



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

**PRESS RELEASE**

**2017 interim financial report**

The board of directors of M&C approved the interim financial report at 30 June 2017 in its meeting held today chaired by Emanuele Bosio.

**Group results**

Pursuant to IFRS 3, M&C Group's condensed interim consolidated financial statements as at and for the six months ended 30 June 2017 present assets, liabilities and contingent liabilities whose fair value has been determined on a provisional basis. Therefore, the resulting negative goodwill arising on the difference compared to the consideration paid has also been determined provisionally.

These condensed interim consolidated financial statements include:

- revenue of €217 million, a gross operating profit of €12.2 million, an operating profit of €3.8 million, the positive effect of €24.8 million of accounting for the negative goodwill (determined on a provisional basis pursuant to IFRS 3 as noted above) and the net balance of current and deferred taxes of €1.7 million. The profit attributable to the owners of the parent amounts to €25.8 million;
- the Group's net financial debt comes to €83.2 million and its equity to €99.5 million, including €1.1 million attributable to non-controlling interests.

**Parent results**

The parent made a loss for the six months of €1.7 million compared to a loss of €0.1 million for the corresponding period of 2016 being the sum of:

- a) income of €0.6 million (income of €1.3 million for the corresponding period of 2016);
- b) operating expenses of €1.9 million (€0.8 million for the corresponding period of 2016);
- c) financial expense of €0.4 million. The parent recognised losses on equity investments and securities of €1.6 million and net deferred tax income of €1.0 million for the corresponding period of 2016.

At 30 June 2017, M&C had net financial debt of €13.2 million (31 December 2016: net financial position of €23.9 million), equal to €0.03 per outstanding share, and equity of €78.5 million (31 December 2016: €80.2 million), equal to €0.19 per outstanding share.

The significant deterioration in the parent's net financial position reflects the outlay of €45.8 million to acquire control of Treofan Group, partly offset by the repayment of €10 million of the Treofan shareholder loan (collected on 24 July 2017). The acquisition was made possible by the agreement of a temporary credit facility of €25.0 million, 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 €25.0 million by the parent's two main shareholders with the remainder guaranteed by an underwriting consortium.

### **Treofan Group results**

Treofan Group's results for the six months were affected by the negative trend of some market factors, especially true of Europe, including: (i) the slide in demand in the tobacco and capacitor sectors; (ii) the continuing rise in raw material costs; and (iii) the adverse Euro/dollar exchange rate.

Group revenue amounted to €216.4 million compared to €218.5 million for the first six months of 2016 (including €141.5 million compared to €145.5 million in Europe and USD85.8 million compared to €87.4 million in the USA, respectively). Both the contribution margin and the gross operating profit decreased by €68.6 million to €61.5 million (entirely due to the European division's operations) and from €19.0 million to €13.1 million, respectively.

The German Group's net financial debt (excluding the shareholder loan) was €67.2 million at the reporting date compared to €54.0 million at 30 June 2016 and €48.0 million at 31 December 2016, while its working capital went from €56.6 million at 31 December 2016 to €62.6 million at 30 June 2017.

Profits should improve in the second half of the year as already seen in the actual figures for July thanks to: i) the reduction in raw material prices, which has already started; ii) the European division's completion of measures to cut costs and improve production efficiency, especially at the German Neunkirchen plant; and iii) the higher sales prices due to inclusion of the technical assistance service and priority shipping costs.

The Group expects to attain its 2020 objectives set in the 2017-2020 business plan through the planned investment plan focused on increasing production capacity of special products with higher profit margins both in Europe and America.

Treofan Group achieved its goal of replacing the existing financing agreement of €63.0 million (revolving credit facility), due to expire at the end of 2017, with a new financing transaction towards the end of June. The new transaction involved the issue of debt instruments of €100 million, placed with international investors. Deutsche Bank Aktiengesellschaft acted as the arranger and guaranteed full subscription.

### **Events after the reporting period**

The parent's board of directors called an extraordinary meeting of the shareholders for 25 July 2017 given the time required to list M&C's shares on the screen-based segment of the stock exchange and the share capital increase. The meeting's agenda included the proposal to extend the deadline for subscription of the capital increase to 30 June 2018. This had originally been set for 30 September 2017 by the shareholders in their meeting of 31 January 2017 but this date is no longer feasible.

## **Outlook**

The parent will implement the resolutions passed by the shareholders in their meeting of 31 January 2017 for the non-recurring transactions during the second half of the year and the steps to ensure the increasingly 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.

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The statements of financial position at 30 June 2017 and the income statements for the six months then ended of M&C S.p.A. and M&C Group prepared pursuant to the IFRS are attached hereto. They include figures which the independent auditors have not yet finished reviewing. The 2017 interim financial report of M&C will be made available to the market, pursuant to article 154-ter.2 of Legislative decree no. 58/98, once the independent auditors have finished their review.

Milan, 6 September 2017

### **M&C S.p.A.**

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**M&C S.p.A.**

Interim financial statements as at and for the six months ended 30 June 2017

**STATEMENT OF FINANCIAL POSITION**

(Euros)

<b>ASSETS</b>	<b>30.06.2017</b>	<b>31.12.2016</b>
<b>Non-current assets</b>		
Property, plant and equipment	2,039	2,595
Equity investments	64,061,162	37,726,638
Other non-current assets	814,326	814,326
Loans and receivables	26,749,999	16,706,717
<b>Total non-current assets</b>	<b>91,627,526</b>	<b>55,250,276</b>
<b>Current assets</b>		
Loans and receivables	585,078	596,520
Current tax assets	627,992	627,915
Other current assets	1,107,092	839,175
Current financial assets	10,000,000	-
Cash and cash equivalents	467,241	23,902,289
<b>Total current assets</b>	<b>12,787,403</b>	<b>25,965,899</b>
<b>Total assets</b>	<b>104,414,929</b>	<b>81,216,175</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Equity</b>		
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	(17,568)	(14,441)
Profit (loss) for the period/year	(1,683,267)	1,921,300
<b>Total equity</b>	<b>78,494,654</b>	<b>80,181,048</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Employee benefits	66,703	64,743
<b>Total non-current liabilities</b>	<b>66,703</b>	<b>64,743</b>
<b>Current liabilities</b>		
Financial liabilities	23,685,661	-
Trade payables	946,556	716,284
Other current liabilities	1,221,355	254,100
<b>Total current liabilities</b>	<b>25,853,572</b>	<b>970,384</b>
<b>Total liabilities</b>	<b>25,920,275</b>	<b>1,035,127</b>
<b>Total liabilities and equity</b>	<b>104,414,929</b>	<b>81,216,175</b>

**M&C S.p.A.**

Interim financial statements as at and for the six months ended 30 June 2017

**INCOME STATEMENT**

(in Euros)	First half 2017	First half 2016
Revenue from sales and services	-	-
Other revenue	56,456	83,230
Personnel expense	(414,128)	(452,886)
Amortisation, depreciation and impairment losses	(556)	(1,577)
Other operating expenses	(1,537,671)	(350,967)
<b>Operating loss</b>	<b>(1,895,899)</b>	<b>(722,200)</b>
Financial income	575,276	1,081,584
Financial expense	(362,644)	(705)
<b>Net financial income</b>	<b>212,632</b>	<b>1,080,879</b>
Gains on equity investments and securities	-	193,200
Losses on equity investments and securities	-	(1,575,468)
<b>Net losses on equity investments and securities</b>	<b>-</b>	<b>(1,382,268)</b>
<b>Pre-tax loss</b>	<b>(1,683,267)</b>	<b>(1,023,589)</b>
Current and deferred taxes	-	964,121
<b>Loss from continuing operations</b>	<b>(1,683,267)</b>	<b>(59,468)</b>
<b>Loss for the period</b>	<b>(1,683,267)</b>	<b>(59,468)</b>
Loss per share (*)	(0.0041)	(0.0001)
Diluted loss per share (*)	(0.0041)	(0.0001)

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

## M&C Group

Condensed interim consolidated financial statements as at and for the six months ended 30 June 2017

### STATEMENT OF FINANCIAL POSITION

(€'000)

ASSETS	30.06.2017	31.12.2016
<b>Non-current assets</b>		
Property, plant and equipment	158,676	3
Intangible assets	17,440	-
Equity investments	-	26,396
Other non-current assets	1,314	814
Loans and receivables	-	16,707
Deferred tax assets	804	31
<b>Total non-current assets</b>	<b>178,234</b>	<b>43,951</b>
<b>Current assets</b>		
Inventories	51,366	-
Trade receivables	62,107	596
Other current assets	11,329	1,467
Current financial assets	2,379	-
Cash and cash equivalents	58,271	23,902
<b>Total current assets</b>	<b>185,452</b>	<b>25,965</b>
<b>Total assets</b>	<b>363,686</b>	<b>69,916</b>
<b>LIABILITIES AND EQUITY</b>	<b>30.06.2017</b>	<b>31.12.2016</b>
<b>Equity</b>		
Share capital	80,000	80,000
Treasury shares	(50,032)	(50,032)
Reserves	38,916	43,362
Valuation reserves	3,721	(3,291)
Profit (loss) for the period/year	25,784	(1,158)
<b>Equity attributable to the owners of the parent</b>	<b>98,389</b>	<b>68,881</b>
Equity attributable to non-controlling interests	1,107	n.a.
<b>Total equity</b>	<b>99,496</b>	<b>68,881</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Financial liabilities	104,839	-
Employee benefits	33,822	65
Provisions for risks and charges	1,245	-
Deferred tax liabilities	7,448	-
<b>Total non-current liabilities</b>	<b>147,354</b>	<b>65</b>

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<b>Current liabilities</b>		
Financial liabilities	38,613	-
Trade payables	52,590	716
Other current liabilities	23,957	254
Provisions for risks and charges	1,676	-
<b>Total current liabilities</b>	<b>116,836</b>	<b>970</b>
<b>Total liabilities</b>	<b>264,190</b>	<b>1,035</b>
<b>Total liabilities and equity</b>	<b>363,686</b>	<b>69,916</b>

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## M&C Group

Condensed interim consolidated financial statements as at and for the six months ended  
30 June 2017

### INCOME STATEMENT

(000)(€'000)	First half 2017	First half 2016
Revenue from sales and services	216,438	-
Other revenue	207	83
Costs for raw materials, consumables, supplies and goods	(128,941)	-
Change in inventories	4,932	-
Personnel expense	(33,569)	(453)
Amortisation, depreciation and impairment losses	(8,431)	(1)
Other variable operating expenses	(30,886)	-
Other fixed operating expenses	(15,971)	(351)
<b>Operating profit (loss)</b>	<b>3,779</b>	<b>(722)</b>
Financial income	280	663
Financial expense	(4,771)	(1)
<b>Net financial income (expense)</b>	<b>(4,491)</b>	<b>662</b>
Gains on equity investments and securities	24,833	2,252
Losses on equity investments and securities		(1,575)
<b>Net gains on equity investments and securities</b>	<b>24,833</b>	<b>677</b>
<b>Pre-tax profit</b>	<b>24,121</b>	<b>617</b>
Current and deferred taxes	1,674	964
<b>Profit from continuing operations</b>	<b>25,795</b>	<b>1,581</b>
<b>Profit for the period attributable to non-controlling interests</b>	<b>11</b>	<b>n.a.</b>
<b>Profit for the period attributable to the owners of the parent</b>	<b>25,784</b>	<b>1,581</b>
Earnings per share (*)	0.0633	0.0039
Diluted earnings per share (*)	0.0633	0.0039
n.a.: not applicable		

(\*) Calculated using 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 presented in this press release is consistent with the accounting records, ledgers and documents.