



PRESS RELEASE

THE BOARD OF DIRECTORS OF M&C APPROVED THE RESULTS FOR THE FISCAL YEAR 2017, INCLUDING THE FIRST CONSOLIDATED FINANCIAL STATEMENTS OF THE M&C GROUP WITH THE FULL CONSOLIDATION OF TREFAN GROUP'S RESULTS.

THE CONSOLIDATED FINANCIAL STATEMENTS OF THE M&C GROUP CLOSE WITH A PROFIT OF APPROX. EURO 5 MILLION, DUE TO A POSITIVE INCOME COMPONENT OF EURO 14,4 MILLION DERIVING FROM THE ACCOUNTING TREATMENT OF THE BADWILL, ACCORDING TO THE IFRS 3.

THE CONSOLIDATED EBITDA - POSITIVE FOR EURO 12,2 MILLION – WAS AFFECTED BY UNFAVOURABLE MARKET CONDITIONS (PARTICULARLY FOR THE EUROPEAN DIVISION) AND CERTAIN NEGATIVE NON-RECURRING ITEMS EQUAL TO APPROX. EURO 6,8 MILLION.

RESULTS OF THE TREFAN GROUP'S AMERICAN DIVISION SUBSTANTIALLY STABLE. TREFAN GROUP'S EUROPEAN DIVISION EXPERIENCED FURTHER COMPETITIVE PRESSURE, A DECLINE IN THE DEMAND OF CERTAIN PRODUCTS AND THE EFFECTS OF THE EVOLUTIONS OF PRICES OF RAW MATERIALS AND THE EURO/DOLLAR EXCHANGE RATE.

THE ANNUAL ACCOUNTS OF M&C CLOSED WITH A LOSS OF EURO 19,4 MILLION, MAINLY AS A RESULT OF THE IMPAIRMENT LOSS (FURTHER TO THE IMPAIRMENT TEST) OF THE BOOK VALUE OF THE INVESTMENT IN THE TREFAN GROUP.

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The Board of Directors of M&C S.p.A. (“**M&C**” or the “**Company**”) approved the group consolidated financial statements 2017 and the draft annual accounts 2017 (separate financial statements) during the meeting held today, under the chair of its Chairman and CEO Giovanni Canetta Roeder.

Consolidated financial statements

As a result of the acquisition of the control of Treofan Holdings GmbH and of the companies controlled by the same (the “**Treofan Group**”), occurred on 9 February 2017, the fiscal year closed on 31 December 2017 is the first in relation to which M&C is required to consolidate in its financial statements - with the so called full (or line-by-line) consolidation method- the results of the Treofan Group. Therefore, since this is the “first” consolidated financial statements of M&C, no comparable consolidated financial results are available for the fiscal year closed on 31 December 2016.

The consolidated profit and loss accounts of M&C and of its subsidiaries (the “**M&C Group**”) during the fiscal year as of 31 December 2017 report:

- Revenues for Euro 412,4 million, entirely generated by the Treofan Group. The gross turnover (before the consolidation adjustments for Euro 7,3 million) of the American division is equal to Euro 147,9 million, while the European division recorded a gross turnover of Euro 271,8 million;
- A positive EBITDA for Euro 12,2 million, that has been affected by (i) the adverse evolution of certain market conditions (particularly for the European division of the Treofan Group); (ii) non-recurring expenses of M&C (amounting to approx. Euro 2 million); (iii) non-recurring income of Treofan Group for approx. Euro 2 million; and (iv) non-recurring costs for approx. Euro 6,8 million, mainly related to restructuring costs paid by the European division of the Treofan Group;
- Net financial costs for approx. Euro 6,9 million;
- Net result of Euro 5 million, positively influenced by a positive income component of Euro 14,4 million arising from the accounting treatment of the goodwill according to the IFRS 3.

The capital and net financial position of the M&C Group sees a net indebtedness of Euro 100,8 million and equity for Euro 68,4 million, of which Euro 0,7 million attributable to non-controlling interests.

Results of the Treofan Group

During 2017, the economic and financial results of the Treofan Group were affected by certain unfavourable market conditions, including: (i) the reduction of the demand for tobacco film and capacitors products; (ii) the prolonged increase of the costs of raw materials which, according to the terms and conditions under the indexed-contracts in force, Treofan could not entirely reverse on sell prices before the end of the fiscal year; (iii) an increased competitive pressure caused by the structural production over-capacity in Europe; and (iv) the negative effect of the trend in the Euro/Dollar exchange rate, which facilitated the import from certain countries and determined a decreased contribution from the American business to the Group results (which are reported in Euro).

The overall EBITDA of the Treofan group was Euro 20,5 million in 2017, against Euro 31,3 million in 2016:

- the European division was negatively affected by the adverse markets trends mentioned above: whilst the revenues were substantially stable (Euro 272,8 million in 2016 and Euro 271,8 million in 2017), 2017 closed with a negative divisional EBITDA of Euro -3,6 million (compared to a positive one of Euro 7,1 million in 2016). More in detail, the change compared to previous year was determined by a decrease in volumes and in profit margins, as a result of the mix of sold products (i.e. decrease in the volume of the more profitable products) and of a lower product profitability;
- the American division, conversely, slightly improved its results as compared to the preceding fiscal year at constant foreign exchange rates. Nevertheless, such improvement has been entirely absorbed by the exchange rates fluctuations and, as a consequence, the EBITDA reported in Euro of the division slightly decreased from Euro 24,4 million in 2016 to Euro 24,1 million in 2017 (gross of inter-division consolidation entries of Euro -0.2 million in 2016 and € 0.0 million in 2017).

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The net financial indebtedness of the Treofan Group increased from Euro 46,8 million (2016) to Euro 85,2 million (2017), also as a result of the significant investments made during the fiscal year, including the new Z5 line in Mexico.

During 2017, the new management of the M&C Group (i) acknowledged the adverse market conditions for the European division, which already required a revision of the key objectives under the Business Plan 2018/2020 approved in February 2017 and, consequently, (ii) identified, on 21 December 2017, the strategic guidelines for a new Business Plan (which revised and superseded the Business Plan approved on 22 February 2017). The “new” Business Plan, that assumes the completion of the disposal of the North-American division of the Treofan Group (one of the strategic guidelines already identified in December 2017), was approved by the Board of Directors of M&C on 21 March 2018.

Draft annual accounts (separate financial statements) of M&C S.p.A.

The economic results of M&C during 2017 report a loss of Euro 19,4 million, compared to a profit of Euro 1,9 million during 2016. Such variation is due to the writedown of the participation in the Treofan Group for Euro 16,6 million, decreased profits (at the end of 2016 the financial activities have been dismissed to raise the relevant financial facilities to acquire the control of the Treofan Group) and increased costs, mainly non-recurring, related to various extraordinary transactions carried out during the relevant fiscal year.

In 2017, M&C acquired the control of the Treofan Group for a consideration of Euro 45,8 million. As of 31 December 2017, the total carrying amount of the overall investment in the Treofan Group (equal to Euro 92,1 million) has been subject to the impairment test on the basis of the recently approved Business Plan, focused (following the envisaged disposal of the North American division of the Treofan Group) on the European division. Based on the outcome of such impairment test, a impairment loss of Euro 16,6 million of the book value of the investment in the Treofan Group was recorded.

Major events occurred after 31 December 2017

On 8 March 2018, the agreement for the sale of the American division of the Treofan Group to CCL Industries Inc has been entered into. The transaction is expected to close in the second quarter of 2018, subject to the satisfaction of certain customary conditions precedent (including antitrust clearances).

The agreed purchase price, on a debt and cash free basis, is USD 200 million (the “**Purchase Price**”) and is subject to possible post-completion adjustments based on the target working capital and net financial position. The purchaser will repay to the seller the capital expenditures incurred by Treofan Americas and will assume the outstanding liabilities related to the construction of a new production line, for a total amount of approximately USD 51 million (the “**Additional Consideration**”). The Purchase Price and the cash component of the Additional Consideration will be payable by the Purchaser to the Treofan Group at closing of the relevant transaction, save for the appropriate adjustments and a customary escrow designed to secure certain Seller’s representations and warranties (the sum in escrow will be progressively released over a 5 years period).

The Board of Directors convened on 21 March 2018:

- Approved the new business plan for the period 2018-2021 of the M&C Group, which - as indicated in the strategic guidelines approved by the Board of Directors on 21 December 2017 - focuses on the reorganization of the European division, to become a more efficient and relatively smaller player, to better adapt to the dynamics of the market for specialty products, i.e. films with high technological content developed on the basis of clients specifications;
- Reconsidered the need to implement the share capital increase resolved by the Extraordinary Shareholders meeting on 31 January 2017, for an amount of Euro 30,5 million, to be implemented within the end of June 2018. In this respect, it has been concluded that, assuming that the sale of the American division of Treofan Group is completed and the relevant consideration is paid to the Treofan Group by the end of the second quarter of 2018, M&C would no longer need to implement such capital increase. The Board of Directors will monitor

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the potential needs of additional equity resources during this year and the beginning of 2019 on the basis of, *inter alia*, (i) the expected completion of the sale of the American division of the Treofan Group; (ii) the final version of the new Business Plan (that will take into account the consideration that will be actually paid to Treofan for the sale of the American division of the Treofan Group) and the identification by the Board of Directors of the most efficient and appropriate financial structure to fund it; and/or (iii) possible needs associated with other alternative strategic options or opportunities of diversification or of growth which may emerge in the future and (iv) the repayment of outstanding debts of the M&C Group.

Outlook

The operations of the fiscal year ending on 31 December 2018 will be characterised by (i) the sale of the American division of the Treofan Group; (ii) the implementation of the plans for the development and valorisation of the European division; both planned with the management of the Treofan Group.

Proposal for the results of the fiscal year as of 31 December 2017

The Board of Directors proposed to the Shareholders meeting of M&C S.p.A. to carry forward the net loss relevant to the fiscal year as of 31 December 2017.

Claudio Bondardo, *dirigente preposto alla redazione dei documenti contabili societari*, declares, pursuant to the second paragraph of Art. 154-bis of the Consolidated Financial Code, that the accounting information in this document correspond to the documents and books of the company.

Milan, 26 March 2018

M&C S.p.A.

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Annexes:
Financial Statements schemes 2017, still subject to audit (*revisone legale*)

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Separate financial statements as of December 31, 2017 (translated for the convenience of the reader)

INCOME STATEMENT

<i>Currency: €000</i>	For the year ended December 31, 2017	For the year ended December 31, 2016
Revenue from sales and services	84.257	156.018
Personnel costs	(742.363)	(915.819)
Amortisation, depreciation and impairment losses on fixed assets	(1.512)	(81.576)
Other operating expenses	(3.265.105)	(1.319.330)
Operating income / (loss)	(3.924.723)	(2.160.707)
Financial income	1.859.015	2.226.897
Financial expenses	(686.561)	(10.398)
Net financial income/(expenses)	1.172.454	2.216.499
Gains from investments and securities	0	3.103.427
Losses from from investments and securities	(16.600.000)	(1.220.264)
Result from investments	(16.600.000)	1.883.163
Earning before taxes	(19.352.268)	1.938.955
Income taxes, net	821	(17.655)
Result from continuing operations	(19.351.447)	1.921.300
Result for the period	(19.351.447)	1.921.300
EPS (*)	(0,0475)	0,0047
EPS, diluted (*)	(0,0475)	0,0047

(*) Calculated on issued shares without taking into account the treasury shares

M&C S.p.A.

Separate financial statements as of December 31, 2017 (translated for the convenience of the reader)

BALANCE SHEET

Currency: €000

ASSETS	December 31, 2017	December 31, 2016
Non-current assets:		
Property, plant and equipment	1.483	2.595
Investments	47.461.162	37.726.638
Other non-current assets	731.300	814.326
Non-current financial assets	28.032.643	16.706.717
Deferred tax assets	-	-
Total non-current assets	76.226.588	55.250.276
Current assets:		
Trade receivables	344.111	596.520
Current tax assets	742.282	627.915
Other receivables	436.609	839.175
Cash and cash equivalents	169.208	23.902.289
Total current assets	1.692.210	25.965.899
Total assets	77.918.798	81.216.175
EQUITY AND LIABILITIES		
Equity		
Share capital	80.000.000	80.000.000
Treasury shares	(50.032.057)	(50.032.057)
Reserves	50.227.546	48.306.246
Valuation reserves	(14.463)	(14.441)
Result for the period	(19.351.447)	1.921.300
Total equity	60.829.579	80.181.048
Liabilities		
Non current liabilities		
employees benefits	23.511	64.743
Deferred tax liabilities	-	-
Total non-current liabilities	23.511	64.743
Current liabilities		
Trade payables	1.141.005	716.284
Interest-bearing loans and borrowings	15.761.527	-
Other current liabilities	163.176	254.100
Total current liabilities	17.065.708	970.384
Total liabilities	17.089.219	1.035.127
Total equity and liabilities	77.918.798	81.216.175

M&C S.p.A.

Separate financial statements as of December 31, 2017 (translated for the convenience of the reader)

STATEMENT OF CASH FLOWS - direct method

<i>Currency: €000</i>	For the year ended December 31, 2017	For the year ended December 31, 2016
A. OPERATING ACTIVITIES		
1. Operations	(3.682.134)	(1.002.536)
Interest income / (expenses), net	(614.827)	125.171
Dividends and other income/expense on temporary investments of liquidity	-	193.200
Fee and commission expense	(76.558)	(47.196)
Personnel expense	(645.047)	(680.734)
Other costs		
Leases and car hire	(95.612)	(102.664)
Sundry services	(2.601.687)	(630.089)
Other revenue	338.679	139.776
Income taxes	12.918	-
2. Cash flows used in the decrease in financial assets	-	(941.358)
Current financial assets (change in fair value)	-	(1.456.066)
Net gains (losses) due to the decrease in financial assets	-	514.708
Cash flows used in operating activities	(3.682.134)	(1.943.894)
B. INVESTING ACTIVITIES		
1. Cash flows generated by the decrease in	10.000.036	8.940.254
Shareholder loan granted to Treofan	10.000.000	-
Other financial assets	-	8.940.254
Property, plant and equipment	36	-
2. Cash flows used for the increase in	(45.812.512)	(159.990)
Equity investments	(45.812.024)	-
IDeA EESS fund	-	(159.941)
Property, plant and equipment	(488)	(49)
Intangible assets	-	-
Net cash flows generated by (used in) investing activities	(35.812.476)	8.780.264
NET CASH FLOWS FOR THE YEAR	(39.494.610)	6.836.370
Reconciliation		
Cash and cash equivalents at the beginning of period	23.902.290	17.065.920
Net cash flows for the year	(39.494.610)	6.836.370
Cash and cash equivalents at the end of period	(15.592.320)	23.902.290

NOTICE: The consolidated financial statements of the M&C Group as of 31 December 2017 are the first with full line-by-line consolidation of the results of the Treofan Group. The figures for the financial year that ended on 31 December 2016 are from the Individual financial statements (*bilancio individuale*) of M&C, in which the investment held in Treofan Holdings GmbH was evaluated using the equity method (*metodo del Patrimonio Netto*).

Gruppo M&C

Consolidated financial statements as of December 31, 2017 (translated for the convenience of the reader)

INCOME STATEMENT

<i>Currency: €000</i>	For the year ended December 31, 2017	For the year ended December 31, 2016
Revenue from sales and services	412.371	0
Other revenues	2.530	114
Purchase of raw materials	(252.652)	0
Change in stock	10.074	0
Other variable expenses	(59.172)	0
Personnel costs	(67.382)	(916)
Other fixed costs	(33.523)	(1.319)
Amortisation, depreciation and impairment losses on fixed assets	(15.568)	(82)
Operating income / (loss)	(3.322)	(2.203)
Financial income	548	1.360
Financial expenses	(7.489)	(10)
Net financial income/(expenses)	(6.941)	1.350
Badwill and gains from investments and securities	14.388	3.103
Losses from from investments and securities	0	(3.390)
Net gains (losses) on investments and securities	14.388	(287)
Pre-tax profit / (loss) for the year	4.125	(1.140)
Current and deferred taxes	766	(18)
Result for the period	4.891	(1.158)
Result pertaining to minority shareholders	(80)	n.a.
Result pertaining to Group shareholders	4.971	(1.158)
EPS (*)	0,0122	(0,0028)
EPS, diluted (*)	0,0122	(0,0028)

(*) Calculated on issued shares without taking into account the treasury shares

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Consolidated financial statements as of December 31, 2017 (translated for the convenience of the reader)

BALANCE SHEET

Currency: €000

ASSETS	December 31, 2017	December 31, 2016
Non-current assets:		
Property, plant and equipment	157.204	3
Intangible assets	17.726	-
Investments	-	26.396
Other non-current assets	1.076	814
Other financial assets	-	16.707
Deferred tax assets	9.096	31
Total non-current assets	185.102	43.951
Current assets:		
Inventories	56.668	-
Trade receivables	51.151	596
Other receivables	18.754	839
Prepayments	4	-
Current tax assets	742	628
Cash and cash equivalents	39.308	23.902
Total current assets	166.627	25.965
Total assets	351.729	69.916
EQUITY AND LIABILITIES	December 31, 2017	December 31, 2016
Equity		
Share capital	80.000	80.000
Treasury shares	(50.032)	(50.032)
Reserves	39.910	43.362
Valuation reserves	(7.171)	(3.291)
Result for the period	4.971	(1.158)
Equity attributable to equity holders of the Company	67.678	68.881
Minority	672	n.a.
Total equity	68.350	68.881
Liabilities		
Non current liabilities		
Interest-bearing loans and borrowings	102.916	-
Employee benefits	32.749	65
Provisions - long term	6.358	-
Deferred tax liabilities	6.357	-
Total non-current liabilities	148.380	65
Current liabilities		
Interest-bearing loans and borrowings	37.169	-
Trade payables	64.248	716
Other payables	28.127	254
Income tax liabilities	2.644	-
Provisions - short term	2.811	-
Total current liabilities	134.999	970
Total liabilities	283.379	1.035
Total equity and liabilities	351.729	69.916

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Consolidated financial statements as of December 31, 2017 (translated for the convenience of the reader)

STATEMENT OF CASH FLOWS - indirect method

<i>Currency: €000</i>	For the year ended December 31, 2017	For the year ended December 31, 2017
OPERATING ACTIVITIES		
Result for the period	4.891	(1.158)
<i>Adjustments to reconcile profit (loss) for the period with the cash flow generated by (used in) the operating activities</i>		
Badwill	(14.388)	-
Amortisation, depreciation and impairment losses on fixed assets	15.576	4
Change in deferred tax assets, liabilities and income taxes	(2.708)	(340)
Losses on investments	-	7.052
Accruals to provisions for bad debts and inventory	1.068	-
Non-cash interest expenses / (income) Interessi non pagat / (incassati)	2.025	(2.084)
Change in current assets and liabilities	4.433	774
Other, net	(554)	8
CASH FLOW GENERATED BY (USED IN) OPERATING ACTIVITIES	10.342	4.256
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (investment in) / proceeds from property, plant and equipment and intangible assets	(34.900)	(2)
Acquisition of Treofan, net of cash	(20.039)	-
<i>i. cash existing at the acquisition date</i>	25.773	-
<i>ii. Consideration paid</i>	(45.812)	-
Change in other financial assets	-	7.217
CASH FLOW GENERATED BY (USED IN) INVESTING ACTIVITIES	(54.940)	7.215
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payments of) interest-bearing loans and borrowings - short term	(26.239)	-
Proceeds from (payments of) interest-bearing loans and borrowings - long term	96.492	-
Payments of finance lease liabilities	(120)	-
Costs incurred in relation to the arrangement of loans	(6.301)	-
Other changes in equity	-	(4.635)
CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES	63.832	(4.635)
EXCHANGE RATES EFFECTS (D)	(3.828)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (E=A+B+C+D)	15.406	6.836
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (F)	23.902	17.066
CASH AND CASH EQUIVALENTS AT END OF YEAR (G=F+E)	39.308	23.902