-current liabilities		**64,743**	**320,722**
Current liabilities			
Trade payables	5.1	716,284	125,197
Other current liabilities	5.2	254,100	274,956
Total current liabilities		**970,384**	**400,153**
Total liabilities		**1,035,127**	**720,875**
Total liabilities and equity		**81,216,175**	**79,679,356**

(*) The effects of related party transactions on the statement of financial position are disclosed in the notes (Section D.3.3) pursuant to Consob communication no. 15519 of 27 July 2006.

M&C S.p.A.
Separate financial statements as at and for the year ended 31 December 2016
INCOME STATEMENT (*)

(in Euros)	Note	2016	2015
Revenue from sales and services	1.1	-	23,333
Other revenue	1.2	156,018	174,156
Personnel expense	2.1	(915,819)	(1,001,805)
Amortisation, depreciation and impairment losses	2.2	(81,576)	(3,395)
Other operating expenses	2.3	(1,319,330)	(675,266)
Operating loss		**(2,160,707)**	**(1,482,977)**
Financial income	3.1	2,226,897	2,337,666
Financial expense	3.2	(10,398)	(3,515)
Net financial income		**2,216,499**	**2,334,151**
Gains on investments and securities	3.3	3,103,427	1,233,542
Losses from investments and securities	3.4	(1,220,264)	(1,238,821)
Net gains (losses) on investments and securities		**1,883,163**	**(5,279)**
Pre-tax profit for the year		**1,938,955**	**845,895**
Current and deferred taxes	4.1	(17,655)	(114,444)
Profit from continuing operations		**1,921,300**	**731,451**
Profit for the year		**1,921,300**	**731,451**
Profit per share (**)		0.0047	0.0018
Diluted profit per share (**)		0.0047	0.0018

(*) The effects of related party transactions on the income statement are disclosed in the notes (Section D.3.3) pursuant to Consob communication no. 15519 of 27 July 2006.
(**) Calculated using outstanding shares, less treasury shares.

M&C S.p.A.

Separate financial statements as at and for the year ended 31 December 2016

STATEMENT OF COMPREHENSIVE INCOME

(in Euros)	Note	2016	2015
Profit for the year		**1,921,300**	**731,451**
Other comprehensive income (expense), net of income taxes which will not be reclassified subsequently to profit or loss			
Actuarial gains (losses) on defined benefit plans	3.4	(2,619)	2,456
		(2,619)	**2,456**
Other comprehensive income (expense), net of income taxes that may be reclassified subsequently to profit or loss			
Gains (losses) on available-for-sale financial assets	3.4	(696,114)	556,261
		(696,114)	**556,261**
Comprehensive income		**1,222,567**	**1,290,168**

M&C S.p.A.

Separate financial statements as at and for the year ended 31 December 2016

STATEMENT OF CHANGES IN EQUITY

		Allocation of prior year profit		Changes in 2016						
					Equity transactions					
(in Euros)	Equity at 31.12.2015	Reserves	Dividends and other allocations	Changes in reserves	Share capital reduction	Repurchase of treasury shares	Stock options	Other changes	Comprehensive income	Equity at 31.12.2016
Share capital	80,000,000									80,000,000
Share premium										
Reserves	47,574,795	731,451		3,011,739			(3,011,739)			48,306,246
Valuation reserves	684,292								(698,733)	(14,441)
Equity instruments										
Treasury shares	(50,032,057)									(50,032,057)
Profit for the year	731,451	(731,451)							1,921,300	1,921,300
Equity	**78,958,481**	**-**	**-**	**3,011,739**	**-**	**-**	**(3,011,739)**	**-**	**1,222,567**	**80,181,048**

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Separate financial statements as at and for the year ended 31 December 2016

STATEMENT OF CASH FLOWS - direct method

(in Euros)	2016	2015
A. OPERATING ACTIVITIES		
1. Operations	**(1,002,536)**	**(911,871)**
Interest income	125,171	139,370
Dividends and other income/expense on temporary investments of liquidity	193,200	334,456
Fee and commission expense	(47,196)	(11,582)
Personnel expense	(680,734)	(781,390)
Other costs		
Leases and car hire	(102,664)	(114,690)
Sundry services	(630,089)	(724,322)
Other revenue	139,776	246,287
Income taxes		
2. Cash flows used in the decrease in financial assets	**(941,358)**	**(128,008)**
Current financial assets (change in fair value)	(1,456,066)	(104,728)
Net gains (losses) due to the decrease in financial assets	514,708	(23,280)
3. Cash flows used in the increase in financial assets	**-**	**-**
4. Cash flows generated by (used in) the increase in financial assets	**-**	**-**
Cash flows used in operating activities	**(1,943,894)**	**(1,039,879)**
B. INVESTING ACTIVITIES		
1. Cash flows generated by the decrease in	**8,940,254**	**1,593,211**
IDeA EESS fund	8,940,254	1,591,540
Property, plant and equipment		1,671
2. Cash flows used for the increase in	**(159,990)**	**(3,861,112)**
Equity investments	-	-
IDeA EESS fund	(159,941)	(3,857,841)
Property, plant and equipment	(49)	(2,863)
Intangible assets	-	(408)
Net cash flows generated by (used in) investing activities	**8,780,264**	**(2,267,901)**
NET CASH FLOWS FOR THE YEAR	**6,836,370**	**(3,307,780)**
RECONCILIATION		
Opening net financial position	**17,065,920**	**20,373,700**
Total net cash flows for the year	6,836,370	(3,307,780)
Closing net financial position	**23,902,290**	**17,065,920**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

PART A - ACCOUNTING POLICIES

M&C S.p.A. ("M&C" or the "company") has not been required to prepare consolidated financial statements since September 2011. However, pursuant to IAS 28, it prepares individual financial statements, in which it has measured its sole investment with significant influence using the equity method. IAS 27 also gives the option to prepare other financial statements in which investments are measured at cost (separate financial statements).

Like in previous years, M&C has decided to prepare both individual financial statements, in which the investment is measured using the equity method, and separate financial statements, in which it is measured at cost, for 2016.

In order to ensure continuity with the resolutions passed in previous years, the directors decided to present these separate financial statements, in which the investment is measured at cost, to the shareholders for their approval.

Section A.1 - Statement of compliance

The separate financial statements of M&C as at and for the year ended 31 December 2016 have been prepared pursuant to Legislative decree no. 38 of 28 February 2005 in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission, as established by EC regulation 1606 of 19 July 2002. The IFRS include all the current applicable standards and the interpretations issued by the International Reporting Interpretations Committee (IFRIC), previously called the Standing Interpretations Committee (SIC).

Section A.2 - Basis of preparation

Pursuant to IAS 1, the separate financial statements comprise a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows (the "separate financial statements") and these notes. They are accompanied by a directors' report which illustrates the company's operations, financial position and results of operations. The separate financial statements include comparative figures for 2015.

The separate financial statements: (i) are clearly stated and give a true and fair view of the company's financial position at 31 December 2016 and its results of operations and cash flows for the year then ended; (ii) are consistent with the accounting records which faithfully show the transactions carried out during the year; and (iii) have been prepared in accordance with the fundamental concepts of the IFRS and specifically:

- the accruals basis of accounting: the effect of events and transactions is recognised when they occur and not when the related cash movements take place;
- going concern: the separate financial statements have been prepared on a going concern basis for the next twelve months. The directors have carefully assessed this assumption given the current economic and financial crisis. As described in their report, they deem that the risks and uncertainties to which the company is exposed do not compromise its financial position and assets;
- materiality: priority is given to the economic substance of events and transactions rather than their form;
- comparative information: the individual financial statements include comparative information in respect of the previous year.

These criteria are unchanged with respect to those applied to prepare the 2015 separate financial statements.

Pursuant to article 5 of Legislative decree no. 38/2005, the reporting currency is the Euro. Unless specified otherwise, the figures in the financial statements and the notes are in Euros. No departures from such standards have been made.

The directors' report and these notes include the disclosures required by law, Consob (the Italian Commission for Listed Companies and the Stock Exchange) and the IFRS.

For completeness of disclosure purposes, the company referred to i) Consob communication no. 0007780/16 of 28 January 2016 "*Communication about key issues in financial reports at 31 December 2015*" designed to draw the attention of users of financial statements to the aspects in the ESMA's public statement of 27 October 2015 "*European common enforcement priorities for 2015 financial statements*" and "*Improving the quality of disclosures in the financial statements*" about the disclosures that listed companies must include in their 2015 financial reports and those of subsequent years; ii) Consob communication no. 0031948/17 of 10 March 2017 "*Communication about key issues in financial reports at 31 December 2016*" designed to draw the attention of users of financial statements to the aspects in the ESMA's public statement of 28 October 2016 "*European common enforcement priorities for 2016 financial statements*" (ESMA/2016/1528) about the disclosures that listed companies must include in their 2016 financial reports.

Section A.3 - Events after the reporting date

On 5 January 2017, the chair of M&C's board of directors, Mr. Franco GIRARD, unexpectedly passed away. He was a person of vision, ability and exceptional humanity. During its meeting of 31 January 2017, the board of directors decided not to co-opt a new director given that the company bodies are to be renewed in the near future by the shareholders in their meeting called to approve the 2016 financial statements. It appointed Mr. Emanuele Bosio, the former managing director, as the new chair.

On 31 January 2017, the directors resolved that, with respect to the publication of the additional periodic financial reporting required by article 82-ter of the Issuer Regulation, the company will publish periodic financial reports for the first and third quarter of each year, to ensure continuity with the previous quarterly reports, on a voluntary basis. These financial reports will provide information about the key financial indicators of the Issuer and Treofan Group and will be consistent and comparable with the corresponding figures provided in the previously issued quarterly reports. They will also include a summary of the key events of the quarter. The board of directors will approve the periodic financial reports, which will be made available to the market through their lodgement with Borsa Italiana S.p.A., publication on the company's website (www.mecinv.com) and inclusion in the authorised storage system, eMarket STORAGE (www.emarketstorage.com), within the timeframe envisaged in the company's financial calendar and within 45 days of the quarterly closing date.

The shareholders met in an extraordinary meeting on 31 January 2017 and approved:

1) the capital increase of €30,555,393.30 to be offered to shareholders in a ratio of one new share to every two shares held for €0.15 per share. The 66,754,352 treasury shares held by M&C do not have this option. This resolution was taken to obtain the funding necessary to acquire control of Treofan Group;
2) amendments to articles 3 (Object) and 10 (Shareholders' meetings) of the company's by-laws. Again, the resolution reflects the board of directors' decision to acquire control of Treofan Group, with the company's resulting focus on just one investment that it intends to hold in the medium to long-term, which is the core business of a holding company, i.e, the acquisition of interests in other entities for a return on its investment. The amendments to articles 3 and 10 of the by-laws better reflect the company's real business object as a holding company. As a result of this resolution, the company recognises the right of those shareholders that did not agree with the resolution to exercise their withdrawal right, pursuant to article 2437 and following articles of the Italian Civil Code;
3) the application to delist the ordinary M&C shares from the investment vehicles segment of the stock exchange (MIV) and concurrent listing of the shares on the screen-based segment of the stock exchange (MTA) organised and managed by Borsa Italiana S.p.A..

The transaction to acquire control of Treofan Group as per the agreement signed on 22 December 2016 was closed on 9 February 2017. M&C increased its interest in Treofan Group from 41.59% to 98.75% at a cost of €45.8 million, including €26.3 million to acquire the shares and €19.5 million to take over the shareholder loan disbursed to Treofan by the selling shareholders. Note 2.5 in section B.2 of the notes to the financial statements provides information about this outlay.

Section A.4 - Other issues

On 17 March 2017, the board of directors authorised the publication of these draft separate financial statements within the legal terms. They will be subjected to the approval of the shareholders, called to meet on 28 April 2017 on first call and on 4 May 2017 on second call.

Section A.5 - Key financial statements captions

The recognition, classification, measurement and derecognition criteria for the key financial statements captions are set out below.

Current and non-current assets and liabilities

An asset is considered as current when it meets at least one of the following conditions:

- it will be realised during the entity's normal operating cycle, generally assumed to be 12 months;
- it is held primarily for trading purposes;
- it consists of cash and cash equivalents, the use of which is not restricted within the 12 months after the reporting date.

All other assets are analysed analytically to separate the "current" portion from the "non-current" portion.

If recognised, deferred tax assets are classified as non-current assets.

A liability is considered as current when it meets at least one of the following conditions:

- it will be settled during the entity's normal operating cycle, generally assumed to be 12 months;
- it is held primarily for trading purposes;
- the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

All other liabilities are analysed analytically to separate the "current" portion from the "non-current" portion.

If recognised, deferred tax liabilities are classified as non-current assets.

Equity investments

Recognition

This caption includes investments held in subsidiaries and associates recognised at cost, including transaction costs.

Measurement

If there is objective evidence that an investment may be impaired, its recoverable amount is estimated considering the present value of future cash flows the investment will generate, including the disposal value. If the recoverable amount is lower than the carrying amount, an impairment loss is recognised in profit or loss. When the reasons for impairment are eliminated due to an event that takes place subsequently to recognition of the impairment loss, the impairment loss is reversed up to the limits of the historical cost and is taken to profit or loss.

Derecognition

Investments are derecognised when the contractual rights to cash flows generated by the assets expire or the financial asset is sold, transferring substantially all the related risks and rewards.

Financial assets

Recognition

Financial assets are classified as such at initial recognition pursuant to IAS 39. Specifically, available-for-sale financial assets are measured at fair value, increased by any directly-related transaction costs, if these are material and can be determined.

Measurement

They are subsequently measured at fair value with any fair value gains or losses recognised in equity until their disposal.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (this excludes a forced liquidation or a distress sale) between market participants at the measurement date. It is assumed that the entity can operate normally and does not intend to sell its assets, to cut back its operations significantly or agree transactions at unfavourable conditions.

According to IFRS 13, the fair value of financial instruments is determined using a hierarchy considering the origin, type and quality of the inputs available for measurement. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. There are three different levels of input:

a) Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;

b) Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

c) Level 3 inputs are unobservable inputs for the asset or liability.

Equity instruments (shares) that are not quoted on an active market and whose fair value cannot be determined reliably are measured at cost, decreased for impairment.

Impairment tests are performed at every reporting date and whenever necessary. Any significant impairment losses are taken to profit or loss.

When the reasons for impairment are eliminated due to an event that takes place subsequently to recognition of the impairment loss, the reversal of the impairment loss is taken to: (i) profit or loss for debt instruments; and (ii) equity for equity instruments.

A significant or prolonged decline in the fair value of equity instruments to below their cost is considered objective evidence of impairment.

In this respect, the IFRS make reference to quantitative thresholds without however imposing quantitative limits to define when the decline is to be considered significant or prolonged.

M&C has therefore adopted a policy that defines these thresholds. Specifically, the policy considers a significant decline in fair value of more than 20% as objective evidence of an impairment loss. In this case, an impairment loss is recognised in profit or loss without any further investigation.

Moreover, the policy defines a prolonged decline in fair value giving rise to impairment when it lasts for more than nine months. When this period is exceeded, an impairment loss is recognised in profit or loss without any further investigation.

Derecognition

Financial assets are derecognised when the contractual rights to cash flows generated by the asset expire or the financial asset is sold, transferring substantially all the related risks and rewards. The gain or loss on the sale of available-for-sale financial assets is recognised in profit or loss. Upon derecognition, any related accumulated fair value gain or loss is reclassified from equity to profit or loss.

Loans, receivables and other assets

Recognition

Loans and receivables are initially recognised at fair value, equal to the amount disbursed or consideration paid, plus directly attributable transaction costs/income, if material and determinable.

Measurement

After initial recognition, they are recognised at amortised cost, that is, they are measured at initial recognition minus/plus principal repayments, impairment losses/reversals of impairment losses and cumulative amortisation, using the effective interest method. Loans and receivables are tested for impairment which could determine a reduction in their estimated realisable value.

Derecognition

Loans and receivables are derecognised when the contractual rights to cash flows deriving therefrom expire or when they are sold, transferring substantially all the related risks and rewards.

Cash and cash equivalents

Cash and cash equivalents include cash and on sight deposits. Their carrying amount equals their fair value.

Current and deferred taxes

Income taxes, determined in accordance with the relevant national legislation, are recognised on an accruals basis and are the sum of current and deferred taxes.

Deferred tax assets and liabilities are determined considering the temporary differences between the carrying amounts and tax bases of assets and liabilities.

When the item generating the difference is recognised in profit or loss, the deferred tax is netted against income taxes, while when the item is recognised directly in equity, the deferred tax is also recognised directly in equity.

Current and deferred tax assets are recognised to the extent that their recovery is probable, determined considering the entity's ability to generate taxable profit on an ongoing basis.

Deferred tax assets and liabilities are assessed systematically to reflect any changes in the relevant legislation or tax rates.

They are determined using the expected tax rates for the difference in income in the years in which the temporary differences will reverse, based on the tax rates and legislation enacted or substantially enacted at the reporting date. The effect of changes in tax rates on these taxes is taken to profit or loss in the period in which the change arises. Deferred tax assets and liabilities are offset only when legally allowed.

Deferred tax assets and liabilities are recognised as non-current assets and liabilities, respectively.

Treasury shares

Treasury shares held by the company are deducted from equity. No gains or losses arising from their repurchase, sale, issue or derecognition are recognised in profit or loss. Any differences between the repurchase price and the sales price are recognised under equity.

Employee benefits

Post-employment benefits which are defined plan benefits are recognised during their vesting period and the company's obligation consists of granting and ensuring the agreed benefits for the employees. Therefore, it bears the actuarial and investment risk. Under IAS 19, Italian post-employment benefits are to be treated as defined benefit plans and the related liability is measured by an independent actuary.

The benefits vested by employees during the year are recognised under personnel expense while the interest expense, which is the cost to the company should it finance itself on the market for an amount equal to the post-employment benefits, is recognised under financial income and expense. The actuarial gains and losses are recognised directly in the valuation reserve under equity.

Financial and other liabilities

Financial liabilities are initially recognised at fair value, equal to the consideration received net of any directly related transaction costs, if material and determinable. Financial liabilities with normal settlement dates are initially recognised at fair value and subsequently at amortised cost, if significant.

They are derecognised upon settlement.

Revenue and cost recognition

Revenue from services is recognised at the fair value of the consideration received in the period in which the services were rendered.

Revenue from the sale of goods is recognised at the fair value of the consideration received when all the risks and rewards of ownership are transferred to the buyer.

Interest, income and expense are recognised using the effective interest method.

Costs are recognised in profit or loss on an accruals basis in the year in which the related revenue is recognised. Costs that cannot be matched to income are expensed immediately.

Share-based payments

The company recognises additional benefits for certain directors and employees in the form of stock option plans. Under IFRS 2 - Share-based payment, the company's plans are equity-settled share-based payment transactions. Therefore, the fair value of the stock options is measured at the grant date considering market conditions and any subsequent changes in fair value do not affect initial recognition.

Fair value measured at the grant date is recognised under personnel expense on a straight-line basis over the vesting period with a balancing entry under equity. At each reporting date, the company redetermines the number of vested and vesting options based on changes in the plan's vesting conditions.

Use of estimates

Financial statements captions are recognised and measured using the above accounting policies, the application of which sometimes requires the use of estimates which may significantly affect the carrying amounts. The estimates and related assumptions are based on historical experience and reasonable factors taken from other sources. However, being estimates, the forecast results may not match actual results.

The use of reasonable estimates is essential to preparation of financial statements. They are mostly used for the following financial statements captions:

- measurement of financial assets for which an active market does not exist;
- measurement of financial assets listed on active markets but which are illiquid on the reference market;
- measurement of equity investments.

The above procedure is particularly complex given the current macro-economic and market climate and is characterised by unusual volatility affecting the main financial ratios, which are relevant for this measurement.

An estimate can be adjusted following changes in the underlying circumstances or due to new information. Changes in estimates are applied prospectively and affect profit or loss in the year in which the change takes place and, possibly, the future years.

Assets and liabilities not carried at fair value or carried at fair value on an non-recurring basis: breakdown by fair value level

Except for the tax assets and shareholder loan granted to Treofan, the assets and liabilities recognised in the financial statements are all of a current nature. Therefore and as required by IFRS 7.29, their carrying amount is a reasonable approximation of their fair value.

The shareholder loan granted to Treofan was recognised at level 3 fair value at the initial recognition date.

Earnings (loss) per share

Pursuant to IAS 33, basic earnings (loss) per share are determined by dividing the profit or loss for the year by the weighted average number of outstanding shares, excluding treasury shares held by the company and/or its subsidiaries. Diluted earnings per share are calculated by adjusting the weighted average number of outstanding shares, considering all potential ordinary shares arising from the exercise of assigned and exercisable stock options. The effect of dilutive options not yet exercised is included in the calculation of diluted earnings (loss) per share when they are in-the-money.

Standards, amendments and interpretations applicable to annual periods beginning on or after 1 January 2016

The company adopted the following standards, amendments and interpretations for the first time after 1 January 2016, when they had become applicable:

- Amendments to **IAS 19** "**Defined Benefit Plans: Employee contributions**" (published on 21 November 2013): they relate to the accounting for contributions by employees or third parties to defined benefit plans. Adoption of these amendments did not affect the company's separate financial statements.
- Amendments to **IFRS 11** "**Accounting for acquisitions of interests in joint operations**" (published on 6 May 2014): they relate to the accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business. Adoption of these amendments did not affect the company's separate financial statements.
- Amendments to **IAS 16, Property, plant and Equipment** and **IAS 38, Intangible Assets – "Clarification of acceptable methods of depreciation and amortisation"** (published on 12 May 2014): the amendments clarify that a depreciation method that is based on revenue generated by an activity that includes the use of an asset is not appropriate. This is because such methods reflects a pattern of generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of consumption of an asset's expected future economic benefits. Adoption of these amendments did not affect the company's separate financial statements.
- Amendment to **IAS 1** "**Disclosure initiative**" (published on 18 December 2014): the objective of the amendments was to provide clarification about the disclosures that can impede a clear and comprehensive preparation of financial statements. Adoption of these amendments did not affect the company's separate financial statements.
- Amendment to **IAS 27 - Equity method in separate financial statements** (published on 12 August 2014): the amendment introduces the option of using the equity method for investments in subsidiaries, associates and jointly controlled entities in the separate financial statements. Adoption of these amendments did not affect the company's separate financial statements.
- Amendments to **IFRS 10**, **IFRS 12** and **IAS 28** "**Investment entities: Applying the consolidation exception**" (published on 18 December 2014): these amendments relate to issues that arose following adoption of the consolidation exemption by investment entities. Adoption of these amendments did not affect the company's separate financial statements.

Standards, amendments and interpretations endorsed by the European Union but not yet mandatory and not applied early by the company at 31 December 2016

- **IFRS 15 - Revenue from contracts with customers** (published on 28 May 2014 and integrated by amendments issued on 12 April 2016) which will replace IAS 18 - Revenue, IAS 11 - Construction contracts, IFRIC 13 - Customer loyalty programmes, IFRIC 15 - Agreements for the construction of real estate, IFRIC 18 - Transfers of assets from customers and SIC 31 - Revenue - Barter transactions involving advertising services. The standard establishes a new model for revenue recognition to be applied to all contracts agreed with customers except for those that fall under the scope of other standards, such as leases, insurance contracts and financial instruments. The five steps of the new model for recognition of revenue are:
    - Identify the contract(s) with a customer;
    - Identify the performance obligations in the contract;
    - Determine the transaction price;

- Allocate the transaction price to the performance obligations in the contract;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard is applicable to annual periods beginning on or after 1 January 2018 but earlier application is allowed. The EU has not yet endorsed the amendments to IFRS 15 - Clarifications to IFRS 15 - Revenue from contracts to customers issued by the IASB on 12 April 2016.

- Final version of **IFRS 9 - Financial Instruments** (published on 24 July 2014). This standard incorporates the results of IASB's project to replace IAS 39:
  - it introduces new criteria for the classification and measurement of financial assets and liabilities;
  - it requires entities to use the expected credit loss model rather than the incurred losses under IAS 39 for impairment testing, using reasonable and supportable information that includes historical, actual and prospective data;
  - it introduces a new hedging accounting model (increase in the type of transactions that qualify for hedge accounting, change in the method used to account for forwards and options when they are part of a hedging relationship and changes to the effectiveness test).

The new standard is applicable to annual periods beginning on or after 1 January 2018.

PART B - NOTES TO THE STATEMENT OF FINANCIAL POSITION

ASSETS

Section B.1 - Non-current assets

1.1 - Property, plant and equipment

(in Euros)	31.12.2016	31.12.2015	Variation
Owned			
a) land			
b) buildings			
c) furniture			
d) electronic systems	2,118	2,992	(874)
e) other	477	1,012	(535)
Under finance lease			
Total	**2,595**	**4,004**	**(1,409)**

Property, plant and equipment: changes

(in Euros)	Furniture	Electronic systems	Other	**Total**
A Opening balance	**-**	**2,992**	**1,012**	**4,004**
B. Increases				
B.1 Purchases		1,775	482	2,257
B.2 Reversals of impairment losses				
B.3 Fair value gains				
B.4 Other increases				
C. Decreases				
C.1 Sales				
C.2 Depreciation		2,649	1,017	3,666
C.3 Impairment losses				
C.4 Fair value losses				
C.5 Other decreases				
D. Closing balance	**-**	**2,118**	**477**	**2,595**

None of the property, plant and equipment have been pledged as guarantee or committed.

1.2 - Intangible assets

The immaterial balance at 31 December 2015 related to software licences.

1.3 - Equity investments

(€'000)	Carrying amount	Investment %	Voting rights %	Registered office	Total assets	Total revenue	Equity	Profit (loss) for the year	Listed (Yes/No)
A. Subsidiaries									
B. Jointly controlled entities									
C. Companies over which M&C has significant influence									
Treofan Holdings GmbH (*)	37,727	41.59	41.59	Raunheim (D)	310,409	413,831	83,884	(7,401)	No

(*) Figures taken from the consolidated reporting package at 31 December 2016 drawn up for inclusion in M&C's individual financial statements.

At the reporting date, M&C has an investment of 41.59% in Treofan Holdings GmbH with a carrying amount of €37.7 million (unchanged from 31 December 2015).

As disclosed elsewhere, following the process to sell Treofan Group, commenced in January 2016, a non-binding purchase offer was received, assessing the equity value of 100% of Treofan Group to be €85 million (without deducting the liability for the shareholder loan of €36.7 million), to be possibly adjusted at the closing to reflect changes in net financial debt and net working capital.

Treofan's other two main shareholders (Merced Capital and Goldman Sachs) formally accepted the offer while M&C decided not to, based on the German Group's profitability and expectations about additional significant improvements that the Group should see in the next few years. M&C found the offer to be too low and, accordingly, decided to exercise its purchase option and to buy Merced Capital's and Goldman Sachs' investments at the same conditions as those set out in the third party's offer.

On 22 December 2016, M&C, Merced Capital and Goldman Sachs formalised the agreement for the acquisition of their investments held directly and indirectly by Goldman Sachs (23.5%) and Merced Capital (22.6%), as well as their part of the shareholder loan. This gave M&C an 87.7% stake in Treofan, given its existing investment of 41.6% and also allowed the other shareholders to sell their 12.3% stakes in Treofan to M&C by agreeing to the sale.

The transaction was closed on 9 February 2017 and M&C increased its interest in Treofan Group from 41.59% to 98.75% at a cost of €45.8 million, including €26.3 million to acquire the shares and €19.5 million to take over the shareholder loan disbursed to Treofan by the selling shareholders. The consideration was calculated using an equity value of 100% of Treofan Group of €82.5 million (without deducting the liability for the shareholder loan).

Given the materiality of the Treofan investment to M&C, the transaction to acquire control and the new 2018-2020 business plan, M&C tested the investment's carrying amount for impairment at the reporting date. The test showed that the carrying amount of the investment (€27.7 million) and the prudently-included shareholder loan (€16.7 million) are in line with their recoverable amount.

As required by IAS 36, M&C estimated the investment's recoverable amount by considering the higher of the value in use and fair value less costs to sell, referring to the transaction that led to acquisition of control of Treofan.

The company calculated the value in use of the Treofan investment and the receivable for the shareholder loan at the reporting date using the following method:

Discounted cash-flow analysis (**DCF)**: this method was used to discount the cash flows included in Treofan's 2017 budget and the 2018-2020 business plan, recently approved by Treofan's advisory board, to the weighted average cost of capital (WACC).

The discounted cash flow method determines the value of an asset considering the net expected operating cash flows (unlevered free cash flow) discounted to the cost of the sources of funding necessary to generate the cash flows (discount rate or WACC or cost of capital). In order to find the investment's and shareholder loan's recoverable amounts, management adjusted the DCF results (enterprise value) by the investee's net financial position at 31 December 2016, including the shareholder loan, to obtain the equity value. They obtained the value of M&C's investment by prudently adding M&C's portion of the equity value (41.6%) to the shareholder loan (€16.5 million). The following parameters were used: WACC of 9.8%, estimated considering a cost of debt (kd) of 5.0% and cost of equity (ke) of 12.2%, a terminal value defined, inter alia, using a long-term sector growth rate (G-Rate) of 1.0%.

In order to estimate the cost of equity, management used the capital asset pricing model and the following parameters:

- a risk free (Rf) rate of 4.7%, estimated considering the weighted average of the return on the ten-year Bund issued by the German government, the ten-year treasury bond issued by the Italian government and the ten-year bond issued in US dollars by the Mexican government, calculated using the gross operating profit by production country expected for 2016;
- a levered Beta factor (β), estimated to equal 0.79, based on the unlevered Beta defined by Damodaran for the packaging sector of 0.62, an effective average tax rate for the period from 2017 to 2020 of 29.7% and an average expected debt ratio (or gearing ratio) for the period from 2016 to 2019 of 38.35%;
- an equity risk premium (Rm), estimated to be 5.69% [source: Damodaran];
- an additional risk premium of 3.0% to account for the fact that Treofan is not listed and is, thus, a less liquid investment;
- the discount rate of the terminal value was calculated considering an additional premium of 1%, compared to the above-mentioned WACC, to discount the greater variability of the cash flows used to calculate the terminal value.

The method was also integrated by a satisfactory sensitivity analysis of the discount rate (WACC) and the terminal value.

The company also used market methods as additional control methods:

- ***Market multiples***, applying the average multiple (enterprise value/gross operating profit) of a sample of the leading listed companies active in the BOPP film and packaging sectors to Treofan's 2016 gross operating profit. Specifically, the 2016 average enterprise value/gross operating profit ratio was 8.8x.
- ***Deal multiples*** , applying the average multiple (enterprise value/gross operating profit) of a sample of the main M&A transactions of the period from 2011 to 2016 involving companies in the BOPP film sector to Treofan's 2016 budgeted gross operating profit. Specifically, the enterprise value/gross operating profit multiple was 7.0x.

As mentioned earlier, an equity investment's recoverable amount is the higher of its value in use and fair value less costs to sell at the reporting date. The value in use obtained using the DCF method confirms the recoverability of the equity investment's carrying amount, while the fair value, which is the value of the transaction to acquire control of Treofan Group, is lower than its carrying amount, given the smaller multiplier used in the transaction. The company also applied the deal multiples method as the control method, which showed that, if a market multiplier is applied, the fair value of the Treofan investment is higher than its carrying amount at the reporting date.

None of the investments have been pledged as guarantee or committed.

The revolving credit facility of €62 million granted by a bank syndicate to Treofan and expiring on 31 December 2017 is secured with a first level guarantee on all Treofan Group's assets, excluding the new production line rolled out at Neunkirchen in 2015. Treofan management has commenced discussions to renegotiate the revolving credit facility with the bank syndicate to reflect the Group's smaller risk given the satisfactory outcome of its restructuring.

There are no restrictions to the transfer of funds to M&C by its investee in the form of repayments and loans. On the other hand, Treofan's financial restructuring agreements provide for specific authorisation clauses for the distribution of dividends.

1.4 - Other non-current assets

(in Euros)	31.12.2016	31.12.2015	Variation
Guarantee deposits	500	500	-
Tax assets	813,826	1,043,112	(229,286)
Total	**814,326**	**1,043,612**	**(229,286)**

Tax assets include the VAT asset that cannot be used for offsetting purposes during the next 12 months.

1.5 - Loans and receivables

(in Euros)	31.12.2016	31.12.2015	Variation
Loan to Treofan	16,706,717	14,622,947	2,083,770
Loan to Botto Fila S.p.A. in liquidation	1,163,763	1,163,763	-
Allowance for impairment	(1,163,763)	(1,163,763)	-
Total	**16,706,717**	**14,622,947**	**2,083,770**

The loan to Treofan of €35 million includes €16.5 million granted by M&C in two instalments, one in 2013 (€9.9 million) and one in 2014 (€6.6 million).

The shareholder loan's key characteristics are:

- expiry in the third month after reimbursement of the revolving credit facility granted by the bank syndicate due to expire at the end of 2017;
- subordination to all Treofan Group's liabilities;
- PIK interest rate (to be paid on the repayment date) tied to the profit of the financed company (Treofan Germany GmbH & Co. KG), up to a maximum of an annual 5%.

These loan characteristics show that it was not agreed at market rates. A similar unsecured subordinate loan agreement between independent parties would bear interest at a higher rate (14.25%).

The balance of the loan of €16.7 million is the fair value of the instalments provided for in the December 2013 agreements and the related interest calculated using the amortised cost method at the reporting date (interest rate of 14.25%).

The shareholder loan to Botto Fila was provided in 2008 and restructured in September 2011, before M&C sold its investment, reducing it to €1.1 million. The balance of €1,163,763 includes interest accrued to 15 November 2013, when the Biella Court handed down its ruling on the company's insolvency. The Court included M&C in the insolvency proceedings as a subordinated creditor.

1.6 - Deferred tax assets

Recognisable deferred tax assets amount to approximately €12.2 million, due to the tax losses for previous years. However, the directors recognise deferred tax assets on the carry forward tax losses to the extent of the company's deferred tax liabilities, if any, as the company's activities and financial market trends do not allow them to quantify future taxable profits and when they would be earned with reasonable certainty as would be required for their recognition.

At 31 December 2015, deferred tax assets of €67 thousand, calculated as the fair value of available-for-sale financial assets, were offset against deferred tax liabilities of the same nature for disclosure purposes.

Section B.2 - Current assets

2.1 - Loans and receivables

(in Euros)	31.12.2016	31.12.2015	Variation
Other related parties	56,154	37,773	18,381
Third parties	790,740	790,764	(24)
Allowance for impairment	(250,374)	(172,667)	(77,707)
Total	**596,520**	**655,870**	**(59,350)**

Loans and receivables with related parties include €3 thousand from Romed S.p.A. for lease services and €53 thousand from Treofan, for M&C's involvement in the restructuring steering committee and the recharging of costs incurred on the investee's behalf.

Loans and receivables with third parties include the invoice of €617 thousand issued to Tiscali Financial Services SA pursuant to article 60 of Presidential decree no. 633/72 in relation to the amount paid for the mutually-agreed settlement of the assessment relating to the 2008 VAT return. M&C engaged a law firm to recover the amount which served the debtor with a claim form and subsequently filed the relevant documentation as per the judge's request. In March 2016, the judge set the date of the final hearing as 28 November 2017 and issued a payment order of €450 thousand for the requests for early rulings presented by M&C as per article 186-bis and ter of the Code of Criminal Procedure. The final ruling should be handed down by Spring 2018.

The increase in the allowance for impairment reflects the out-of-court settlement of the Tiscali dispute, yet to be formalised, whereby Tiscali will acknowledge its liability of €540 thousand to be settled in 20 equal monthly instalments.

2.2 - Current tax assets

(in Euros)	31.12.2016	31.12.2015	Variation
Unified tax return credit	627,915	589,131	38,784
Total	**627,915**	**589,131**	**38,784**

The company did not use the credit in the unified tax return (IRES) for offsetting purposes in 2016.

The tax asset for IRES payments on account of €68 thousand made in 2016 was offset against the estimated IRAP liability of €18 thousand for 2016.

2.3 - Other current assets

(in Euros)	31.12.2016	31.12.2015	Variation
Withholdings on interest	125,508	35,504	90,004
VAT	700,596	700,596	-
Tax assets	826,104	736,100	90,004
INAIL (National insurance institute for industrial accidents)	30	217	(187)
Other loans and receivables	1,466	3,874	(2,408)
Prepayments	11,575	14,100	(2,525)
Total	**839,175**	**754,291**	**84,884**

The company used the VAT credit of €353 thousand for offsetting purposes during the year against the withholdings due, social security contributions, the 2015 balance and 2016 payment on account of IRAP. The VAT credit increased due to the new credit of €124 thousand and the reclassification of €229 thousand from non-current assets to meet the requirement of the amount that can be offset in 2017.

2.4 - Current financial assets

(in Euros)	31.12.2016	31.12.2015	Variation
Available-for-sale financial assets			
Debt instruments			
issued by governments and central banks			
issued by banks			
issued by other issuers		1,294,514	(1,294,514)
	-	**1,294,514**	**(1,294,514)**
OEIC units			
issued by other issuers		11,538,568	(11,538,568)
	-	**11,538,568**	**(11,538,568)**
Equity instruments			
issued by listed companies		3,730,887	(3,730,887)
issued by unlisted companies			
	-	**3,730,887**	**(3,730,887)**
Total	**-**	**16,563,969**	**(16,563,969)**

The company sold all its investments in current financial assets in the last quarter of the year to obtain liquidity to be used to pay for acquisition of control of Treofan Group.

At 31 December 2015, current financial assets included the following available-for-sale financial instruments: (i) investments of €1.3 million in listed high yield bonds, including interest; (ii) units of the Kairos International KEY fund of €4.3 million; (iii) units of the IDeA EESS fund of €7.2 million; and (iv) shares of listed companies of €3.7 million.

Changes in available-for-sale financial assets during the year are as follows:

(in Euros)	Debt instruments	Equity instruments	OEIC units	Total
A. Opening balance	**1,294,514**	**3,730,887**	**11,538,568**	**16,563,969**
B. Increases				
B1. Purchases			238,987	238,987
B2. Fair value gains	24,712	96,293	3,889,185	4,010,190
B3. Reversals of impairment losses				
B4. Transfers from other portfolios				
B5. Other increases	73,061			73,061
C. Decreases				
C1. Sales	1,256,425	2,538,612	11,544,503	15,339,540
C2. Repayments			3,669,300	3,669,300
C3. Fair value losses	43,450	1,288,568	452,937	1,784,955
C4. Impairment losses				
C5. Transfers to other portfolios				
C6. Other decreases	92,412			92,412
D. Closing balance	-	-	-	-

Debt instruments

The opening balance comprised high yield listed bonds, selected prudently to improve the portfolio's profitability. The portfolio did not undergo change until October when the company sold all its securities following its decision to acquire control of Treofan Group. This sale generated gains of approximately €6 thousand, as well as interest accrued during the year of €74 thousand.

Equity instruments

The opening balance of this caption included listed shares of €3.7 million and Comital profit participation rights, which were fully impaired in the 2014 financial statements.

The portfolio's composition did not change during the year until October when the company sold all its equity instruments following its decision to acquire control of Treofan Group. In 2016, it collected dividends of €193 thousand and impaired some securities in the 2016 interim financial statements as a result of their performance. This impairment loss amounted to €1.4 million, including €1.2 million recognised at 30 June 2016 and €0.2 million for previous impairment losses recognised in the valuation reserve at 31 December 2015.

Sales of shares in October generated a loss of approximately €1.2 million.

OEIC units

The opening balance of the OEIC units included the units of the IDeA EESS fund (€7.2 million) and the Kairos Equity Yield fund (€4.3 million).

IDeA EESS fund

On 4 October, M&C formalised and finalised its agreements with DeA Capital S.p.A. for the sale of its units and related rights of the IDeA Efficienza Energetica e Sviluppo Sostenibile fund, managed by IDeA Capital.

During the year, the fund's value increased by €3.8 million due to the gains recorded and draw-downs, while it decreased by €0.2 million due to management fees and by €3.7 million for reimbursements received. At the sales date, the fund units were worth €7.1 million, in line with their value at 31 December 2015 (€7.2 million).
M&C had acquired the fund units in March 2013 committing itself to investing €15.1 million. At the sales date, it had participated in draw-down requests for €10.1 million and collected reimbursements of €5.1 million. The sales consideration was €5.3 million, leading to a substantial breakeven for the transaction as a whole in financial terms and a gain of €2.5 million recognised in profit or loss.

Kairos Equity Yield fund

In October 2016, the chair and the managing director decided to sell the securities in the company's portfolio to assemble the liquidity needed to acquire control of Treofan and this included the units of the Kairos Equity Yield fund, in which it had invested €4.1 million. M&C made a gain of €414 thousand on the sale.

The available-for-sale financial assets are measured at fair value using a three-level hierarchy that reflects the significance of the inputs used in the measurements:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1);

(b) inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2);

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table shows the fair value levels used:

	31.12.2016			31.12.2015		
(in Euros)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt instruments						
- structured instruments						
- other instruments				1,294,514		
2. Equity instruments and OEIC units				8,052,714	7,216,741	
3. Loans						
Total	-	-	-	**9,347,228**	**7,216,741**	-

Financial assets at level 1-fair value included high yield bonds, listed shares and the investment in the Kairos fund; they were all measured using prices on the reference markets on which these instruments are traded.

Financial assets at level 2-fair value comprised the IDeA EESS fund units, for which the fund manager provided their NAV every six months as required by Bank of Italy.

Financial assets at level 3-fair value included profit participation rights, with a nil fair value, issued by Comital S.p.A..

None of the current financial assets had been pledged as guarantee or committed.

There were no transfers of financial assets from one fair value level to another in 2016.

2.5 - Cash and cash equivalents

(in Euros)	31.12.2016	31.12.2015	Variation
Bank and postal accounts	23,901,090	7,717,014	16,184,076
Cash and cash equivalents	1,199	1,676	(477)
Total	**23,902,289**	**7,718,690**	**16,183,599**

This caption consists of unrestricted bank current accounts.

The large increase in liquidity is a result of the company's decision to liquidate all its investments to obtain the resources needed to acquire control of Treofan, as resolved by the board of directors on 11 October 2016.

The company's net financial position is shown below with details of its main components as required by Consob communication no. 6064293 and CESR recommendation of 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses".

NET FINANCIAL POSITION (in Euros)	31.12.2016	31.12.2015
A. Cash and available bank current accounts	23,902,289	7,718,690
B. Other cash and cash equivalents		
C. Available-for-sale financial assets		9,347,230
D. **Total cash and cash equivalents (A) +(B)+(C)**	**23,902,289**	**17,065,920**
E. **Current financial assets**	**-**	**-**
F. Current financial liabilities		
G. Current portion of non-current indebtedness		
H. Other current financial liabilities		
I. **Current financial liabilities (F)+(G)+(H)**	**-**	**-**
J. **Net current financial position (D)+(E)-(I)**	**23,902,289**	**17,065,920**
K. Non-current bank loans and borrowings		
L. Bonds issued		
M. Other non-current liabilities		
N. **Non-current financial indebtedness (K)+(L)+(M)**	**-**	**-**
O. **Net financial position (J)+(N)**	**23,902,289**	**17,065,920**

The increase in the net financial position is mainly due to collection of €5.3 million on the sale of the IDeA EESS fund units, whose carrying amount was not included in the calculation of the company's net financial position at 31 December 2015. The improvement is also due to reimbursement of principal from the IDeA fund, net of management fees paid during the year of €3.3 million, the proceeds on the sale of securities in portfolio for a lower amount of approximately €0.8 million compared to their carrying amount at 31 December 2015 and the utilisation of €1.0 million for operating activities.

On 22 December 2016, M&C, Merced Capital and Goldman Sachs formalised the agreement for the acquisition by M&C of control of Treofan Group. The transaction closing took place on 9 February 2017 and entailed an outlay of €45.8 million by M&C.

This was made possible by the agreement of a temporary credit facility of €25 million at the end of November 2016 to be repaid upon completion of the capital increase of €30.5 million resolved upon by the shareholders in their extraordinary meeting of 31 January 2017 and guaranteed for €25 million by the company's two main shareholders with the remainder guaranteed by an underwriting consortium.

LIABILITIES

Section B.3 - Equity

3.1 - Share capital

(in Euros)	31.12.2016	31.12.2015	Variation
Ordinary shares	80,000,000	80,000,000	-
Total	**80,000,000**	**80,000,000**	**-**

At 31 December 2016, the company's fully subscribed and paid-up share capital amounts to €80.0 million, consisting of 474,159,596 ordinary shares without a nominal amount.

3.2 - Treasury shares

(in Euros)	31.12.2016	31.12.2015	Variation
Ordinary shares	(50,032,057)	(50,032,057)	-
Total	(50,032,057)	(50,032,057)	**-**

The company has 66,754,352 treasury shares from: (i) the repurchase of ordinary shares after the procedure recognising the shareholders' right to withdraw in 2008, when the board of directors repurchased 64,372,907 shares for €0.7402 per share and a total of €47,648,826; and (ii) the repurchase of 2,381,445 preferred shares in April 2010, leading to the conversion of preferred shares into ordinary shares.

At the reporting date, there were 407,405,244 outstanding M&C shares.

3.3 - Reserves

(in Euros)	31.12.2016	31.12.2015	Variation
Reserves			
a) legal	36,573		36,573
b) statutory			-
c) treasury shares	50,032,057	50,032,057	-
d) losses carried forward	(15,344,965)	(19,051,582)	3,706,617
e) share capital decrease	20,790,261	20,790,261	-
f) stock options	-	3,011,739	(3,011,739)
g) share capital increase costs	(7,207,680)	(7,207,680)	-
Total	**48,306,246**	**47,574,795**	**731,451**

This caption comprises the following reserves:

a) the *legal reserve* set up pursuant to article 2430 of the Italian Civil Code and equal to 5% of the profit for 2015;

c) the *reserve for treasury shares*, set up for the treasury shares held by M&C following two shareholders' resolutions to decrease share capital in 2007 and 2008 for a total €70,822,318, to be used to repurchase treasury shares. The shareholders' resolutions about the repurchase of treasury shares have expired and the difference between the cost incurred for the treasury shares (€50,032,060) and the reduction in share capital (€70,822,318) has been classified to an available reserve from the share capital reduction. M&C's shareholders have not currently approved the repurchase of treasury shares;

d) *losses carried forward*, the variation in which is due to the carry forward of the loss for 2015, net of that allocated to the legal reserve, and the reclassification of €3.0 million from the stock option reserve;

e) the *reserve from the share capital decrease*, which consists of the difference between the reduction carried out to repurchase treasury shares in 2007 and 2008 and the treasury shares' historical cost, as specified in point c) above;

f) the *stock option reserve*, which no longer exists and had been set up to cover the cost of the stock options assigned by the company. The exercise period of the vested options expired with approval of the financial statements at 31 December 2015 and the entire amount which was not exercised was reclassified to "losses carried forward";

g) the *reserve for the share capital increase costs*, being the result of the offsetting against equity (as the negative reserve for the share capital increase) of the costs incurred to organise the share capital increase and the stock exchange listing in June 2006.

3.4 - Valuation reserves

These reserves of €14,441 thousand (31 December 2015: €684,292 thousand) may be analysed as follows:

(in Euros)	31.12.2016 Fair value gains	31.12.2016 Fair value losses	31.12.2015 Fair value gains	31.12.2015 Fair value losses	Variation
1. Debt instruments			19,937		(19,937)
2. Equity instruments				(174,220)	174,220
3. OEIC units			850,396		(850,396)
4. Actuarial gains (losses) on defined benefit plans		(14,441)		(11,821)	(2,620)
5. Loans					
Total	-	**(14,441)**	**870,333**	**(186,041)**	**(698,733)**

The table required by article 2427-7.bis of the Italian Civil Code is set out below:

(in Euros)	Amount	Possible use	Distributable amount	Available	Use in last three years: To cover losses	Use in last three years: Other reasons
Share capital	80,000,000	B,C				
Legal reserve	36,573	B				
Reserve for share capital increase costs	(7,207,680)					
Valuation reserve	(14,441)					
Reserve for the repurchase of treasury shares	50,032,057					
Reserve for share capital decrease	20,790,261	A, B, C	20,790,261	20,790,261		
Losses carried forward	(15,344,964)					

Key:
A: share capital increase
B: to cover losses
C: dividend distribution

Section B.4 - Non-current liabilities

4.1 - Employee benefits

(in Euros)	31.12.2016	31.12.2015
A. Opening balance	**56,678**	**55,807**
B. Increases		
B1. Accruals	20,634	24,764
B2. Other increases		
C. Decreases		
C1. Payments		1,769
C2. Other decreases	12,569	22,124
D. Closing balance	**64,743**	**56,678**

At the reporting date, the caption includes actuarial losses of €14.4 thousand compared to €2.6 thousand at 31 December 2015. The difference was recognised in other comprehensive income.

Other decreases relate to the benefits that accrued during the year and were transferred to the pension funds.

An independent actuary's appraisal was used to determine the post-employment benefits at year end. This appraisal considered information provided by the company using the following assumptions:

	31.12.2016	31.12.2015
Annual discount rate	1.62%	2.30%
Annual inflation rate	1.50%	1.50% for 2016 1.80% for 2017 1.70% for 2018 1.60% from 2019 2.00% from 2020
Annual increase in post-employment benefits rate	2.625%	2.625% for 2016 2.850% for 2017 2.775% for 2018 2.700% from 2019 3.00% from 2020
Annual salary increase rate	3.00%	3.00%

4.2 - Deferred tax liabilities

The deferred tax liabilities relate to the fair value measurement of available-for-sale financial assets sold during 2016, which led to the reclassification of the deferred tax liabilities.

Section B.5 - Current liabilities

5.1 - Trade payables

(in Euros)	31.12.2016	31.12.2015	Variation
Trade payables - third parties	716,284	99,311	616,973
Trade payables - related parties		25,886	(25,886)
Total	**716,284**	**125,197**	**591,087**

Section D.3.3 of these notes provides information about the company's suppliers that are related parties.

5.2 - Other current liabilities

(in Euros)	31.12.2016	31.12.2015	Variation
Related parties			
Employees	101,426	81,322	20,104
Other	5,635	5,635	-
Tax authorities			
Current tax liabilities		63,961	(63,961)
Withholdings	71,304	71,793	(489)
Social security institutions	55,810	49,316	6,494
Accrued expenses	19,925	2,929	16,996
Total	**254,100**	**274,956**	**(20,856)**

Payables to employees relate to the variable part of their remuneration recognised at the reporting date and paid in January 2017 as well as accrued untaken holidays.

Current tax liabilities solely consist of the 2016 IRAP liability of €18 thousand and were offset by the €68 thousand tax asset for IRAP payments on account made during the year.

PART C - NOTES TO THE INCOME STATEMENT

Section C.1 - Revenue

1.1 - Revenue from goods and services

(in Euros)	2016	2015	Variation
Services	-	23,333	(23,333)
Total	**-**	**23,333**	**(23,333)**

1.2 - Other revenue

(in Euros)	2016	2015	Variation
Recharges of costs incurred	7,073	15,501	(8,428)
Other revenue and income	148,945	158,655	(9,710)
Total	**156,018**	**174,156**	**(18,138)**

Section C.2 - Operating expenses

2.1 - Personnel expense

(in Euros)	2016	2015	Variation
1. Employees			
a) wages and salaries and similar expense	251,571	275,654	(24,083)
b) social security charges	79,976	42,989	36,987
c) termination benefits			
d) pension costs			
e) accrual for post-employment benefits	18,859	18,791	68
f) accrual for pension and similar provisions			
g) payments to third-party complementary pension funds			
h) other expenses	6,438	58,579	(52,141)
2. Other operating personnel			
3. Directors' and statutory auditors' fees	558,975	605,792	(46,817)
4. Retired personnel			
5. Cost recoveries for personnel seconded to other companies			
6. Cost reimbursements for personnel seconded to the company			
7. Accrual for stock option plans			
Total	**915,819**	**1,001,805**	**(85,986)**

The company's workforce is as follows:

Position	31.12.2016	2016 average	31.12.2015	2015 average
Managers	1	1.0	1	1.1
White collars	1	1.0	1	1.0
Total	**2**	**2.0**	**2**	**2.1**

The balance related to the directors and statutory auditors comprises:

- directors' fees of €351 thousand;
- fees of €46 thousand paid to directors and statutory auditors who sit on internal committees;
- social security contributions of €4 thousand;
- statutory auditors' fees of €73 thousand;
- insurance premiums (D&O) of €86 thousand paid for the directors and statutory auditors; this amount does not include the run off cost of the policy after five years (€46 thousand) as the run off period ended on 31 December 2015.

2.2 - Amortisation, depreciation and impairment losses

The caption includes €78 thousand accrued to the allowance for impairment as a result of the out-of-court settlement of the Tiscali dispute and €4 thousand for amortisation and depreciation of the year.

2.3 - Other operating expenses

(in Euros)	2016	2015
1. Consultancy and professional services for investments	653,462	
2. Other professional services for administrative, corporate, legal, tax, etc. services	292,041	192,790
3. Audit fees and costs	61,249	66,942
4. General costs	190,611	263,054
5. Travel expenses	19,102	26,935
6. Use of third party assets	87,658	106,182
7. Utilities	15,207	19,363
Total	**1,319,330**	**675,266**

Investing activities all refer to the consultancy services received during the sale (which then became the acquisition) of the Treofan investment.

Other professional services for administrative, corporate, legal and tax services mainly relate to the cost of outsourcing and specific consultancy services, mostly for the non-recurring transactions which took place towards the end of the year.

Section C.3 - Financial income and expense

3.1 - Financial income

(in Euros)	Debt instruments	Loans	Other	2016	2015	Variation
1. Financial assets held for trading						
2. Financial assets at fair value						
3. Available-for-sale financial assets	74,181			74,181	92,102	(17,921)
4. Held-to-maturity investments						
5. Loans and receivables						
5.1 Loans and receivables with banks			68,894	68,894	60,895	7,999
5.2 Loans and receivables with financial institutions						
5.3 Other loans		2,083,770		2,083,770	2,184,291	(100,521)
6. Other assets			52	52	378	(326)
7. Hedging derivatives						
total	**74,181**	**2,083,770**	**68,946**	**2,226,897**	**2,337,666**	**(110,769)**

Interest income on debt instruments relates to the bonds. Interest on loans refers to the loan granted to Treofan Group. Income from other transactions relates to bank current account interest income, interest on tax assets and exchange rate gains.

3.2 - Financial expense

Immaterial amount of bank fees and exchange rate losses.

3.3 - Gains on investments and securities

(in Euros)	Debt instruments	Equity instruments	OEIC units	2016	2015	Variation
1. Financial assets held for trading						
2. Financial assets at fair value						
3. Available-for-sale financial assets	7,414	193,200	2,902,813	3,103,427	1,233,542	1,869,885
4. Held-to-maturity investments						
5. Loans and receivables						
6. Other assets						
7. Hedging derivatives						
Total	**7,414**	**193,200**	**2,902,813**	**3,103,427**	**1,233,542**	**1,869,885**

Gains on debt instruments

They include gains on the sales made in October 2016.

Gains on equity instruments

These gains include dividends received on temporary investments in listed shares.

Gains on OEIC units

This caption comprises gains of €2.5 million on the sale of the IDeA EESS fund units and €414 thousand on the disinvestment of the Kairos fund units.

3.4 - Losses on investments and securities

(in Euros)	Debt instruments	Equity instruments	OEIC units	2016	2015	Variation
1. Financial assets held for trading						
2. Financial assets at fair value						
3. Available-for-sale financial assets	1,005	1,219,259		1,220,264	1,238,821	(18,557)
4. Held-to-maturity investments						
5. Loans and receivables						
6. Other assets						
7. Hedging derivatives						
Total	**1,005**	**1,219,259**	**-**	**1,220,264**	**1,238,821**	**(18,557)**

All the losses refer to the sale of the bonds and listed shares in October 2016.

Section C.4 - Current and deferred taxes

4.1 - Current and deferred taxes

M&C's taxable profit for the year led to the recognition of current IRAP of €18 thousand and a tax loss for IRES purposes of €1.3 thousand.

Reconciliation between the effective and theoretical tax expense (IRES)

(in Euros)	2016		2015	
	Carrying amount	**Theoretical tax expense**	**Carrying amount**	**Theoretical tax expense**
Pre-tax profit	1,938,955		845,895	
Theoretical tax expense (%)	27.5	533,213	27.5	232,621
Temporary differences taxable in future years:				
Impairment losses on securities			336,106	
impairment losses on loans and receivables	77,707			
	77,707			
Reversal of temporary differences from previous years				
Impairment losses on securities	(2,230,086)		-	
	(2,230,086)		-	
Differences which will not reverse in future years:				
Impairment losses on investments				
Reversal of prior year taxes				
Prior year income on taxes relative to prior years				
Other increases (Tobin tax)	3,963		8,223	
Other decreases	(216,226)		(377,464)	
Non-deductible sundry expenses	13,633		33,561	
	(198,630)		(335,680)	
Tax base	(412,054)		846,321	
Prior year losses			(677,057)	
Net tax base	(412,054)		169,264	
Current income taxes		**(113,315)**		**46,548**

4.2 - Basic earnings (loss) per share

The basic earnings (loss) per share are calculated by dividing the profit (loss) for the year by the average number of shares outstanding in the year.

The diluted earnings (loss) per share are calculated by dividing the profit for the year by the average number of ordinary shares outstanding in the year, adjusted to reflect the diluting effects of options.

Information on the shares used to calculate the basic and diluted earnings per share is given below:

(in Euros)	2016	2015	Variation
Profit for the year	**1,921,300**	**731,451**	**1,189,849**
Average number of outstanding shares (total issued less treasury shares)	407,405,244	407,405,244	-
Basic earnings per share	**0.0047**	**0.0018**	**0.0029**
Dilutive adjustment to profit for the year	-	-	-
Profit for the year adjusted for dilution	**1,921,300**	**731,451**	**1,189,849**
Number of potential shares to be issued after exercise of stock options	N.A.	-	-
Total average number of shares outstanding and to be issued	407,405,244	407,405,244	-
Diluted earnings per share	**0.0047**	**0.0018**	**0.0029**

Since 28 May 2016, the company has no longer had stock option plans, while it had previously assigned a diluting effect to the stock options solely if the exercise price was lower than the market price of the issuer's shares, as required by IAS 33.46.

PART D - OTHER INFORMATION

Section D.1 - The company's activities

M&C invests in equity and other financial instruments. The difficult financial market conditions and related credit restrictions for companies imposed by banks as well as the ongoing recession, characterising the last few years, have led the company to adopt an extremely prudent and selective approach. During the year, the company focused on managing its investment and the temporary investment of liquidity in financial instruments.

Section D.2 - Information on risks and related hedging policies

Considering the nature of the company's activities, its investments and lack of debt, it is not significantly exposed to financial risks such as credit risk, price risk, liquidity risk or cash flow risk.

With respect to risk deriving from the company's existing credit exposure, the assets other than the investment and the shareholder loan recognised in the financial statements mainly relate to liquidity deposited with banks. The carrying amount of the investment and related shareholder loan bear a more business type risk.

The company is not exposed in foreign currency.

The company does not grant loans, except possibly to its subsidiaries and associates.

Section D.3 - Related party transactions

3.1 Directors' fees and managers' salaries

The Remuneration report, prepared pursuant to article 84-quater of Consob regulation no. 11971 of 24 February 1998 (the Issuer Regulation) and published as an annex to the Corporate Governance Report, provides exhaustive details about the fees paid and due to the directors and key management personnel.

Fees of the members of the board of directors, board of statutory auditors, CEOs and key management personnel

The annual fees of the board of directors amount to €15 thousand per director, increased by €75 thousand for the chair, €200 thousand pa for the managing director and by €5 thousand for each board committee member.

The board of directors had approved payment of a bonus to the managing director, Mr. Emanuele Bosio, should the sale of the Treofan investment take place before 31 December 2016 at a price higher than a set amount. As this sale did not take place, the conditions for payment of the bonus were not met.

The fees of the board of statutory auditors amount to €20 thousand per annum per standing statutory auditor and to €30 thousand per annum for the chair.

Stock option plans

The stock option plans (the original stock option plan, established on 24 November 2005, and the additional plan, established on 24 May 20106) have both expired. As provided for by the regulation of the two stock option plans adopted by the company in 2005 and 2006, the possibility to exercise vested options expired on 27 May 2016, the thirtieth day after approval of the 2015 financial statements. None of the beneficiaries exercised the options and M&C does not have active stock option plans since 28 May 2016.

3.2. Loans and receivables granted to, and guarantees given on behalf of directors and statutory auditors

The company has not given any guarantees on behalf of its directors or statutory auditors.

3.3 Related party transactions

<u>*Management and coordination, related party transactions*</u>

With respect to article 2497-sexies of the Italian Civil Code, M&C was managed and coordinated by PER S.p.A., controlled by Carlo De Benedetti, in 2016. The key figures of the most recently approved financial statements of PER S.p.A. are those at 31 December 2015:

PER S.p.A. - STATEMENT OF FINANCIAL POSITION (in Euros)

Assets	**31.12.2015**	**31.12.2014**
Intangible assets	867	3,608
Non-current financial assets	77,315,510	75,781,780
Loans and receivables	85,008	118,069
Cash and cash equivalents	841,533	69,749
Total assets	**78,242,918**	**75,973,206**

Liabilities	**31.12.2015**	**31.12.2014**
Equity	8,623,937	9,548,568
Current liabilities	69,618,981	66,424,638
Total liabilities and equity	**78,242,918**	**75,973,206**

PER S.p.A. - INCOME STATEMENT (in Euros)	**2015**	**2014**
Production cost	(189,313)	(298,669)
Net financial expense	(735,318)	(1,272,763)
Loss for the year	**(924,631)**	**(1,571,432)**

PER's financial statements show commitments (in the memorandum and contingency accounts) of €26,379,085 for both years.

Related parties and related party transactions:

- Planyx S.A., a Swiss company in which the honorary chair, Carlo De Benedetti, has significant interests and with which M&C has signed a deal management and deal execution agreement for a quarterly amount of SFR8.8 thousand. At 31 December 2016, accrued fees amounted to roughly €24 thousand. The agreement expired on 31 December 2016.

- Embed Capital S.r.l., in which the managing director Emanuele Bosio has an investment, which receives fees for the position of managing director, based on an ongoing reversibility agreement between Embed Capital S.r.l. and Mr. Bosio. The fees accrued for the year amount to €215 thousand.
- Treofan Holdings GmbH, in which M&C has an investment, on whose behalf costs of €7 thousand were incurred and were recharged to it and the fees of €100 thousand accrued during the year for involvement in Treofan's steering committee. M&C also gave Treofan Germany GmbH & Co. KB a shareholder loan and the related receivable at 31 December 2016 was €16.7 million.
- Romed S.p.A., indirectly controlled by the honorary chairman, Mr. De Benedetti, which has made the use of office space available and provides the related general services since 1 March 2015 for a fee of €750 per month. At year end, fees of €9 thousand had accrued.

Transactions carried out with related parties take place at normal market conditions.

Brief description of related party transactions:

	31.12.2016		2016			
(€'000)	Non-current financial assets	Loans and receivables	Personnel expense	Other operating expenses	Revenue and other income	Interest income
Planyx SA (former Starfin SA)				24		
Embed Capital S.r.l.			215			
Treofan Holdings GmbH	16,707	53			107	2,084
Romed S.p.A.		3			9	
Total	**16,707**	**56**	**215**	**24**	**116**	**2,084**
% of financial statements caption	**100.0%**	**9.4%**	**23.5%**	**1.8%**	**74.4%**	**93.6%**

Shareholder agreement

There are no shareholder agreements.

Section D.4 - Other information

4.1 Changes in the corporate governance system and company bodies

No changes took place in 2016.

4.2 Atypical and/or unusual transactions

Pursuant to the Consob communication of 28 July 2006, it is noted that the company has not undertaken atypical and/or unusual transactions during the year.

4.3 Significant non-recurring events and/or transactions

As required by the above Consob communication, no significant non-recurring transactions took place during the year.

4.4 Publication of the fees for audit and other services pursuant to article 149-duodecies of Consob's Issuer Regulation

In accordance with article 149-duodecies of the Consob Issuer Regulation, the following table sets out information about the fees paid to the independent auditors for the services provided:

1) audit services which include:

- audit of annual financial statements in order to express opinions;
- reviews of interim reports.

2) other non-attestation services.

	Provider	Fees (in Euros)
Audit		
Annual separate and individual financial statements and interim financial report	Deloitte	62,000
Other attestation services		
Check of compliance of the unified tax return, the 770 form and the 2016 VAT return for the offsetting of tax credits	Deloitte	5,000
Total		**67,000**

On 29 April 2015, the shareholders engaged Deloitte & Touche S.p.A. as its independent auditors for the legally-required audit of its financial statements for the period from 2015 to 2023.

The fees shown in the table for 2016 are those agreed by contract and include any index-linked adjustments (net of out-of-pocket expenses, supervisory contributions and VAT).

Statement on the separate financial statements pursuant to article 81-ter of Consob regulation no. 11971 of 14 May 1999 and subsequent amendments and integrations

Pursuant to article 154-bis.3/4 of Legislative decree no. 58 of 24 February 1998, Emanuele Bosio, as chair, and Marco Viberti, as manager in charge of financial reporting, state that:

- the administrative and accounting procedures are adequate given the company's characteristics; and
- they have been applied effectively during 2016 to prepare the separate financial statements.

No issues arose.

Moreover, they state that the 2016 separate financial statements:

- have been prepared in accordance with the IFRS endorsed by the European Community pursuant to EC regulation 1606/2002 of the European Parliament and Council dated 19 July 2002;
- are consistent with the accounting records and entries;
- are suitable to give a true and fair view of the financial position of the issuer at 31 December 2016 and its results of operations and changes in equity and cash flows for the year then ended;
- the directors' report includes a reliable analysis of the issuer's performance and results of operations, as well as its financial position, together with a description of the main risks and uncertainties to which it is exposed.

17 March 2017

The Chair	Manager in charge of financial reporting
Emanuele Bosio	Marco Viberti
(signed on the original)	(signed on the original)

Deloitte.

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RELAZIONE DELLA SOCIETÀ DI REVISIONE INDIPENDENTE AI SENSI DEGLI ARTT. 14 E 16 DEL D. LGS. 27 GENNAIO 2010, N. 39

Agli Azionisti di
M&C S.p.A.

Relazione sul bilancio d'esercizio

Abbiamo svolto la revisione contabile del bilancio d'esercizio di M&C S.p.A., costituito dalla situazione patrimoniale-finanziaria al 31 dicembre 2016, dal conto economico, dal conto economico complessivo, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario per l'esercizio chiuso a tale data, da una sintesi dei principi contabili significativi e dalle altre note esplicative.

Responsabilità degli Amministratori per il bilancio d'esercizio

Gli Amministratori sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. n. 38/05.

Responsabilità della società di revisione

E' nostra la responsabilità di esprimere un giudizio sul bilancio d'esercizio sulla base della revisione contabile. Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia) elaborati ai sensi dell'art. 11 del D.Lgs. 39/10. Tali principi richiedono il rispetto di principi etici, nonché la pianificazione e lo svolgimento della revisione contabile al fine di acquisire una ragionevole sicurezza che il bilancio d'esercizio non contenga errori significativi.

La revisione contabile comporta lo svolgimento di procedure volte ad acquisire elementi probativi a supporto degli importi e delle informazioni contenuti nel bilancio d'esercizio. Le procedure scelte dipendono dal giudizio professionale del revisore, inclusa la valutazione dei rischi di errori significativi nel bilancio d'esercizio dovuti a frodi o a comportamenti o eventi non intenzionali. Nell'effettuare tali valutazioni del rischio, il revisore considera il controllo interno relativo alla redazione del bilancio d'esercizio dell'impresa che fornisca una rappresentazione veritiera e corretta al fine di definire procedure di revisione appropriate alle circostanze, e non per esprimere un giudizio sull'efficacia del controllo interno dell'impresa. La revisione contabile comprende altresì la valutazione dell'appropriatezza dei principi contabili adottati, della ragionevolezza delle stime contabili effettuate dagli Amministratori, nonché la valutazione della presentazione del bilancio d'esercizio nel suo complesso.

Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Giudizio

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria di M&C S.p.A. al 31 dicembre 2016, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. n. 38/05.

Relazione su altre disposizioni di legge e regolamentari

Giudizio sulla coerenza della relazione sulla gestione e di alcune informazioni contenute nella relazione sul governo societario e gli assetti proprietari con il bilancio d'esercizio

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n.720B al fine di esprimere, come richiesto dalle norme di legge, un giudizio sulla coerenza della relazione sulla gestione e delle informazioni della relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma 4, del D.Lgs. 58/98, la cui responsabilità compete agli Amministratori di M&C S.p.A., con il bilancio d'esercizio di M&C S.p.A. al 31 dicembre 2016. A nostro giudizio la relazione sulla gestione e le informazioni della relazione sul governo societario e gli assetti proprietari sopra richiamate sono coerenti con il bilancio d'esercizio di M&C S.p.A. al 31 dicembre 2016.

DELOITTE & TOUCHE S.p.A.

Marco Miccoli
Socio

Milano, 5 aprile 2017

A.1 INDIVIDUAL FINANCIAL STATEMENTS

- Statement of financial position
- Income statement
- Statement of comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the individual financial statements
  - Part A - Accounting policies
  - Part B - Notes to the statement of financial position
  - Part C - Notes to the income statement
  - Part D - Other information

M&C

Individual financial statements as at and for the year ended 31 December 2016

STATEMENT OF FINANCIAL POSITION (*)

(€'000)

ASSETS	Note	31.12.2016	31.12.2015
Non-current assets			
Property, plant and equipment	1.1	3	4
Equity investments	1.2	26,396	33,449
Other non-current assets	1.3	814	1,044
Loans and receivables	1.4	16,707	14,623
Deferred tax assets	1.5	31	-
Total non-current assets		**43,951**	**49,120**
Current assets			
Loans and receivables	2.1	596	656
Current tax assets	2.2	628	589
Other current assets	2.3	839	754
Current financial assets	2.4	-	16,564
Cash and cash equivalents	2.5	23,902	7,719
Total current assets		**25,965**	**26,282**
Total assets		**69,916**	**75,402**

LIABILITIES AND EQUITY	Note	31.12.2016	31.12.2015
Equity			
Share capital	3.1	80,000	80,000
Treasury shares	3.2	(50,032)	(50,032)
Reserves	3.3	43,362	44,669
Valuation reserves	3.4	(3,291)	1,344
Loss		(1,158)	(1,307)
Total		**68,881**	**74,674**
Liabilities			
Non-current liabilities			
Employee benefits	4.1	65	57
Deferred tax liabilities	4.2	-	271
Total non-current liabilities		**65**	**328**
Current liabilities			
Trade payables	5.1	716	125
Other current liabilities	5.2	254	275
Total current liabilities		**970**	**400**
Total liabilities		**1,035**	**728**
Total liabilities and equity		**69,916**	**75,402**

(*) The effects of related party transactions on the statement of financial position are disclosed in the notes (Section D.3.3) pursuant to Consob communication no. 15519 of 27 July 2006.

M&C

Individual financial statements as at and for the year ended 31 December 2016

INCOME STATEMENT (*)

(€'000)	Note	2016	2015
Revenue from sales and services	1.1	-	23
Other revenue	1.2	114	133
Personnel expense	2.1	(916)	(1,002)
Amortisation, depreciation and impairment losses	2.2	(82)	(3)
Other operating expenses	2.3	(1,319)	(675)
Operating loss		**(2,203)**	**(1,524)**
Financial income	3.1	1,360	1,430
Financial expense	3.2	(10)	(3)
Net financial income		**1,350**	**1,427**
Gains on investments and securities	3.3	3,103	1,233
Losses on investments and securities	3.4	(3,390)	(2,329)
Net losses on investments and securities		**(287)**	**(1,096)**
Pre-tax loss for the year		**(1,140)**	**(1,193)**
Current and deferred taxes	4.1	(18)	(114)
Loss from continuing operations		**(1,158)**	**(1,307)**
Loss for the year		**(1,158)**	**(1,307)**
Loss per share (**)		(0.0028)	(0.0032)
Diluted loss per share (**)		(0.0028)	(0.0032)

(*) The effects of related party transactions on the income statement are disclosed in the notes (Section D.3.3) pursuant to Consob communication no. 15519 of 27 July 2006.
(**) Calculated using outstanding shares, less treasury shares.

M&C

Individual financial statements as at and for the year ended 31 December 2016

STATEMENT OF COMPREHENSIVE INCOME

(€'000)	Note	2016	2015
Loss for the year		**(1,158)**	**(1,307)**
Other comprehensive income (expense), net of income taxes which will not be reclassified subsequently to profit or loss			
Non-current assets held for sale			
Actuarial gains (losses) on defined benefit plans	3.4	(3)	89
		(3)	**89**
Other comprehensive income (expense), net of income taxes that may be reclassified subsequently to profit or loss			
Gains (losses) on available-for-sale financial assets	3.4	(696)	556
Portion of valuation reserves of equity-accounted investees	3.4	(3,936)	(396)
		(4,632)	**160**
Comprehensive expense		**(5,793)**	**(1,058)**

M&C

Individual financial statements as at and for the year ended 31 December 2016

STATEMENT OF CHANGES IN EQUITY

(€'000)	Equity at 31.12.2015	Allocation of prior year loss: Reserves	Allocation of prior year loss: Dividends and other allocations	Changes in 2016: Changes in reserves	Changes in 2016 – Operazioni sul patrimonio netto: Repurchase of treasury shares	Changes in 2016 – Operazioni sul patrimonio netto: Stock options	Changes in 2016 – Operazioni sul patrimonio netto: Other changes	Changes in 2016: Comprehensive expense	Equity at 31.12.2016
Share capital	80,000								80,000
Share premium									
Reserves	44,669	(1,307)		3,012		(3,012)			43,362
Valuation reserves	1,344							(4,635)	(3,291)
Equity instruments									
Treasury shares	(50,032)								(50,032)
Loss for the year	(1,307)	1,307						(1,158)	(1,158)
	74,674	**-**	**-**	**3,012**	**-**	**(3,012)**	**-**	**(5,793)**	**68,881**

M&C

Individual financial statements as at and for the year ended 31 December 2016

STATEMENT OF CHANGES IN EQUITY

		Allocation of prior year loss		Changes in 2015					
					Operazioni sul patrimonio netto				
(€'000)	**Equity at 31.12.2014**	**Reserves**	**Dividends and other allocations**	**Changes in reserves**	**Repurchase of treasury shares**	**Stock options**	**Other changes**	**Comprehensive expense**	**Equity at 31.12.2015**
Share capital	80,000								80,000
Share premium									
Reserves	57,594	(12,925)							44,669
Valuation reserves	1,095							249	1,344
Equity instruments									
Treasury shares	(50,032)								(50,032)
Loss for the year	(12,925)	12,925						(1,307)	(1,307)
	75,732	**-**	**-**	**-**	**-**	**-**	**-**	**(1,058)**	**74,674**

M&C

Individual financial statements as at and for the year ended 31 December 2016

STATEMENT OF CASH FLOWS - indirect method

(€'000)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	(1,158)	(1,307)
Adjustments to reconcile loss for the year with cash flows generated by (used in) operating		
Amortisation and depreciation and net impairment losses on non-current assets	4	3
Net change in deferred tax assets (liabilities) and current taxes	(340)	152
Impairment losses on equity investments and other costs and revenue	7,052	2,355
Impairment losses on illiquid financial assets		335
Change in post-employment benefits and recognition of stock options	8	1
Uncollected interest	(2,084)	(2,182)
Change in current assets and liabilities		
Change in trade receivables and payables	650	(56)
Change in other assets and liabilities	124	333
CASH FLOWS GENERATED BY (USED IN) OPERATING ACTIVITIES (A)	**4,256**	**(366)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments/disinvestments in property, plant and equipment and intangible assets	(2)	-
Change in other illiquid financial assets	7,217	(3,191)
CASH FLOWS GENERATED BY (USED IN) INVESTING ACTIVITIES (B)	**7,215**	**(3,191)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Other changes in equity	(4,635)	249
CASH FLOWS GENERATED BY (USED IN) FINANCING ACTIVITIES (C)	**(4,635)**	**249**
TOTAL CASH FLOWS (D=A+B+C)	**6,836**	**(3,308)**
OPENING CASH AND CASH EQUIVALENTS (E)	**17,066**	**20,374**
CLOSING CASH AND CASH EQUIVALENTS (G=D+E)	**23,902**	**17,066**

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

PART A - ACCOUNTING POLICIES

M&C S.p.A. ("M&C" or the "company") has not been required to prepare consolidated financial statements since September 2011. However, pursuant to IAS 28, it prepares individual financial statements, in which it has measured its sole investment with significant influence using the equity method. IAS 27 also gives the option to prepare other financial statements in which investments are measured at cost (separate financial statements).

Like in previous years, M&C has decided to prepare both individual financial statements, in which the investment is measured using the equity method, and separate financial statements, in which it is measured at cost, for 2016.

In order to ensure continuity with the resolutions passed in previous years, the directors decided to present these separate financial statements, in which the investment is measured at cost, to the shareholders for their approval.

Section A.1 - Statement of compliance

The individual financial statements of M&C as at and for the year ended 31 December 2016 have been prepared pursuant to Legislative decree no. 38 of 28 February 2005 in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission, as established by EC regulation 1606 of 19 July 2002. The IFRS include all the current applicable standards and the interpretations issued by the International Reporting Interpretations Committee (IFRIC), previously called the Standing Interpretations Committee (SIC).

Section A.2 - Basis of preparation

Pursuant to IAS 1, the individual financial statements comprise a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows (the "individual financial statements") and these notes. They are accompanied by a directors' report which illustrates the company's operations, financial position and results of operations. The individual financial statements include comparative figures for 2015.

The individual financial statements: (i) are clearly stated and give a true and fair view of the company's financial position at 31 December 2016 and its results of operations and cash flows for the year then ended; (ii) are consistent with the accounting records which faithfully show the transactions carried out during the year; and (iii) have been prepared in accordance with the fundamental concepts of the IFRS and specifically:

- the accruals basis of accounting: the effect of events and transactions is recognised when they occur and not when the related cash movements take place;
- going concern: the individual financial statements have been prepared on a going concern basis for the next twelve months. The directors have carefully assessed this assumption given the current economic and financial crisis. As described in their report, they deem that the risks and uncertainties to which the company is exposed do not compromise its financial position and assets;
- materiality: priority is given to the economic substance of events and transactions rather than their form;
- comparative information: the individual financial statements include comparative information in respect of the previous year.

These criteria are unchanged with respect to those applied to prepare the 2015 individual financial statements.

Pursuant to article 5 of Legislative decree no. 38/2005, the reporting currency is the Euro. Unless specified otherwise, the figures in the financial statements and the notes are in Euros. No departures from such standards have been made.

The directors' report and these notes include the disclosures required by law, Consob (the Italian Commission for Listed Companies and the Stock Exchange) and the IFRS.

For completeness of disclosure purposes, the company referred to i) Consob communication no. 0007780/16 of 28 January 2016 "*Communication about key issues in financial reports at 31 December 2015*" designed to draw the attention of users of financial statements to the aspects in the ESMA's public statement of 27 October 2015 "*European common enforcement priorities for 2015 financial statements*" and "*Improving the quality of disclosures in the financial statements*" about the disclosures that listed companies must include in their 2015 financial reports and those of subsequent years; ii) Consob communication no. 0031948/17 of 10 March 2017 "*Communication about key issues in financial reports at 31 December 2016"* designed to draw the attention of users of financial statements to the aspects in the ESMA's public statement of 28 October 2016 *"European common enforcement priorities for 2016 financial statements"* (ESMA/2016/1528) about the disclosures that listed companies must include in their 2016 financial reports.

Section A.3 - Events after the reporting date

On 5 January 2017, the chair of M&C's board of directors, Mr. Franco GIRARD, unexpectedly passed away. He was a person of vision, ability and exceptional humanity. During its meeting of 31 January 2017, the board of directors decided not to co-opt a new director given that the company bodies are to be renewed in the near future by the shareholders in their meeting called to approve the 2016 financial statements. It appointed Mr. Emanuele Bosio, the former managing director, as the new chair.

On 31 January 2017, the directors resolved that, with respect to the publication of the additional periodic financial reporting required by article 82-ter of the Issuer Regulation, the company will publish periodic financial reports for the first and third quarter of each year, to ensure continuity with the previous quarterly reports, on a voluntary basis. These financial reports will provide information about the key financial indicators of the Issuer and Treofan Group and will be consistent and comparable with the corresponding figures provided in the previously issued quarterly reports. They will also include a summary of the key events of the quarter. The board of directors will approve the periodic financial reports, which will be made available to the market through their lodgement with Borsa Italiana S.p.A., publication on the company's website (www.mecinv.com) and inclusion in the authorised storage system, eMarket STORAGE (www.emarketstorage.com), within the timeframe envisaged in the company's financial calendar and within 45 days of the quarterly closing date.

The shareholders met in an extraordinary meeting on 31 January 2017 and approved:

1) the capital increase of €30,555,393.30 to be offered to shareholders in a ratio of one new share to every two shares held for €0.15 per share. The 66,754,352 treasury shares held by M&C do not have this option. This resolution was taken to obtain the funding necessary to acquire control of Treofan Group;
2) amendment to articles 3 (Object) and 10 (Shareholders' meetings) of the company's by-laws. Again, the resolution reflects the board of directors' decision to acquire control of Treofan Group, with the company's resulting focus on just one investment that it intends to hold in the medium to long-term, which is the core business of a holding company, i.e, the acquisition of interests in other entities for a return on its investment. The amendments to articles 3 and 10 of the by-laws better reflect the company's real business object as a holding company. As a result of this resolution, the company recognises the right of those shareholders that did not agree with the resolution to exercise their withdrawal right, pursuant to article 2437 and following articles of the Italian Civil Code;

3) the application to delist the ordinary M&C shares from the investment vehicles segment of the stock exchange (MIV) and concurrent listing of the shares on the screen-based segment of the stock exchange (MTA) organised and managed by Borsa Italiana S.p.A..

The transaction to acquire control of Treofan Group as per the agreement signed on 22 December 2016 was closed on 9 February 2017. M&C increased its interest in Treofan Group from 41.59% to 98.75% at a cost of €45.8 million, including €26.3 million to acquire the shares and €19.5 million to take over the shareholder loan disbursed to Treofan by the selling shareholders. Note 2.5 in section B.2 of the notes to the financial statements provides information about this outlay.

Section A.4 - Other issues

The board of directors approved these individual financial statements on 17 March 2017. They will be published together with the separate financial statements and presented to the shareholders, called to meet on 28 April 2017 on first call and on 4 May 2017 on second call.

Section A.5 - Key financial statements captions

The recognition, classification, measurement and derecognition criteria for the key financial statements captions are set out below.

Current and non-current assets and liabilities

An asset is considered as current when it meets at least one of the following conditions:

- it will be realised during the entity's normal operating cycle, generally assumed to be 12 months;
- it is held primarily for trading purposes;
- it consists of cash and cash equivalents, the use of which is not restricted within the 12 months after the reporting date.

All other assets are analysed analytically to separate the "current" portion from the "non-current" portion.

If recognised, deferred tax assets are classified as non-current assets.

A liability is considered as current when it meets at least one of the following conditions:

- it will be settled during the entity's normal operating cycle, generally assumed to be 12 months;
- it is held primarily for trading purposes;
- the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

All other liabilities are analysed analytically to separate the "current" portion from the "non-current" portion.

If recognised, deferred tax liabilities are classified as non-current assets.

Equity investments

Recognition

This caption includes investments held in subsidiaries and associates recognised at cost, including transaction costs.

Measurement

Investments in associates are recognised at equity. Any loss exceeding the parent's share of their equity is recognised to the extent that the parent is obliged to meet legal or constructive obligations on behalf of the associate or to cover its losses.

The individual financial statements include the company's share of its associates' profits or losses, recognised using the equity method, from the date when significant influence is acquired until when it ceases. Unrealised profits with third parties are eliminated for the company's portion. Unrealised losses with third parties are also eliminated when they do not represent the effective smaller value of the asset sold.

If there is objective evidence that an investment in an associate may be impaired, the directors compare its carrying amount with its recoverable amount, i.e., the higher of its fair value less costs to sell and value in use.

Derecognition

Investments are derecognised when the contractual rights to cash flows generated by the assets expire or the financial asset is sold, transferring substantially all the related risks and rewards.

Financial assets

Recognition

Financial assets are classified as such at initial recognition pursuant to IAS 39. Specifically, available-for-sale financial assets are measured at fair value, increased by any directly-related transaction costs, if these are material and can be determined.

Measurement

They are subsequently measured at fair value with any fair value gains or losses recognised in equity until their disposal.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (this excludes a forced liquidation or a distress sale) between market participants at the measurement date. It is assumed that the entity can operate normally and does not intend to sell its assets, to cut back its operations significantly or agree transactions at unfavourable conditions.

According to IFRS 13, the fair value of financial instruments is determined using a hierarchy considering the origin, type and quality of the inputs available for measurement. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. There are three different levels of input:

a) Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;

b) Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

c) Level 3 inputs are unobservable inputs for the asset or liability.

Equity instruments (shares) that are not quoted on an active market and whose fair value cannot be determined reliably are measured at cost, decreased for impairment.

Impairment tests are performed at every reporting date and whenever necessary. Any significant impairment losses are taken to profit or loss.

When the reasons for impairment are eliminated due to an event that takes place subsequently to recognition of the impairment loss, the reversal of the impairment loss is taken to: (i) profit or loss for debt instruments; and (ii) equity for equity instruments.

A significant or prolonged decline in the fair value of equity instruments to below their cost is considered objective evidence of impairment.

In this respect, the IFRS make reference to quantitative thresholds without however imposing quantitative limits to define when the decline is to be considered significant or prolonged.

M&C has therefore adopted a policy that defines these thresholds. Specifically, the policy considers a significant decline in fair value of more than 20% as objective evidence of an impairment loss. In this case, an impairment loss is recognised in profit or loss without any further investigation.

Moreover, the policy defines a prolonged decline in fair value giving rise to impairment when it lasts for more than nine months. When this period is exceeded, an impairment loss is recognised in profit or loss without any further investigation.

Derecognition

Financial assets are derecognised when the contractual rights to cash flows generated by the asset expire or the financial asset is sold, transferring substantially all the related risks and rewards. The gain or loss on the sale of available-for-sale financial assets is recognised in profit or loss. Upon derecognition, any related accumulated fair value gain or loss is reclassified from equity to profit or loss.

Loans, receivables and other assets

Recognition

Loans and receivables are initially recognised at fair value, equal to the amount disbursed or consideration paid, plus directly attributable transaction costs/income, if material and determinable.

Measurement

After initial recognition, they are recognised at amortised cost, that is, they are measured at initial recognition minus/plus principal repayments, impairment losses/reversals of impairment losses and cumulative amortisation, using the effective interest method. Loans and receivables are tested for impairment which could determine a reduction in their estimated realisable value.

Derecognition

Loans and receivables are derecognised when the contractual rights to cash flows deriving therefrom expire or when they are sold, transferring substantially all the related risks and rewards.

Cash and cash equivalents

Cash and cash equivalents include cash and on sight deposits. Their carrying amount equals their fair value.

Current and deferred taxes

Income taxes, determined in accordance with the relevant national legislation, are recognised on an accruals basis and are the sum of current and deferred taxes.

Deferred tax assets and liabilities are determined considering the temporary differences between the carrying amounts and tax bases of assets and liabilities.

When the item generating the difference is recognised in profit or loss, the deferred tax is netted against income taxes, while when the item is recognised directly in equity, the deferred tax is also recognised directly in equity.

Current and deferred tax assets are recognised to the extent that their recovery is probable, determined considering the entity's ability to generate taxable profit on an ongoing basis.

Deferred tax assets and liabilities are assessed systematically to reflect any changes in the relevant legislation or tax rates.

They are determined using the expected tax rates for the difference in income in the years in which the temporary differences will reverse, based on the tax rates and legislation enacted or substantially enacted at the reporting date. The effect of changes in tax rates on these taxes is taken to profit or loss in the period in which the change arises. Deferred tax assets and liabilities are offset only when legally allowed.

Deferred tax assets and liabilities are recognised as non-current assets and liabilities, respectively.

Treasury shares

Treasury shares held by the company are deducted from equity. No gains or losses arising from their repurchase, sale, issue or derecognition are recognised in profit or loss. Any differences between the repurchase price and the sales price are recognised under equity.

Employee benefits

Post-employment benefits which are defined plan benefits are recognised during their vesting period and the company's obligation consists of granting and ensuring the agreed benefits for the employees. Therefore, it bears the actuarial and investment risk. Under IAS 19, Italian post-employment benefits are to be treated as defined benefit plans and the related liability is measured by an independent actuary.

The benefits vested by employees during the year are recognised under personnel expense while the interest expense, which is the cost to the company should it finance itself on the market for an amount equal to the post-employment benefits, is recognised under financial income and expense. The actuarial gains and losses are recognised directly in the valuation reserve under equity.

Financial and other liabilities

Financial liabilities are initially recognised at fair value, equal to the consideration received net of any directly related transaction costs, if material and determinable. Financial liabilities with normal settlement dates are initially recognised at fair value and subsequently at amortised cost, if significant.

They are derecognised upon settlement.

Revenue and cost recognition

Revenue from services is recognised at the fair value of the consideration received in the period in which the services were rendered.

Revenue from the sale of goods is recognised at the fair value of the consideration received when all the risks and rewards of ownership are transferred to the buyer.

Interest, income and expense are recognised using the effective interest method.

Costs are recognised in profit or loss on an accruals basis in the year in which the related revenue is recognised. Costs that cannot be matched to income are expensed immediately.

Share-based payments

Up until May 2016, the company recognised additional benefits for certain directors and employees in the form of stock option plans. Under IFRS 2 - Share-based payment, the company's plans were equity-settled share-based payment transactions. Therefore, the fair value of the stock options was measured at the grant date considering market conditions and any subsequent changes in fair value did not affect initial recognition.

Fair value measured at the grant date is recognised under personnel expense on a straight-line basis over the vesting period with a balancing entry under equity. At each reporting date, the company redetermines the number of vested and vesting options based on changes in the plan's vesting conditions.

Use of estimates

Financial statements captions are recognised and measured using the above accounting policies, the application of which sometimes requires the use of estimates which may significantly affect the carrying amounts. The estimates and related assumptions are based on historical experience and reasonable factors taken from other sources. However, being estimates, the forecast results may not match actual results.

The use of reasonable estimates is essential to preparation of financial statements. They are mostly used for the following financial statements captions:

- measurement of financial assets for which an active market does not exist;
- measurement of financial assets listed on active markets but which are illiquid on the reference market;
- measurement of equity investments.

The above procedure is particularly complex given the current macro-economic and market climate and is characterised by unusual volatility affecting the main financial ratios, which are relevant for this measurement.

An estimate can be adjusted following changes in the underlying circumstances or due to new information. Changes in estimates are applied prospectively and affect profit or loss in the year in which the change takes place and, possibly, the future years.

Assets and liabilities not carried at fair value or carried at fair value on an non-recurring basis: breakdown by fair value level

Except for the tax assets and shareholder loan granted to Treofan, the assets and liabilities recognised in the financial statements are all of a current nature. Therefore and as required by IFRS 7.29, their carrying amount is a reasonable approximation of their fair value.

The shareholder loan granted to Treofan was recognised at level 3 fair value at the initial recognition date.

Earnings (loss) per share

Pursuant to IAS 33, basic earnings (loss) per share are determined by dividing the profit or loss for the year by the weighted average number of outstanding shares, excluding treasury shares held by the company and/or its subsidiaries. Diluted earnings per share are calculated by adjusting the weighted average number of outstanding shares, considering all potential ordinary shares arising from the exercise of assigned and exercisable stock options. The effect of dilutive options not yet exercised is included in the calculation of diluted earnings (loss) per share when they are in-the-money.

Standards, amendments and interpretations applicable to annual periods beginning on or after 1 January 2016

Section A.5 of the notes to the separate financial statements describes the new standards and interpretations endorsed by the European Union and applicable from 1 January 2016.

PART B - NOTES TO THE STATEMENT OF FINANCIAL POSITION

ASSETS

Section B.1 - Non-current assets

1.1 - Property, plant and equipment

(€'000)	31.12.2016	31.12.2015	Variation
Owned			
a) land			
b) buildings			
c) furniture			
d) electronic systems	2	3	(1)
e) other	1	1	-
Under finance lease			
Total	**3**	**4**	**(1)**

None of the property, plant and equipment have been pledged as guarantee or committed.

1.2 - Equity investments

(€'000)	Carrying amount	Investment %	Voting rights %	Registered office	Total assets	Total revenue	Equity	Profit (loss) for the year	Listed (Yes/No)
A. Subsidiaries									
B. Jointly controlled entities									
C. Companies over which M&C has significant influence									
Treofan Holdings GmbH (*)	26,396	41.59	41.59	Raunheim (D)	310,409	413,831	83,884	(7,401)	No

(*) Figures taken from the consolidated reporting package at 31 December 2016 drawn up for inclusion in M&C's individual financial statements.

At the reporting date, M&C has an investment of 41.59% in Treofan Holdings GmbH with a carrying amount of €37.7 million (unchanged from 31 December 2015).

As disclosed elsewhere, following the process to sell Treofan Group, commenced in January 2016, a non-binding purchase offer was received, assessing the equity value of 100% of Treofan Group to be €85 million (without deducting the liability for the shareholder loan of €36.7 million), to be possibly adjusted at the closing to reflect changes in net financial debt and net working capital.

Treofan's other two main shareholders (Merced Capital and Goldman Sachs) formally accepted the offer while M&C decided not to, based on the German Group's profitability and expectations about additional significant improvements that the Group should see in the next few years. M&C found the offer to be too low and, accordingly, decided to exercise its purchase option and to buy Merced Capital's and Goldman Sachs' investments at the same conditions as those set out in the third party's offer.

On 22 December 2016, M&C, Merced Capital and Goldman Sachs formalised the agreement for the acquisition of their investments held directly and indirectly by Goldman Sachs (23.5%) and Merced Capital (22.6%), as well as their part of the shareholder loan. This gave M&C an 87.7% stake in Treofan, given its existing investment of 41.6% and also allowed the other shareholders to sell their 12.3% stakes in Treofan to M&C by agreeing to the sale.

The transaction was closed on 9 February 2017 and M&C increased its interest in Treofan Group from 41.59% to 98.75% at a cost of €45.8 million, including €26.3 million to acquire the shares and €19.5 million to take over the shareholder loan disbursed to Treofan by the selling shareholders. The consideration was calculated using an equity value of 100% of Treofan Group of €82.5 million (without deducting the liability for the shareholder loan).

Given the materiality of the Treofan investment to M&C, the transaction to acquire control and the new 2018-2020 business plan, M&C tested the investment's carrying amount for impairment at the reporting date. The test showed that the carrying amount of the investment (€27.7 million) and the prudently-included shareholder loan (€16.7 million) are in line with their recoverable amount.

As required by IAS 36, M&C estimated the investment's recoverable amount by considering the higher of the value in use and fair value less costs to sell, referring to the transaction that led to acquisition of control of Treofan.

The company calculated the value in use of the Treofan investment and the receivable for the shareholder loan at the reporting date using the following method:

Discounted cash-flow analysis (**DCF)**: this method was used to discount the cash flows included in Treofan's 2017 budget and the 2018-2020 business plan, recently approved by Treofan's advisory board, to the weighted average cost of capital (WACC).

The discounted cash flow method determines the value of an asset considering the net expected operating cash flows (unlevered free cash flow) discounted to the cost of the sources of funding necessary to generate the cash flows (discount rate or WACC or cost of capital). In order to find the investment's and shareholder loan's recoverable amounts, management adjusted the DCF results (enterprise value) by the investee's net financial position at 31 December 2016, including the shareholder loan, to obtain the equity value. They obtained the value of M&C's investment by prudently adding M&C's portion of the equity value (41.6%) to the shareholder loan (€16.5 million). The following parameters were used: WACC of 9.8%, estimated considering a cost of debt (kd) of 5.0% and cost of equity (ke) of 12.2%, a terminal value defined, inter alia, using a long-term sector growth rate (G-Rate) of 1.0%.

In order to estimate the cost of equity, management used the capital asset pricing model and the following parameters:

- a risk free (Rf) rate of 4.7%, estimated considering the weighted average of the return on the ten-year Bund issued by the German government, the ten-year treasury bond issued by the Italian government and the ten-year bond issued in US dollars by the Mexican government, calculated using the gross operating profit by production country expected for 2016;
- a levered Beta factor (β), estimated to equal 0.79, based on the unlevered Beta defined by Damodaran for the packaging sector of 0.62, an effective average tax rate for the period from 2017 to 2020 of 29.7% and an average expected debt ratio (or gearing ratio) for the period from 2016 to 2019 of 38.35%;
- an equity risk premium (Rm), estimated to be 5.69% [source: Damodaran];
- an additional risk premium of 3.0% to account for the fact that Treofan is not listed and is, thus, a less liquid investment;
- the discount rate of the terminal value was calculated considering an additional premium of 1%, compared to the above-mentioned WACC, to discount the greater variability of the cash flows used to calculate the terminal value.

The method was also integrated by a satisfactory sensitivity analysis of the discount rate (WACC) and the terminal value.

The company also used market methods as additional control methods:

- ***Market multiples***, applying the average multiple (enterprise value/gross operating profit) of a sample of the leading listed companies active in the BOPP film and packaging sectors to Treofan's 2016 gross operating profit. Specifically, the 2016 average enterprise value/gross operating profit ratio was 8.8x.
- ***Deal multiples***, applying the average multiple (enterprise value/gross operating profit) of a sample of the main M&A transactions of the period from 2011 to 2016 involving companies in the BOPP film sector to Treofan's 2016 budgeted gross operating profit. Specifically, the enterprise value/gross operating profit multiple was 7.0x.

As mentioned earlier, an equity investment's recoverable amount is the higher of its value in use and fair value less costs to sell at the reporting date. The value in use obtained using the DCF method confirms the recoverability of the equity investment's carrying amount, while the fair value, which is the value of the transaction to acquire control of Treofan Group, is lower than its carrying amount, given the smaller multiplier used in the transaction. The company also applied the deal multiples method method as the control method, which showed that, if a market multiplier is applied, the fair value of the Treofan investment is higher than its carrying amount at the reporting date.

None of the investments have been pledged as guarantee or committed.

The revolving credit facility of €62 million granted by a bank syndicate to Treofan and expiring on 31 December 2017 is secured with a first level guarantee on all Treofan Group's assets, excluding the new production line rolled out at Neunkirchen in 2015. Treofan management has commenced discussions to renegotiate the revolving credit facility with the bank syndicate to reflect the Group's smaller risk given the satisfactory outcome of its restructuring.

There are no restrictions to the transfer of funds to M&C by its investee in the form of repayments and loans. On the other hand, Treofan's financial restructuring agreements provide for specific authorisation clauses for the distribution of dividends.

The following table summarises the key financial figures of Treofan Group, taken from its consolidated reporting package at 31 December 2016 prepared for M&C's individual financial statements pursuant to the IFRS endorsed by the EU.

TREOFAN Group

(€'000)	2016	2015
Revenue	413,831	419,292
Profit from continuing operations	12,898	9,138
Profit (loss) net of financial income and expense	6,615	(1,573)
Loss for the year	(7,401)	(4,902)
Other comprehensive expense	(9,552)	(758)
Comprehensive expense	**(16,953)**	**(5,660)**
Attributable to non-controlling interests	-	-
Attributable to owners of the investee	(16,953)	(5,660)
	31.12.2016	**31.12.2015**
Current assets	136,607	133,133
Non-current assets	173,802	182,253
Current liabilities	(139,742)	(138,846)
Non-current liabilities	(86,783)	(75,703)
Net assets	**83,884**	**100,837**
Attributable to non-controlling interests	-	-
Attributable to owners of the investee	83,884	100,837
Net assets attributable to M&C at the start of the year	41,949	44,303
Comprehensive expense attributable to M&C	(7,052)	(2,354)
Net assets attributable to M&C at the end of the year	34,896	41,949
Impairment of the equity investment at 30 June 2014 recognised in the individual financial statements	(8,500)	(8,500)
Carrying amount of the investment at the reporting date	**26,396**	**33,449**

1.3 – Other non-current assets

(€'000)	31.12.2016	31.12.2015	Variation
Guarantee deposits	1	1	-
Tax assets	813	1,043	(230)
Total	**814**	**1,044**	**(230)**

Tax assets include the VAT asset that cannot be used for offsetting purposes during the next 12 months.

1.4 – Loans and receivables

(€'000)	31.12.2016	31.12.2015	Variation
Loan to Treofan	16,707	14,623	2,084
Loan to Botto Fila S.p.A.	1,164	1,164	-
Allowance for impairment	(1,164)	(1,164)	-
Total	**16,707**	**14,623**	**2,084**

The loan to Treofan of €35 million includes €16.5 million granted by M&C in two instalments, one in 2013 (€9.9 million) and one in 2014 (€6.6 million).

The shareholder loan's key characteristics are:

- expiry in the third month after reimbursement of the revolving credit facility granted by the bank syndicate due to expire at the end of 2017;
- subordination to all Treofan Group's liabilities;
- PIK interest rate (to be paid on the repayment date) tied to the profit of the financed company (Treofan Germany GmbH & Co. KG), up to a maximum of an annual 5%.

These loan characteristics show that it was not agreed at market rates. A similar unsecured subordinate loan agreement between independent parties would bear interest at a higher rate (14.25%).

The balance of the loan of €16.7 million is the fair value of the instalments provided for in the December 2013 agreements and the related interest calculated using the amortised cost method at the reporting date (interest rate of 14.25%).

The shareholder loan to Botto Fila was provided in 2008 and restructured in September 2011, before M&C sold its investment, reducing it to €1.1 million. The balance of €1,163,763 includes interest accrued to 15 November 2013, when the Biella Court handed down its ruling on the company's insolvency. The Court included M&C in the insolvency proceedings as a subordinated creditor.

1.5 - Deferred tax assets

Recognisable deferred tax assets amount to approximately €12.2 million, due to the tax losses for previous years. However, the directors recognise deferred tax assets on the carry forward tax losses to the extent of the company's deferred tax liabilities, if any, as the company's activities and financial market trends do not allow them to quantify future taxable profits and when they would be earned with reasonable certainty as would be required for their recognition.

At the reporting date, deferred tax assets of €43 thousand, calculated as part of the measurement of the Treofan investment using the equity method, were offset against deferred tax liabilities of €12 thousand, also generated during the measurement.

Section B.2 - Current assets

2.1 - Loans and receivables

(€'000)	31.12.2016	31.12.2015	Variation
Other related parties	56	38	18
Third parties	790	791	(1)
Allowance for impairment	(250)	(173)	(77)
Total	**596**	**656**	**(60)**

Loans and receivables with related parties include €3 thousand from Romed S.p.A. for lease services and €53 thousand from Treofan, for M&C's involvement in the restructuring steering committee and the recharging of costs incurred on the investee's behalf.

Loans and receivables with third parties include the invoice of €617 thousand issued to Tiscali Financial Services SA pursuant to article 60 of Presidential decree no. 633/72 in relation to the amount paid for the mutually-agreed settlement of the assessment relating to the 2008 VAT return. M&C engaged a law firm to recover the amount which served the debtor with a claim form and subsequently filed the relevant documentation as per the judge's request. In March 2016, the judge set the date of the final hearing as 28 November 2017 and issued a payment order of €450 thousand for the requests for early rulings presented by M&C as per article 186-bis and ter of the Code of Criminal Procedure. The final ruling should be handed down by Spring 2018.

The increase in the allowance for impairment reflects the out-of-court settlement of the Tiscali dispute, yet to be formalised, whereby Tiscali will acknowledge its liability of €540 thousand to be settled in 20 equal monthly instalments.

2.2 - Current tax assets

(€'000)	31.12.2016	31.12.2015	Variation
Unified tax return credit	628	589	39
Total	**628**	**589**	**39**

The company did not use the credit in the unified tax return (IRES) for offsetting purposes in 2016.

The tax asset for IRES payments on account of €68 thousand made in 2016 was offset against the estimated IRAP liability of €17 thousand for 2016.

2.3 - Other current assets

(€'000)	31.12.2016	31.12.2015	Variation
Withholdings on interest	125	35	90
VAT	701	701	-
Tax assets	826	736	90
Other loans and receivables	1	4	(3)
Prepayments	12	14	(2)
Total	**839**	**754**	**85**

The company used the VAT credit of €353 thousand for offsetting purposes during the year against the withholdings due, social security contributions, the 2015 balance and 2016 payment on account of IRAP. The VAT credit increased due to the new credit of €124 thousand and the reclassification of €229 thousand from non-current assets to meet the requirement of the amount that can be offset in 2017.

2.4 - Current financial assets

(€'000)	31.12.2016	31.12.2015	Variation
Available-for-sale financial assets			
Debt instruments			
issued by governments and central banks			
issued by banks			
issued by other issuers		1,294	(1,294)
	-	**1,294**	**(1,294)**
OEIC units			
issued by other issuers		11,539	(11,539)
	-	**11,539**	**(11,539)**
Equity instruments			
issued by listed companies		3,731	(3,731)
issued by unlisted companies			
	-	**3,731**	**(3,731)**
Total	**-**	**16,564**	**(16,564)**

The company sold all its investments in current financial assets in the last quarter of the year to obtain liquidity to be used to pay for acquisition of control of Treofan Group.

At 31 December 2015, current financial assets included the following available-for-sale financial instruments: (i) investments of €1.3 million in listed high yield bonds, including interest; (ii) units of the Kairos International KEY fund of €4.3 million; (iii) units of the IDeA EESS fund of €7.2 million; and (iv) shares of listed companies of €3.7 million.

Changes in available-for-sale financial assets during the year are as follows:

(€'000)	Debt instruments	Equity instruments	OEIC units	Total
A. Opening balance	**1,295**	**3,731**	**11,539**	**16,565**
B. Increases				
B1. Purchases			239	239
B2. Fair value gains	25	96	3,889	4,010
B3. Reversals of impairment losses				
B4. Transfers from other portfolios				
B5. Other increases	73			73
C. Decreases				
C1. Sales	1,257	2,539	11,545	15,341
C2. Repayments			3,669	3,669
C3. Fair value losses	43	1,288	453	1,784
C4. Impairment losses				
C5. Transfers to other portfolios				
C6. Other decreases	93			93
D. Closing balance	-	-	-	-

Debt instruments

The opening balance comprised high yield listed bonds, selected prudently to improve the portfolio's profitability. The portfolio did not undergo change until October when the company sold all its securities following its decision to acquire control of Treofan Group. This sale generated gains of approximately €6 thousand, as well as interest accrued during the year of €74 thousand.

Equity instruments

The opening balance of this caption included listed shares of €3.7 million and Comital profit participation rights, which were fully impaired in the 2014 financial statements.

The portfolio's composition did not change during the year until October when the company sold all its equity instruments following its decision to acquire control of Treofan Group. In 2016, it collected dividends of €193 thousand and impaired some securities in the 2016 interim financial statements as a result of their performance. This impairment loss amounted to €1.4 million, including €1.2 million recognised at 30 June 2016 and €0.2 million for previous impairment losses recognised in the valuation reserve at 31 December 2015.

Sales of shares in October generated a loss of approximately €1.2 million.

OEIC units

The opening balance of the OEIC units included the units of the IDeA EESS fund (€7.2 million) and the Kairos Equity Yield fund (€4.3 million).

IDeA EESS fund

On 4 October, M&C formalised and finalised its agreements with DeA Capital S.p.A. for the sale of its units and related rights of the IDeA Efficienza Energetica e Sviluppo Sostenibile fund, managed by IDeA Capital. During the year, the fund's value increased by €3.8 million due to the gains recorded and draw-downs, while it decreased by €0.2 million due to management fees and by €3.7 million for reimbursements received. At the sales date, the fund units were worth €7.1 million, in line with their value at 31 December 2015 (€7.2 million).
M&C had acquired the fund units in March 2013 committing itself to investing €15.1 million. At the sales date, it had participated in draw-down requests for €10.1 million and collected reimbursements of €5.1 million. The sales consideration was €5.3 million, leading to a substantial breakeven for the transaction as a whole in financial terms and a gain of €2.5 million recognised in profit or loss.

Kairos Equity Yield fund

In October 2016, the chair and the managing director decided to sell the securities in the company's portfolio to assemble the liquidity needed to acquire control of Treofan and this included the units of the Kairos Equity Yield fund, in which it had invested €4.1 million. M&C made a gain of €414 thousand on the sale.

The available-for-sale financial assets are measured at fair value using a three-level hierarchy that reflects the significance of the inputs used in the measurements:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1);

(b) inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2);

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table shows the fair value levels used:

	31.12.2016			31.12.2015		
(€'000)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt instruments						
- structured instruments						
- other instruments				1,294		
2. Equity instruments and OEIC units				8,053	7,217	
3. Loans						
Total	-	-	-	**9,347**	**7,217**	-

Financial assets at level 1-fair value included high yield bonds, listed shares and the investment in the Kairos fund; they were all measured using prices on the reference markets on which these instruments are traded.

Financial assets at level 2-fair value comprised the IDeA EESS fund units, for which the fund manager provided their NAV every six months as required by Bank of Italy.

Financial assets at level 3-fair value included profit participation rights, with a nil fair value, issued by Comital S.p.A..

There were no transfers of financial assets from one fair value level to another in 2016.

2.5 - Cash and cash equivalents

(€'000)	31.12.2016	31.12.2015	Variation
Bank and postal accounts	23,901	7,717	16,184
Cash and cash equivalents	1	2	(1)
Total	**23,902**	**7,719**	**16,183**

This caption consists of unrestricted bank current accounts.

The large increase in liquidity is a result of the company's decision to liquidate all its investments to obtain the resources needed to acquire control of Treofan, as resolved by the board of directors on 11 October 2016.

The company's net financial position is shown below with details of its main components as required by Consob communication no. 6064293 and CESR recommendation of 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses".

NET FINANCIAL POSITION (in Euros)	**31.12.2016**	**31.12.2015**
A. Cash and available bank current accounts	23,902	7,719
B. Other cash and cash equivalents		
C. Available-for-sale financial assets		9,347
D. **Total cash and cash equivalents (A) +(B)+(C)**	**23,902**	**17,066**
E. **Current financial assets**	**-**	**-**
F. Current financial liabilities		
G. Current portion of non-current indebtedness		
H. Other current financial liabilities		
I. **Current financial liabilities (F)+(G)+(H)**	**-**	**-**
J. **Net current financial position (D)+(E)-(I)**	**23,902**	**17,066**
K. Non-current bank loans and borrowings		
L. Bonds issued		
M. Other non-current liabilities		
N. **Non-current financial indebtedness (K)+(L)+(M)**	**-**	**-**
O. **Net financial position (J)+(N)**	**23,902**	**17,066**

The increase in the net financial position is mainly due to collection of €5.3 million on the sale of the IDeA EESS fund units, whose carrying amount was not included in the calculation of the company's net financial position at 31 December 2015. The improvement is also due to reimbursement of principal from the IDeA fund, net of management fees paid during the year of €3.3 million, the proceeds on the sale of securities in portfolio for a lower amount of approximately €0.8 million compared to their carrying amount at 31 December 2015 and the utilisation of €1.0 million for operating activities.

On 22 December 2016, M&C, Merced Capital and Goldman Sachs formalised the agreement for the acquisition by M&C of control of Treofan Group. The transaction closing took place on 9 February 2017 and entailed an outlay of €45.8 million by M&C.

This was made possible by the agreement of a temporary credit facility of €25 million at the end of November 2016 to be repaid upon completion of the capital increase of €30.5 million resolved upon by the shareholders in their extraordinary meeting of 31 January 2017 and guaranteed for €25 million by the company's two main shareholders with the remainder guaranteed by an underwriting consortium.

LIABILITIES

Section B.3 - Equity

3.1 - Share capital

(€'000)	31.12.2016	31.12.2015	Variation
Ordinary shares	80,000	80,000	-
Total	**80,000**	**80,000**	**-**

At 31 December 2016, the company's fully subscribed and paid-up share capital amounts to €80.0 million, consisting of 474,159,596 ordinary shares without a nominal amount.

3.2 - Treasury shares

(€'000)	31.12.2016	31.12.2015	Variation
Ordinary shares	(50,032)	(50,032)	-
Total	**(50,032)**	**(50,032)**	**-**

The company has 66,754,352 treasury shares from: (i) the repurchase of ordinary shares after the procedure recognising the shareholders' right to withdraw in 2008, when the board of directors repurchased 64,372,907 shares for €0.7402 per share and a total of €47,648,826; and (ii) the repurchase of 2,381,445 preferred shares in April 2010, leading to the conversion of preferred shares into ordinary shares.

At the reporting date, there were 407,405,244 outstanding M&C shares.

3.3 - Reserves

(€'000)	31.12.2016	31.12.2015	Variation
Reserves			
a) legal	37		37
b) statutory			
c) treasury shares	50,032	50,032	-
d) losses carried forward	(20,290)	(21,958)	1,668
e) share capital decrease	20,790	20,790	-
f) stock options		3,012	(3,012)
g) share capital increase costs	(7,208)	(7,208)	-
Total	**43,362**	**44,669**	**(1,307)**

This caption comprises the following reserves:

a) the *legal reserve* set up pursuant to article 2430 of the Italian Civil Code and equal to 5% of the profit for 2015.

c) the *reserve for treasury shares*, set up for the treasury shares held by M&C following two shareholders' resolutions to decrease share capital in 2007 and 2008 for a total €70,822,318, to be used to repurchase treasury shares. The shareholders' resolutions about the repurchase of treasury shares have expired and the difference between the cost incurred for the treasury shares (€50,032,060) and the reduction in share capital (€70,822,318) has been classified to an available reserve from the share capital reduction. M&C's shareholders have not currently approved the repurchase of treasury shares;

d) *losses carried forward*, the variation in which is due to the carry forward of the loss for 2015 and the reclassification of €3.0 million from the stock option reserve;

e) the *reserve from the share capital decrease* consists of the difference between the reduction carried out to repurchase treasury shares in 2007 and 2008 and the treasury shares' historical cost, as specified in point c) above;

f) the *stock option reserve*, which no longer exists and had been set up to cover the cost of the stock options assigned by the company. The exercise period of the vested options expired with approval of the financial statements at 31 December 2015 and the entire amount which was not exercised was reclassified to "losses carried forward";

g) the *reserve for the share capital increase costs*, being the result of the offsetting against equity (as the negative reserve for the share capital increase) of the costs incurred to organise the share capital increase and the stock exchange listing in June 2006.

3.4 - Valuation reserves

These reserves of €14,441 thousand (31 December 2015: €684,292 thousand) may be analysed as follows:

(€'000)	31.12.2016 Fair value gains	31.12.2016 Fair value losses	31.12.2015 Fair value gains	31.12.2015 Fair value losses	Variation
1. Debt instruments			20		(20)
2. Equity instruments				(174)	174
3. OEIC units			850		(850)
4. Actuarial gains (losses) on defined benefit plans		(14)		(12)	(2)
5. Equity-accounted investments		(3,277)	660		(3,937)
Total	**-**	**(3,291)**	**1,530**	**(186)**	**(4,635)**

Section B.4 - Non-current liabilities

4.1 - Employee benefits

(€'000)	31.12.2016	31.12.2015
A. Opening balance	**57**	**56**
B. Increases		
B1. Accruals	21	25
B2. Other increases		
C. Decreases		
C1. Payments		2
C2. Other decreases	13	22
D. Closing balance	**65**	**57**

At the reporting date, the caption includes actuarial losses of €14.4 thousand compared to €2.6 thousand at 31 December 2015. The difference was recognised in other comprehensive income.

Other decreases relate to the benefits that accrued during the year and were transferred to the pension funds.

An independent actuary's appraisal was used to determine the post-employment benefits at year end. This appraisal considered information provided by the company using the following assumptions:

	31.12.2016	31.12.2015
Annual discount rate	1.62%	2.30%
Annual inflation rate	1.50%	1.50% for 2016 1.80% for 2017 1.70% for 2018 1.60% from 2019 2.00% from 2020
Annual increase in post-employment benefits rate	2.625%	2.625% for 2016 2.850% for 2017 2.775% for 2018 2.700% from 2019 3.00% from 2020
Annual salary increase rate	3.00%	3.00%

4.2 - Deferred tax liabilities

The deferred tax liabilities relate to the fair value measurement of available-for-sale financial assets sold during 2016, which led to the reclassification of the deferred tax liabilities.
Deferred tax liabilities of €12 thousand arose on the measurement of the investment in Treofan using the equity method offset against deferred tax assets, which also arose during the measurement.

Section B.5 - Current liabilities

5.1 - Trade payables

(€'000)	31.12.2016	31.12.2015	Variation
Trade payables - third parties	716	99	617
Trade payables - related parties		26	(26)
Total	**716**	**125**	**591**

Section D.3.3 of these notes provides information about the company's suppliers that are related parties.

5.2 - Other current liabilities

(€'000)	31.12.2016	31.12.2015	Variation
Related parties			
Employees	101	81	20
Other	6	6	-
Tax authorities			
Current tax liabilities		64	(64)
Withholdings	71	72	(1)
Social security institutions	56	49	7
Accrued expenses	20	3	17
Total	**254**	**275**	**(21)**

Payables to employees relate to the variable part of their remuneration recognised at the reporting date and paid in January 2017 as well as accrued untaken holidays.

Current tax liabilities solely consist of the 2016 IRAP liability of €18 thousand and were offset by the €68 thousand tax asset for IRAP payments on account made during the year.

PART C - NOTES TO THE INCOME STATEMENT

Section C.1 - Revenue

1.1 - Revenue from goods and services

(€'000)	2016	2015	Variation
Services	-	23	(23)
Total	**-**	**23**	**(23)**

1.2 - Other revenue

(€'000)	2016	2015	Variation
Recharges of costs incurred	7	15	(8)
Other revenue and income	107	118	(11)
Total	**114**	**133**	**(19)**

Section C.2 - Operating expenses

2.1 - Personnel expense

(€'000)	2016	2015	Variation
1. Employees			
a) wages and salaries and similar expense	252	276	(24)
b) social security charges	80	43	37
c) termination benefits			
d) pension costs			
e) accrual for post-employment benefits	19	19	-
f) accrual for pension and similar provisions			
g) payments to third-party complementary pension funds			
h) other expenses	6	58	(52)
2. Other operating personnel			
3. Directors' and statutory auditors' fees	559	606	(47)
4. Retired personnel			
5. Cost recoveries for personnel seconded to other companies			
6. Cost reimbursements for personnel seconded to the company			
7. Accrual for stock option plans			
Total	**916**	**1,002**	**(86)**

The company's workforce is as follows:

Position	31.12.2016	2016 average	31.12.2015	2015 average
Managers	1	1.0	1	1.1
White collars	1	1.0	1	1.0
Total	**2**	**2.0**	**2**	**2.1**

The balance related to the directors and statutory auditors comprises:

- directors' fees of €351 thousand;
- fees of €46 thousand paid to directors and statutory auditors who sit on internal committees;
- social security contributions of €4 thousand;
- statutory auditors' fees of €73 thousand;
- insurance premiums (D&O) of €86 thousand paid for the directors and statutory auditors; this amount does not include the run off cost of the policy after five years (€46 thousand) as the run off period ended on 31 December 2015.

2.2 - Amortisation, depreciation and impairment losses

The caption includes €78 thousand accrued to the allowance for impairment as a result of the out-of-court settlement of the Tiscali dispute and €4 thousand for amortisation and depreciation of the year.

2.3 - Other operating expenses

(€'000)	2016	2015	Variation
1. Consultancy and professional services for investments	653		653
2. Other professional services for administrative, corporate, legal, tax, etc. services	292	193	99
3. Audit fees and costs	61	67	(6)
4. General costs	191	263	(72)
5. Travel expenses	19	27	(8)
6. Use of third party assets	88	106	(18)
7. Utilities	15	19	(4)
Total	**1,319**	**675**	**644**

Investing activities all refer to the consultancy services received during the sale (which then became the acquisition) of the Treofan investment.

Other professional services for administrative, corporate, legal and tax services mainly relate to the cost of outsourcing and specific consultancy services, mostly for the non-recurring transactions which took place towards the end of the year.

Section C.3 - Financial income and expense

3.1 - Financial income

(€'000)	Debt instruments	Loans	Other	2016	2015	Variation
1. Financial assets held for trading						
2. Financial assets at fair value						
3. Available-for-sale financial assets	74			74	92	(18)
4. Held-to-maturity investments						
5. Loans and receivables						
5.1 Loans and receivables with banks			69	69	61	8
5.2 Loans and receivables with financial institutions						
5.3 Other loans		1,217		1,217	1,277	(60)
6. Other assets						
7. Hedging derivatives						
Total	**74**	**1,217**	**69**	**1,360**	**1,430**	**(70)**

Interest income on debt instruments relates to the bonds. Interest on loans refers to the loan granted to Treofan Group, net of intragroup eliminations. Income from other transactions relates to bank current account interest income, interest on tax assets and exchange rate gains.

3.2 - Financial expense

Immaterial amount of bank fees and exchange rate losses.

3.3 - Gains on investments and securities

(€'000)	Debt instruments	Equity instruments	OEIC units	2016	2015	Variation
1. Financial assets held for trading						
2. Financial assets at fair value						
3. Available-for-sale financial assets	7	193	2,903	3,103	1,233	1,870
4. Held-to-maturity investments						
5. Loans and receivables						
6. Other assets						
7. Hedging derivatives						
Total	**7**	**193**	**2,903**	**3,103**	**1,233**	**1,870**

Gains on debt instruments

They include gains on the sales made in October 2016.

Gains on equity instruments

These gains include dividends received on temporary investments in listed shares.

Gains on OEIC units

This caption comprises gains of €2.5 million on the sale of the IDeA EESS fund units and €414 thousand on the disinvestment of the Kairos fund units.

3.4 - Losses on investments and securities

(€'000)	Debt instruments	Equity instruments	OEIC units	2016	2015	Variation
1. Financial assets held for trading						
2. Financial assets at fair value						
3. Available-for-sale financial assets	1	1,219		1,220	1,239	(19)
4. Held-to-maturity investments						
5. Loans and receivables						
6. Other assets		2,170		2,170	1,090	(343)
7. Hedging derivatives						
Total	**1**	**3,389**	**-**	**3,390**	**2,329**	**(362)**

Losses on equity instruments include €1.2 million on the sale of bonds and listed shares in October 2016 and €2.2 million for the measurement of the Treofan investment using the equity method.

Section C.4 – Current and deferred taxes

4.1 - Current and deferred taxes

M&C's tax loss for the year led to the recognition of current IRAP of €18 thousand and a tax loss for IRES purposes of €1.3 thousand.

4.2 - Basic earnings (loss) per share

The basic earnings (loss) per share are calculated by dividing the profit (loss) for the year by the average number of shares outstanding in the year.

The diluted earnings (loss) per share are calculated by dividing the profit for the year by the average number of ordinary shares outstanding in the year, adjusted to reflect the diluting effects of options.

Information on the shares used to calculate the basic and diluted earnings per share is given below:

(€'000)	2016	2015	Variation
Loss for the year	**(1,158)**	**(1,307)**	**149**
Average number of outstanding shares (total issued less treasury shares)	407,405,244	407,405,244	-
Basic loss per share	**(0.0028)**	**(0.0032)**	**0.0004**
Dilutive adjustment to loss for the year	-	-	-
Loss for the year adjusted for dilution	**(1,158)**	**(1,307)**	**149**
Number of potential shares to be issued after exercise of stock options	n.a.	-	-
Total average number of shares outstanding and to be issued	407,405,244	407,405,244	-
Diluted loss per share	**(0.0028)**	**(0.0032)**	**0.0004**

Since 28 May 2016, the company has no longer had stock option plans, while it had previously assigned a diluting effect to the stock options solely if the exercise price was lower than the market price of the issuer's shares, as required by IAS 33.46.

PART D - OTHER INFORMATION

Section D.1 – The company's activities

M&C invests in equity and other financial instruments. The difficult financial market conditions and related credit restrictions for companies imposed by banks as well as the ongoing recession, characterising the last few years, have led the company to adopt an extremely prudent and selective approach. During the year, the company focused on managing its investment and the temporary investment of liquidity in financial instruments.

Section D.2 - Information on risks and related hedging policies

Considering the nature of the company's activities, its investments and lack of debt, it is not significantly exposed to financial risks such as credit risk, price risk, liquidity risk or cash flow risk.

With respect to risk deriving from the company's existing credit exposure, the assets other than the investment and the shareholder loan recognised in the financial statements mainly relate to liquidity deposited with banks. The carrying amount of the investment and related shareholder loan bear a more business type risk.

The company is not exposed in foreign currency.

The company does not grant loans, except possibly to its subsidiaries and associates.

Section D.3 - Related party transactions

3.1 Directors' fees and managers' salaries

The Remuneration report, prepared pursuant to article 84-quater of Consob regulation no. 11971 of 24 February 1998 (the Issuer Regulation) and published as an annex to the Corporate Governance Report, provides exhaustive details about the fees paid and due to the directors and key management personnel.

Fees of the members of the board of directors, board of statutory auditors, CEOs and key management personnel

The annual fees of the board of directors amount to €15 thousand per director, increased by €75 thousand for the chair, €200 thousand pa for the managing director and by €5 thousand for each board committee member.

The board of directors had approved payment of a bonus to the managing director, Mr. Emanuele Bosio, should the sale of the Treofan investment take place before 31 December 2016 at a price higher than a set amount. As this sale did not take place, the conditions for payment of the bonus were not met.

The fees of the board of statutory auditors amount to €20 thousand per annum per standing statutory auditor and to €30 thousand per annum for the chair.

Stock option plans

The stock option plans (the original stock option plan, established on 24 November 2005, and the additional plan, established on 24 May 20106) have both expired. As provided for by the regulation of the two stock option plans adopted by the company in 2005 and 2006, the possibility to exercise vested options expired on 27 May 2016, the thirtieth day after approval of the 2015 financial statements. None of the beneficiaries exercised the options and M&C does not have active stock option plans since 28 May 2016.

3.2. Loans and receivables granted to, and guarantees given on behalf of directors and statutory auditors

The company has not given any guarantees on behalf of its directors or statutory auditors.

3.3 Related party transactions

Related party transactions

Related parties and related party transactions:

- Planyx S.A., a Swiss company in which the honorary chair, Carlo De Benedetti, has significant interests and with which M&C has signed a deal management and deal execution agreement for a quarterly amount of SFR8.8 thousand. At 31 December 2016, accrued fees amounted to roughly €24 thousand. The agreement expired on 31 December 2016.
- Embed Capital S.r.l., in which the managing director Emanuele Bosio has an investment, which receives fees for the position of managing director, based on an ongoing reversibility agreement between Embed Capital S.r.l. and Mr. Bosio. The fees accrued for the year amount to €215 thousand.
- Treofan Holdings GmbH, in which M&C has an investment, on whose behalf costs of €7 thousand were incurred and were recharged to it and the fees of €100 thousand accrued during the year for involvement in Treofan's steering committee. M&C also gave Treofan Germany GmbH & Co. KB a shareholder loan and the related receivable at 31 December 2016 was €16.7 million.
- Romed S.p.A., indirectly controlled by the honorary chairman, Mr. De Benedetti, which has made the use of office space available and provides the related general services since 1 March 2015 for a fee of €750 per month. At year end, fees of €9 thousand had accrued.

Transactions carried out with related parties take place at normal market conditions.

Brief description of related party transactions:

	31.12.2016		2016			
(000)	Non-current financial assets	Loans and receivables	Personnel expense	Other operating expenses	Revenue and other income	Interest income
Planyx SA (former Starfin SA)				24		
Embed Capital S.r.l.			215			
Treofan Holdings GmbH	16,707	53			66	1,217
Romed S.p.A.		3			9	
Total	**16,707**	**56**	**215**	**24**	**75**	**1,217**
% of financial statements caption	**100.0%**	**9.4%**	**23.5%**	**1.8%**	**65.8%**	**89.5%**

Shareholder agreement

There are no shareholder agreements.

Section D.4 - Other information

4.1 Changes in the corporate governance system and company bodies

No changes took place in 2016.

4.2 Atypical and/or unusual transactions

Pursuant to the Consob communication of 28 July 2006, it is noted that the company has not undertaken atypical and/or unusual transactions during the year.

4.3 Significant non-recurring events and/or transactions

As required by the above Consob communication, no significant non-recurring transactions took place during the year.

4.4 Publication of the fees for audit and other services pursuant to article 149-duodecies of Consob's Issuer Regulation

In accordance with article 149-duodecies of the Consob Issuer Regulation, the following table sets out information about the fees paid to the independent auditors for the services provided:

1) audit services which include:

- audit of annual financial statements in order to express opinions;
- reviews of interim reports.

2) other non-attestation services.

	Provider	Fees (€'000)
Audit		
Annual separate and individual financial statements and interim financial report	Deloitte	62
Other attestation services		
Check of compliance of the unified tax return, the 770 form and the 2016 VAT return for the offsetting of tax credits	Deloitte	5
Total		**67**

On 29 April 2015, the shareholders engaged Deloitte & Touche S.p.A. as its independent auditors for the legally-required audit of its financial statements for the period from 2015 to 2023.

The fees shown in the table for 2016 are those agreed by contract and include any index-linked adjustments (net of out-of-pocket expenses, supervisory contributions and VAT).

4.5. Segment reporting

The segment reporting disclosure required by IFRS 8 is not provided as the financial statements figures are substantially those of M&C.

Statement on the individual financial statements pursuant to article 81-ter of Consob regulation no. 11971 of 14 May 1999 and subsequent amendments and integrations

Pursuant to article 154-bis.3/4 of Legislative decree no. 58 of 24 February 1998, Emanuele Bosio, as chair, and Marco Viberti, as manager in charge of financial reporting, state that:

- the administrative and accounting procedures are adequate given the company's characteristics; and
- they have been applied effectively during 2016 to prepare the individual financial statements.

No issues arose.

Moreover, they state that the 2016 individual financial statements:

- have been prepared in accordance with the IFRS endorsed by the European Community pursuant to EC regulation 1606/2002 of the European Parliament and Council dated 19 July 2002;
- are consistent with the accounting records and entries;
- are suitable to give a true and fair view of the financial position of the issuer at 31 December 2015 and its results of operations and changes in equity and cash flows for the year then ended;
- the directors' report includes a reliable analysis of the issuer's performance and results of operations, as well as its financial position, together with a description of the main risks and uncertainties to which it is exposed.

17 March 2017

The Chair	Manager in charge of financial reporting
Emanuele Bosio	Marco Viberti
(signed on the original)	(signed on the original)

Deloitte.

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RELAZIONE DELLA SOCIETÀ DI REVISIONE INDIPENDENTE AI SENSI DEGLI ARTT. 14 E 16 DEL D. LGS. 27 GENNAIO 2010, N. 39

Agli Azionisti di
M&C S.p.A.

Relazione sul bilancio individuale

Abbiamo svolto la revisione contabile del bilancio individuale di M&C S.p.A., costituito dalla situazione patrimoniale-finanziaria al 31 dicembre 2016, dal conto economico, dal conto economico complessivo, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario per l'esercizio chiuso a tale data, da una sintesi dei principi contabili significativi e dalle altre note esplicative.

Responsabilità degli Amministratori per il bilancio individuale

Gli Amministratori sono responsabili per la redazione del bilancio individuale che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. n. 38/05.

Responsabilità della società di revisione

E' nostra la responsabilità di esprimere un giudizio sul bilancio individuale sulla base della revisione contabile. Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia) elaborati ai sensi dell'art. 11 del D.Lgs. 39/10. Tali principi richiedono il rispetto di principi etici, nonché la pianificazione e lo svolgimento della revisione contabile al fine di acquisire una ragionevole sicurezza che il bilancio individuale non contenga errori significativi.

La revisione contabile comporta lo svolgimento di procedure volte ad acquisire elementi probativi a supporto degli importi e delle informazioni contenuti nel bilancio individuale. Le procedure scelte dipendono dal giudizio professionale del revisore, inclusa la valutazione dei rischi di errori significativi nel bilancio individuale dovuti a frodi o a comportamenti o eventi non intenzionali. Nell'effettuare tali valutazioni del rischio, il revisore considera il controllo interno relativo alla redazione del bilancio individuale dell'impresa che fornisca una rappresentazione veritiera e corretta al fine di definire procedure di revisione appropriate alle circostanze, e non per esprimere un giudizio sull'efficacia del controllo interno dell'impresa. La revisione contabile comprende altresì la valutazione dell'appropriatezza dei principi contabili adottati, della ragionevolezza delle stime contabili effettuate dagli Amministratori, nonché la valutazione della presentazione del bilancio individuale nel suo complesso.

Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Giudizio

A nostro giudizio, il bilancio individuale fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria di M&C S.p.A. al 31 dicembre 2016, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. n. 38/05.

Relazione su altre disposizioni di legge e regolamentari

Giudizio sulla coerenza della relazione sulla gestione e di alcune informazioni contenute nella relazione sul governo societario e gli assetti proprietari con il bilancio individuale

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n.720B al fine di esprimere, come richiesto dalle norme di legge, un giudizio sulla coerenza della relazione sulla gestione e delle informazioni della relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma 4, del D.Lgs. 58/98, la cui responsabilità compete agli Amministratori di M&C S.p.A., con il bilancio individuale di M&C S.p.A. al 31 dicembre 2016. A nostro giudizio la relazione sulla gestione e le informazioni della relazione sul governo societario e gli assetti proprietari sopra richiamate sono coerenti con il bilancio individuale di M&C S.p.A. al 31 dicembre 2016.

DELOITTE & TOUCHE S.p.A.

Marco Miccoli
Socio

Milano, 5 aprile 2017