

M&C

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

PRESS RELEASE

M&C 2016 results:

profit of €1.9 million (profit of €0.7 million in 2015)

continued improvement of Treofan Group:

2016 EBITDA €37.8 million (+16% on 2015)

The board of directors of M&C approved the results for 2016 in their meeting of today chaired by Emanuele Bosio.

2016 results

M&C made a profit for the year of €1.9 million 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), whose increase is due to the cost of acquiring control of Treofan Group.

At 31 December 2016, M&C has 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.

The €6.8 million improvement in the company's net financial position 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 cashflows from operations for €1.0 million.

The Treofan investment

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.

Its profit before tax also improved significantly compared to the previous year, coming in at €6.6 million compared to a loss before tax of €1.6 million for 2016. The Group's loss of €7.4 million for the year (2015: loss of €4.7 million) was heavily affected by deferred tax expense of roughly €12.3 million, including €5.3 million

M&C S.p.A. capitale sociale euro 80.000.000,00 i.v.

sede operativa: Via Ciovassino 1/A - 20121 Milano - Tel. +39 02 727371 - Fax +39 02 72737177

sede legale: Via Valeggio 41- 10129 Torino - C.F. e Registro Imprese di Torino n. 09187080016

Società soggetta all'attività di direzione e coordinamento di PER S.p.A.

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.

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

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).

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.

The directors also 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.

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 TREFAN 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

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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..

At present, the capital increase is slated to take place before the end of May, unless the time necessary to obtain the necessary authorisations makes it necessary to delay the procedure.

On 9 February 2017, the transaction to acquire control of Treofan Group as per the terms of the acquisition agreement signed on 22 December 2016 was closed. M&C's investment in the German Group increased from 41.59% to 98.75% for a total outlay 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.

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.

Calling of the shareholders' meeting

The draft financial statements as at and for the year ended 31 December 2016, approved by the board of directors, will be presented to the shareholders in their meeting called for Tuesday, 28 April 2017 (on first call) and, if necessary, Tuesday, 4 May 2017 (on second call). The shareholders will be asked to elect new directors and statutory auditors.

The documentation required by current legislation and the directors' proposals about the matters on the agenda for the shareholders' meeting, together with the 2016 corporate governance report, which includes the remuneration report, approved by the board of directors today, will be available to the market at the company's registered office and Borsa Italiana S.p.A. and on the internet site www.mecinv.com.

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The statement of financial position of M&C at 31 December 2016 and the income statement for the year then ended, with comparative 2015 figures, prepared in accordance with the IFRS, are attached hereto. They include figures which the independent auditors have not yet finished auditing.

Milan, 17 March 2017

M&C S.p.A.

Investor Relations

Marco Viberti Tel. +39 02 727371

ir@mecinv.com

www.mecinv.com

Community - Consulenza nella comunicazione

Tel. +39 02 89404231

Auro Palomba - Marco Rubino - Mob. +39 335 6509552

M&C S.p.A.		
Separate financial statements as at and for the year ended 31 December 2015		
STATEMENT OF FINANCIAL POSITION		
(in Euros)		
ASSETS	31.12.2016	31.12.2015
Non-current assets		
Property, plant and equipment	2,595	4,004
Intangible assets	-	204
Equity investments	37,726,638	37,726,638
Other non-current assets	814,326	1,043,612
Non-current financial assets	16,706,717	14,622,947
Deferred tax assets	-	-
Total non-current assets	55,250,276	53,397,405
Current assets		
Loans and receivables	596,520	655,870
Current tax assets	627,915	589,131
Other current assets	839,175	754,291
Current financial assets	-	16,563,969
Cash and cash equivalents	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		
Equity		
Share capital	80,000,000	80,000,000
Treasury shares	(50,032,057)	(50,032,057)
Reserves	48,306,246	47,574,795
Valuation reserves	(14,441)	684,292
Profit for the year	1,921,300	731,451
Total equity	80,181,048	78,958,481
Liabilities		
Non-current liabilities		
Employee benefits	64,743	56,678
Deferred tax liabilities	-	264,044
Total non-current liabilities	64,743	320,722
Current liabilities		
Trade payables	716,284	125,197
Other current liabilities	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

M&C S.p.A.		
Separate financial statements as at and for the year ended 31 December 2016		
INCOME STATEMENT		
(in Euros)	2016	2015
Revenue from goods and services	-	23,333
Other revenue	156,018	174,156
Personnel expense	(915,819)	(1,001,805)
Amortisation, depreciation and impairment losses	(81,576)	(3,395)
Other operating expenses	(1,319,330)	(675,266)
Operating loss	(2,160,707)	(1,482,977)
Financial income	2,226,897	2,337,666
Financial expense	(10,398)	(3,515)
Net financial income	2,216,499	2,334,151
Gains on equity investments and securities	3,103,427	1,233,542
Losses on equity investments and securities	(1,220,264)	(1,238,821)
Net gains (losses) on equity investments and securities	1,883,163	(5,279)
Pre-tax profit	1,938,955	845,895
Current and deferred taxes	(17,655)	(114,444)
Post-tax profit from continuing operations	1,921,300	731,451
Profit for the year	1,921,300	731,451
Basic earnings per share (**)	0.0047	0.0018
Diluted earnings per share (**)	0.0047	0.0018

(*) Calculated considering outstanding shares without considering treasury shares.

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Individual financial statements as at and for the year ended 31 December 2015		
STATEMENT OF FINANCIAL POSITION		
(€'000)		
ASSETS	31.12.2016	31.12.2015
Non-current assets		
Property, plant and equipment	3	4
Equity investments	26,396	33,449
Other non-current assets	814	1,044
Loans and receivables	16,707	14,623
Deferred tax assets	43	-
Total non-current assets	43,963	49,120
Current assets		
Loans and receivables	596	656
Current tax assets	628	589
Other current assets	839	754
Current financial assets	-	16,564
Cash and cash equivalents	23,902	7,719
Total current assets	25,965	26,282
Total assets	69,928	75,402
LIABILITIES AND EQUITY		
Equity		
Share capital	80,000	80,000
Treasury shares	(50,032)	(50,032)
Reserves	43,362	44,669
Valuation reserves	(3,291)	1,344
Loss for the year	(1,158)	(1,307)
Total equity	68,881	74,674
Liabilities		
Non-current liabilities		
Employee benefits	65	57
Deferred tax liabilities	12	271
Total non-current liabilities	77	328
Current liabilities		
Trade payables	716	125
Other current liabilities	254	275
Total current liabilities	970	400
Total liabilities	1,047	728
Total liabilities and equity	69,928	75,402

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Individual financial statements as at and for the year ended 31 December 2016			
INCOME STATEMENT			
(€'000)		2016	2015
Revenue from goods and services		-	23
Other revenue		114	133
Personnel expense		(916)	(1,002)
Amortisation, depreciation and impairment losses		(82)	(3)
Other operating expense		(1,319)	(675)
Operating loss		(2,203)	(1,524)
Financial income		1,360	1,430
Financial expense		(10)	(3)
Net financial income		1,350	1,427
Gains on equity investments and securities		3,103	1,233
Losses on equity investments and securities		(3,390)	(2,329)
Net losses on equity investments and securities		(287)	(1,096)
Pre-tax loss		(1,140)	(1,193)
Current and deferred taxes		(18)	(114)
Post-tax loss from continuing operations		(1,158)	(1,307)
Loss for the year		(1,158)	(1,307)
Basic loss per share (**)		(0.0028)	(0.0032)
Diluted loss per share (**)		(0.0028)	(0.0032)

(*) Calculated considering outstanding shares without considering treasury shares.

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Pursuant to article 154-bis.2 of the Consolidated Finance Act, the manager in charge of financial reporting, Marco Viberti, states that the financial information in this press release is consistent with the accounting records, ledgers and documents.