



(TRANSLATION FROM THE ITALIAN ORIGINAL WHICH REMAINS THE DEFINITIVE  
VERSION)

**SPACE S.p.A. AND F.I.L.A. - FABBRICA ITALIANA LAPIS E AFFINI S.p.A. - ANNOUNCE THE  
APPROVAL OF THEIR BUSINESS COMBINATION**

- *FILA is one of the world leaders in the production and marketing of colouring, drawing, modelling, writing and painting products primarily aimed at school- and pre-school-aged children.*
- *Further to the transaction, FILA will be listed on the Italian Stock Exchange, with primary institutional investors holding a share between 30.4% and 34.5% of the share capital of the company resulting from the merger.*
- *The stock exchange listing resulting from its integration with Space will enable FILA to further accelerate its plans for organic growth and acquisitions, and in particular its entry into new geographical and markets in the fine arts sector.*
- *Massimo Candela, FILA's controlling shareholder, will be the CEO. Gianni Mion will be the non-executive Chairman.*
- *Intesa Sanpaolo will sell its stake in FILA.*

**Milan, 15 January 2015** – The Boards of Directors of Space S.p.A. (“**Space**”) – the first Italian Special Purpose Acquisition Company, listed on the SIV market of the Italian Stock Exchange – and of **F.I.L.A. - Fabbrica Italiana Lapis e Affini S.p.A. (“FILA”)**, one of the world leaders in the production and marketing of colouring, design, modelling, writing and painting products primarily aimed at school- and pre-school-aged children, have today announced the approval of a transaction (the “**Business Combination**”) contemplating the merger of FILA into Space.

The Boards of Directors have convened the meetings of shareholders to vote on the transaction. Space ordinary and extraordinary shareholders meeting will be held on 20 February 2015 while FILA shareholders meetings will take place on 19 February 2015.

**Purpose of the business combination**

The capital contributed to FILA through the Business Combination (estimated to be between Euro 50 million and 65 million) will be devoted to the business development of the company and, in particular, to strengthening its presence in the markets in which it already operates, to contributing to its growth in the fine arts sector and to expanding in emerging markets, not least



through the exercise of the option to buy a further share in the capital of its Indian affiliate Writefine Products Private Limited, which will enable FILA to hold as much as 50% of the latter's capital.

“Space takes a great deal of pride and satisfaction in the Business Combination with FILA”, said Gianni Mion. “The Group perfectly meets all the criteria that we set a year ago at the launch of our initiative: entrepreneurial talent, a history of success and made-in-Italy excellence, a deep-rooted international presence, financial solidity, real prospects for development and a management team with proven track record. On the basis of all these features, we have firm confidence in this project, to which we are fully committed”.

“Thanks to its combination with Space, FILA will be listed on the Stock Exchange, something that has been a primary goal for the Group for some time”, said Massimo Candela, FILA's Chief Executive Officer. “We have found at Space a team of people with whom we share a vision and a path of growth. Our intention is to use the proceeds deriving from the merger to accelerate the development of the Group mainly through acquisitions and partnerships, something we have already done successfully, focusing on the world of colour and the fine arts sector”.

### **Main terms of the Business Combination**

The Business Combination will be carried out in the following key phases:

- acquisition by Space of 15.49% of FILA's share capital, representing 11.73% of the voting rights exercisable at FILA's shareholders' meeting by the shareholders Intesa Sanpaolo S.p.A. (“**Intesa**”) or its beneficiaries and Venice European Investment Capital S.p.A. (“**VEI**”) for a purchase price of Euro 39 million based on a valuation of FILA's entire share capital, of Euro 228 million; VEI will therefore remain part of the shareholder base, with a 10.38% stake in the company following the merger (in the scenario of the maximum distribution of reserves);
- cancellation of FILA treasury shares;
- merger by incorporation of FILA into Space, based on the same valuation of 100% of FILA's share capital (Euro 228 million) and a price per Space share of Euro 10;
- distribution of reserves by Space to holders of Space ordinary shares on the effective merger date (other than ex-FILA shareholders who have received shares in exchange) or holders of Space special shares, for an amount of Euro 26,919,998 (corresponding to Euro 2 per share) less any outlay incurred by Space to purchase the shares following the exercise of exit rights by ordinary shareholders that do not intend to participate to the transaction;



- payment of an indemnity to holders of Space market warrants (“**Market Warrants**”) for a total amount of no more than Euro 1,646,666.54 (equal to a maximum of Euro 0.19 per Market Warrant) to restore for the financial prejudice suffered by warrant holders as the result of the adjustments made to align the terms and conditions of the Market Warrant further to any distribution of reserves (“**Warrant Indemnity**”);

The share exchange ratio will therefore be between: (i) a maximum of 16.8017 newly issued Space shares per FILA share, assuming that Space distributes the maximum amount of reserves; and (ii) a minimum of 13.4414 newly issued Space shares per FILA share if Space does not distribute any reserves at all.

A meeting of Space shareholders has been convened to approve a capital increase to fulfill the share exchange for a maximum amount of Euro 31,525,534. This is to be carried out by 30 June 2015 via the issue of a maximum of 31,525,534 shares, of which a maximum of 24,959,026 are to be ordinary shares and a maximum of 6,566,508 are to be special multiple-voting shares, as explained in greater detail below.

Taking into account the outlay incurred by Space for the distribution of reserves and/or to pay shareholders who have exercised their right to exit and/or to pay the Warrant Indemnity, it is estimated that Space will contribute an amount of cash proceeds between approximately Euro 50 million and 65 million to the merger.

The company formed as a result of the Business Combination – which is expected to be completed in the first half of 2015 – will be named FILA and plans to apply for its shares to be transferred to trading on the MTA market organised and managed by Borsa Italiana S.p.A. by 31 December 2015.

### **Exit rights**

Dissenting holders of ordinary shares in Space may (i) exercise the put option to sell all or part of their shares back to Space at a ratio of one Market Warrant to three ordinary shares, and at a price of Euro 9.9 per share during the period 23 January 2015 to 11 February 2015, or (ii) exercise their right to withdraw (pursuant to articles 2437 et seq of the Italian Civil Code), within the legal terms following the shareholders' meeting, for a consideration equal to Euro 9.928 per share.

The terms and conditions for the exercise of the put option and the right to withdraw will be notified to shareholders pursuant to existing legislation by the start date of the period for the exercise of the put option and by the date on which the resolution approving the Business Combination is recorded in the Register of Companies.



## Shareholder structure post-Business Combination

Pencil, the controlling shareholder of FILA, holds 1,172,473 FILA shares, representing 62.49% of the share capital and 78.86% of voting rights. Of these, 781,649 are ordinary shares, representing 41.66% of the share capital and 31.54% of voting rights. The remaining 390,824 are multiple-voting shares, which, at today's date, represent 20.83% of the share capital and 47.32% of voting rights. FILA holds 180,075 treasury shares, representing 9.60% of the share capital. The multiple-voting FILA shares will be exchanged with multiple-voting Space shares with similar features to those currently issued by FILA. These shares will not be listed and will be automatically converted into ordinary shares, with the loss of multiple-voting rights upon sale.

Assuming that no Space shareholder exercises his exit rights in the context of the Business Combination, FILA's shareholder structure will be as follows:

Shareholder structure on the date that the Business Combination becomes effective		
	Percentage of share capital	Percentage of voting rights
Pencil	52.23% (*)	64.95% (*)
VEI	10.38% (*)	7.75% (*)
Space investors	34.46% (*)	25.72% (*)
Space Holding	2.93% (*)	1.59% (*)

(\*) Percentages are calculated taking into account the fact that 161,000 special Space shares belonging to Space Holding will be converted into 805,000 ordinary shares on the fifth stock market trading day after the merger. On the effective merger date, Pencil will therefore hold a 53.13% stake in the company's share capital, representing 66.00% of the voting rights.

**Market Warrants** On the effective date of the Business Combination, Space ordinary shareholders (other than ex-FILA shareholders who have received shares in exchange) will be entitled to receive one Market Warrant for every three ordinary shares held.

The Board of Directors also resolved, on today's date, to adjust the strike price and the acceleration price of Market Warrants as a result of any distribution of reserves applying an adjustment coefficient, such that the financial value and purposes of the instruments remain as far as possible equivalent, without changing the number of shares underlying the exercise of the Market Warrants.



If Space were not to distribute any reserves, the terms and conditions of the exercise of the Market Warrants would remain the same and no Warrant Indemnity would be required. If the maximum distribution of reserves were made, the strike price and the acceleration price of the Market Warrants would be Euro 7.59 and Euro 10.39 respectively, and the total cost of the Warrant Indemnity would be €1,646,666.54.

### **Framework Agreement**

The Business Combination is regulated by a framework agreement (“**Framework Agreement**”), signed today by Pencil, FILA, Space and Space Holding. The Framework Agreement governs, inter alia, representations and guarantees made by FILA and Space, and the related indemnity obligations, as well as Space’s right to withdraw from the Framework Agreement. such right may be exercised in certain circumstances in case of breach of representations and guarantees made by FILA and contained in the Framework Agreement.

Pursuant to the Framework Agreement, the closing of the Business Combination is subject to certain conditions. In particular, the Business Combination will not take place if:

- (i) the number of Space shares for which the put option is exercised exceeds 33% less one of the ordinary share capital; or
- (ii) the number of Space shares for which the put option and/or the right to withdraw are exercised exceeds 33% of Space ordinary share capital; or
- (iii) the total outlay required by Space as a result of the exercise of the exit rights were to be in excess of Euro 42.470.996.73; or
- (iv) the merger of FILA into Space is not approved by the Space shareholders' meeting in accordance with the terms provided by article 49, paragraph 1(g) of Consob Regulation 11971/1999 (*whitewash*).

### **Shareholders' agreement and composition of the Board of Directors**

Pencil, VEI, FILA, Space and Space Holding today also signed a shareholders' agreement (“**Shareholders' Agreement**”), which will enter into force on the effective merger date. This includes: (i) the *lock-up* undertakings of Pencil and VEI, for periods of 18 and 6 months from the merger date respectively, and (ii) some governance matters to be dealt with after the merger. These include the methods and timing for the appointment of FILA Board of Directors, in the expectation that, after completion of the Business Combination, a new board of directors will



be appointed, comprising a total of nine members, of which five will be drawn from the votes of Pencil, two from those of Space Holding, one from VEI and one from the minority list.

Based on the undertakings made when Space was listed, Space Holding will have a lock-up period of 12 months from the effective merger date on the ordinary shares assigned from the conversion of its special shares as a result of the Business Combination.

Following the Business Combination, Massimo Candela, FILA's controlling shareholder, will be the CEO of the new FILA and Gianni Mion will be the non-executive Chairman of the Board of Directors.

Directors of Space Carlo Pagliani, Edoardo Subert and Alberto Tazartes have today resigned their posts with effect from the effective merger date in order to enable Massimo Candela to join the Board of Directors on that date, together with two other directors nominated by FILA.

Space was advised by Lazard S.p.A. as financial advisor, Equita as capital market adviser, and law firms Bonelli Erede Pappalardo and Giovannelli e Associati for legal matters. Ernst & Young is the financial auditor for Space.

FILA worked with the following consultants: financial adviser Leonardo & Co. S.p.A., and for legal aspects, Pedersoli e Associati; Salonia e Associati; and Skadden, Arps, Slate, Meagher & Flom. KPMG is the financial auditor for FILA. Freshfields Bruckhaus Deringer assisted VEI in legal matters.

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The Business Combination will be presented to the financial community on 20 January 2015, at 10.30 a.m., at Borsa Italiana – Palazzo Mezzanotte, Piazza degli Affari 6, Milan.

It will also be possible to connect to the conference call on the following numbers:

- for Italy: +39 02 805 88 11
- for the UK: +44 121 281 8003

The documents relating to the Business Combination will be published on the Space website ([www.space-spa.it](http://www.space-spa.it)), pursuant to legal terms.

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### **The companies involved**

**Space** is the first special purpose acquisition company (SPAC) set up under Italian law as a SIV (special investment vehicle) pursuant to the Italian stock exchange regulation, whose shares have been trading in the regulated market organised and managed by Borsa Italiana S.p.A. (investment vehicle section) since December 2013. Space was promoted by Space Holding S.r.l., whose shareholders are Sergio Erede, Roberto Italia, Gianni Mion, Carlo Pagliani, Edoardo Subert, Alfredo Ambrosio and Elisabetta De Bernardi.

**FILA**, the company that helped generations of Italians to learn to write, draw and colour, is now an icon of Italian creativity and quality in many countries around the world. Founded in Florence in 1920, it is one of the most dynamic, innovative and fastest-growing companies in the market of colouring, drawing, modelling, writing and painting products. The Candela family, the controlling shareholder, is in the company since 1956, and has allowed FILA to become an example of a family business that has reached global dimensions, with 11 production sites<sup>1</sup>, 19 branches around the world and approximately 2,500 employees.

Managed by Massimo Candela, its CEO and controlling shareholder, FILA has experienced significant growth over the last twenty years, growing its revenues from around Euro 20 million in 1993 to over Euro 220 million in 2013, thanks to a strong organic growth and to successful strategic acquisitions. Today FILA is a global company, also as a result of its acquisition of the

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<sup>1</sup> These include the two sites belonging to the affiliated company WFPL in India.



US company Dixon Ticonderoga in 2005, of the German company Lyra in 2008, of Lapiceria Mexicana in Mexico in 2010, of a stake in the Indian company Writefine Products and the Brazilian company Lycin in 2012 and of the Italian firm Industria Maimeri in 2014. The group operates through a network of production facilities in Italy, France, Germany, Mexico, Brazil, China and India, which gives FILA a privileged access to raw materials and enables the company to be a cost leader.

The group sells its own products throughout the world, generating approximately 49% of its revenues in Europe, 29% in North America, 21% in Central and South America and 1% in the rest of the world<sup>2</sup> (2013 figures). In addition to its strong market leadership in Italy, FILA is also leader in strategic markets outside Europe: FILA ranks number one in graphite pencils in the US market, number one in the Mexican market for coloured pencils and, through its associate WFPL, number two in coloured pencils in the Indian market. This is further evidence of FILA's success in integrating acquisitions it has carried out in the past.

FILA operates through its own long-standing and very well-known local markets such as Giotto, Tratto, Das, Didò, Pongo and Lyra in Europe; Dixon, Ticonderoga and Prang in North America; Vinci, Mapita and Lycin in Central and South America and Doms in India.

In 2013, the FILA Group reported a turnover of more than Euro 220 million, with an EBITDA of approximately Euro 37 million, while in the twelve-month period ending on 30 September 2014 (i.e. between 1 October 2013 and 30 September 2014) turnover was Euro 228 million and EBITDA approximately Euro 40 million. FILA's net financial position at 30 September 2014 was Euro 79.6 million, comprising non-current financial liabilities of Euro 24.7 million and a net current financial position of Euro 54.9 million.

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<sup>2</sup> The geographical breakdown of sales does not include the affiliated company WFPL in India.