

(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.

Interim financial report at 30 September 2014

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

KPMG S.p.A.

(*) Elected by the shareholders on 29 April 2014

Interim financial report at 30 September 2014

The interim financial report of M&C S.p.A. (“M&C” or the “company”) at 30 September 2014 has been prepared in accordance with article 154-ter of the Consolidated Finance Act, introduced by Legislative decree no. 195/2007, and based on the Consob communication no. DEM/8041082 of 30 April 2008. It gives a general overview of the financial position at 30 September 2014 and results of operations for the nine months then ended of the company and its investee and of the significant events that took place during the period which have affected their financial positions.

The interim financial report has not been audited.

Results

M&C focused on returning its investee, Treofan, to a profitable position, analysed certain investment opportunities and managed its liquidity in the period. Specifically, it decided to invest €3.0 million (in three €1.0 million instalments) in the Kairos Equity Yield fund, which acquires shares of listed regulated entities. At the reporting date, M&C had invested the first €1.0 million.

M&C S.p.A.

M&C made a loss of €5.6 million for the first nine months of 2014 (loss of €1.0 million for the first nine months of 2013), mainly due to the impairment loss recognised on the investment in Treofan in the first six months of the year to align the investment’s carrying amount with the amount identified by the impairment test (€5.2 million). The remainder of the loss (€0.4 million) arose on the company’s operations and is the sum of:

- a) income of €1.5 million, mainly arising on liquidity management and consisting of interest, dividends and other income (€1.7 million for the corresponding period of 2013);
- b) financial expense of €0.3 million related to the fair value losses on the IDeA EESS fund units recognised to align them with NAV at 30 September 2014 which equals the fund management fees for the period (€0.9 million for the corresponding period of 2013);
- c) operating expenses of €1.6 million, down on the €1.8 million for the corresponding period of 2013, comprising:
 - personnel expense of €1.0 million (€1.2 million for the first nine months of 2013), of which €0.6 million for employees and €0.4 million of directors’ and statutory auditors’ fees;
 - professional services, other general expenses, amortisation and depreciation and income tax expense of €0.6 million (unchanged from the corresponding period of 2013).

The directors did not recognise deferred tax assets on the tax loss for the period and previous periods as its activities and financial market trends do not allow them to quantify future taxable profits and when they will be realised with reasonable certainty in order to allow the recognition of deferred tax assets on losses carried forward.

At 30 September 2014, M&C has a net financial position of €23.1 million (31 December 2013: €26.6 million), equal to €0.06 per outstanding share, and equity of €78.8 million (31 December 2013: €84.4 million), equal to €0.19 per outstanding share.

Its net financial position includes available-for-sale financial assets, such as:

- (i) listed high yield bonds of €0.3 million;

- (ii) listed shares of €0.5 million;
- (iii) units of the Kairos International KEY fund of €1.0 million;

and financial assets for bank current account balances of €21.3 million.

The reduction in the company's net financial position is mainly due to the payments of €2.2 million made to the IDeA EESS fund manager as drawdowns. As is generally the case for private equity funds, the investment in the IDeA EESS fund is not liquid enough to be considered in the net financial position and, therefore, it has been excluded.

At 30 September 2014, the company's portfolio also includes the 41.6% investment in Treofan Holdings GmbH of €35.9 million (31 December 2013: €41.1 million) and the IDeA EESS units of €4.9 million (31 December 2013: €3.0 million).

M&C's exposure with the Treofan group also includes its share of the €35 million shareholder loan approved in December 2013 with Goldman Sachs and EBF & Associates, aimed to support the group's development plans. M&C's share of the loan was €16.5 million, provided in two instalments in December 2013 (€9.9 million) and at the end of October 2014 (€6.6 million). The decrease in the carrying amount of the investment in Treofan compared to 31 December 2013 is due to the impairment loss recognised at 30 June 2014 to align its carrying amount to the results of the impairment test, performed by the directors given the drop in the European division's profitability and certain delays in marketing the new Treopore product.

The carrying amount of the IDeA EESS units increased by €2.0 million compared to 31 December 2013 following the payment of the drawdown requests (€2.3 million) and the alignment of the units' value to the fund's NAV at 30 September 2014 (€0.3 million). M&C's remaining commitment as per the March 2013 agreements is €8.9 million.

The fund became operational in August 2011 and invests in small and mid-sized manufacturing and services companies active in the energy savings and efficient use of natural resources sector. Its portfolio currently comprises:

- 1) a 48% interest in Domotecnica S.p.A. (an independent Italian franchise of thermo-hydraulic installers) for an initial investment of €2.6 million, increased by €1.0 million by subsequent subscriptions of share capital, as provided for in the acquisition agreement;
- 2) a 10% stake in Elemaster S.p.A., a leading operator in the design and construction of electronic equipment for control systems used in the railway, aerospace, electromedical and industrial automation sectors for €8.5 million;
- 3) a 29.9% interest in SMRE S.p.A., an engineering company specialised in the design and construction of industrial machines for cutting and working textiles and power trains for electric vehicles, for €3.5 million;
- 4) a 10% investment in GreenItaly 1 (a special purpose acquisition company - SPAC - listed on AIM Italia - the alternative investment market organised and managed by Borsa Italiana S.p.A. - at the end of 2013, set up to acquire a mid-sized Italian unlisted company active in the efficient use of resources, energy efficiency or the environment sector within 24 months of its IPO) for €3.9 million, including special shares without voting rights of €0.4 million, obtained thanks to M&C's role as owner/promoter;
- 5) a 16% interest in Meta System S.p.A. for €12.5 million; this company produces telematic systems for the automotive and home telematics sectors and alarm systems and battery chargers for electric vehicles.

M&C's separate financial statements, attached hereto, have been prepared pursuant to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission. The accounting policies are unchanged with respect to those applied to prepare the 2013 annual separate financial statements.

Investee: performance during the year**Treofan Holdings GmbH**

M&C has a 41.6% investment in Treofan Holding GmbH (“Treofan” and, together with its subsidiaries, the “Treofan group”).

Given this investment’s significance, although it is not of a controlling nature, the Treofan group’s key figures for the first nine months of 2014 provided by its management are reported herein.

The Treofan group recorded sales volumes of 120.4 thousand tonnes (118.1 thousand tonnes in the corresponding period of 2013) and turnover of €327.9 million (€326.7 million for the corresponding period of 2013) in the first nine months of 2014. The group’s gross operating profit decreased by €4.3 million from €16.5 million for the corresponding period of 2013 to €12.2 million for the period, attributable entirely to the European division’s performance.

The contraction in the European division’s gross operating profit (from €7.9 million to €3.0 million) is due to the €8.3 million reduction in the contribution margin, which was only partly offset by the decrease of €3.4 million in overheads.

Specifically, the European division’s profitability was affected by: (i) tougher competition and the still incomplete reorganisation of its commercial services, mainly for packaging and condenser products, which led to a reduction in prices and profit margins; (ii) management’s decision to reduce stock starting from the second quarter of 2014 (approximately €9 million) and working capital: this had a positive effect on the division’s financial position but a negative effect on its gross operating loss (roughly €3.0 million); and (iii) production problems in January and the summer months on the 7 metre lines at the Neunkirchen site, which adversely affected volumes and led to an increase in shrinkage.

Despite the continued difficult market conditions, the reorganisation project should be completed within the next few months. It has mainly entailed strengthening the commercial structure, improving the product mix with a reduction in commodities volumes, monitoring overheads and a management overhaul of the Italian subsidiary. This is expected to allow the European division to return to a profit-making position and to subsequently increase such profits.

The American division’s gross operating profit for the period was slightly better than that of the corresponding period of 2013 at USD12.2 million compared to USD12.0 million.

At 30 September 2014, the group’s equity was €106.7 million compared to €111.7 million at 31 December 2013 while its net financial indebtedness amounted to €43.4 million (€33.4 million at 31 December 2013), without considering the shareholder loan of €21 million.

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 period. The shareholders have not taken any resolutions to repurchase treasury shares at present.

Main shareholders, based on available information:

Name	% of share capital
PER S.p.A. (Carlo De Benedetti)	54.0
<i>Treasury shares in portfolio</i>	<i>14.1</i>
Compagnie Financière La Luxembourgeoise SA	9.3
Tamburi Investments Partners S.p.A.	3.5
Banca Intermobiliare di Investimenti e Gestioni S.p.A. (Veneto Banca S.c.p.A.)	2.1
Orazio Mascheroni (including through Consulta S.r.l.)	1.5
Other and market	15.5
Total	100.0

Other informationManagement 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.

Related parties and related party transactions:

- Starfin 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 effective from 1 January 2014 for an half-yearly amount of €70 thousand. At 30 September 2014, accrued fees amounted to €105 thousand, plus €20 thousand for expenses reimbursement. M&C also has an agreement with Starfin SA for the services that Giovanni Canetta will continue to provide to it, as member of Treofan's advisory board starting from 7 January 2014 (annual fee of €75 thousand). Fees accrued during the nine months amounted to €62 thousand.
- Embed Capital S.r.l., controlled by the managing director Emanuele Bosio, which receives fees for the position of managing director starting from 29 April 2014, when Mr. Bosio was elected to this position, based on an ongoing reversibility agreement between Embed Capital S.r.l. and Mr. Bosio. The fees accrued for the period amount to €91 thousand.
- Treofan Holdings GmbH, in which M&C has an investment, on whose behalf costs of €68 thousand were incurred and will be recharged to it, including €3 thousand recognised as invoices to be issued at 30 September 2014. At the reporting date, M&C also has a receivable for the shareholder loan and related interest of €7,428 thousand (calculated using the amortised cost method); interest accrued during the period came to €706 thousand.
- PER S.p.A., which controls M&C, to which fees for consultancy services of €20 thousand accrued during the period.

- Aholding S.r.l., controlled by the former director Corrado Ariaudo, which received fees for his position as per an existing reversibility agreement between Aholding and Mr. Ariaudo accrued up to 29 April 2014, when his term of office expired (€5 thousand).
- Omniservizi Finanziari&Amministrativi S.r.l., which is 33% owned by Aholding S.r.l. and with which M&C has an annual contract for the supply of accounting and administrative services. The related fee was €23 thousand at 30 April 2014, when the contract ended.

Transactions with related parties take place at normal market conditions. The shareholder loan to Treofan contractually agreed at non-market conditions was recognised at market conditions.

Brief description of related party transactions

(i€'000)	30.09.2014			9 months 2014			
	Non-current financial assets	Loans and receivables	Trade payables	Personnel expense	Other operating expenses	Revenue and other income	Interest income
Starfin SA		38	22		62	125	
Embed Capital S.r.l.				91			
Treofan Holdings GmbH	7,428	28				68	706
PER S.p.A.		24				20	
Aholding S.r.l.				5			
Omniservizi S.r.l.					23		
Total	7,428	90	22	96	85	213	706
% of financial statements	100.0%	12.7%	8.1%	9.2%	15.2%	78.9%	56.8%

Stock option plans

The existing stock option plans are unchanged with respect to that disclosed in the 2013 Annual Report.

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 period.

Significant non-recurring events and/or transactions

No such transactions or events, as per the above Consob communication, took place during the period.

Investment policy and other information

Pursuant to article 2.6.3.a) of the Stock Market Regulation, it is noted that the company's investments comply with that set out in its investment policy adopted by the shareholders on 1 July 2011. This policy has not undergone any change since then.

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 period

On 30 October 2014, the second instalment of the shareholder loan was granted to Treofan Germany GmbH (€6.6 million). This loan of €35 million agreed pro rata by Treofan's main shareholders (M&C, Goldman Sachs and Merced Capital, former EBF & Associates) in December 2013 has now been fully disbursed.

Outlook

M&C will increasingly focus on assisting Treofan's management to define strategies and manage its operations to recoup and improve the investee's efficiency and profitability. M&C will also continue to carefully manage its liquidity and analyse new investment opportunities in line with its investment policy and the financial and collaboration commitments taken on with IDeA SGR. Its main goal is to put together a balanced portfolio in terms of its risk/return ratio.

The risks and uncertainties that characterise the company's business do not affect its overall financial position even though the economy has not improved.

Milan, 11 November 2014

The Chair

Franco Girard

(signed on the original)

INTERIM FINANCIAL STATEMENTS OF M&C S.p.A.

M&C S.p.A.

Interim financial statements as at and for the nine months ended 30 September 2014

STATEMENT OF FINANCIAL POSITION

(€'000)

ASSETS	30.09.2014	31.12.2013
Non-current assets		
Property, plant and equipment	7	9
Equity investments	35,915	41,095
Other non-current assets	1,440	1,548
Loans and receivables	7,428	6,722
Total non-current assets	44,790	49,374
Current assets		
Loans and receivables	708	685
Current tax assets	4,482	4,363
Other current assets	960	921
Current financial assets	7,318	6,430
Cash and cash equivalents	21,329	23,793
Total current assets	34,797	36,192
Total assets	79,587	85,566
LIABILITIES AND EQUITY		
Equity		
Share capital	80,000	80,000
Treasury shares	(50,032)	(50,032)
Reserves	54,308	55,909
Valuation reserves	84	88
Loss for the period/year	(5,564)	(1,601)
Total equity	78,796	84,364
Liabilities		
Non-current liabilities		
Employee benefits	49	57
Total non-current liabilities	49	57
Current liabilities		
Trade payables	273	259
Other current liabilities	469	806
Provisions for risks and charges	-	80
Total current liabilities	742	1,145
Total liabilities	791	1,202
Total liabilities and equity	79,587	85,566

M&C S.p.A.

Interim financial statements as at and for the nine months ended 30 September 2014

INCOME STATEMENT

(€'000)	9 months 2014	9 months 2013	Q3 2014	Q3 2013
Revenue from sales and services	125	12	35	16
Other revenue	145	64	63	43
Personnel expense	(1,042)	(1,202)	(302)	(381)
Amortisation, depreciation, impairment losses and provisions	(4)	(26)	(1)	(8)
Other operating expenses	(558)	(509)	(185)	(179)
Operating loss	(1,334)	(1,661)	(390)	(509)
Financial income	1,244	1,115	410	322
Financial expense	(1)	(66)	-	-
Net financial income	1,243	1,049	410	322
Gains on investments and securities	21	495	-	-
Losses from investments and securities	(5,464)	(902)	(85)	(894)
Net losses from investments and securities	(5,443)	(407)	(85)	(894)
Pre-tax loss for the period	(5,534)	(1,019)	(65)	(1,081)
Current and deferred taxes	(30)	(13)	(12)	(4)
Loss from continuing operations	(5,564)	(1,032)	(77)	(1,085)
Loss for the period	(5,564)	(1,032)	(77)	(1,085)
Basic loss per share (*)	(0.0137)	(0.0025)	(0.0002)	(0.0027)
Diluted loss per share (*)	(0.0137)	(0.0025)	(0.0002)	(0.0027)

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

* * *

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 report is consistent with the accounting records, ledgers and documents.