

PRESS RELEASE

FILA: DOUBLE DIGIT SOUTH AMERICAN AND ASIAN GROWTH IN 2017 PARTICULARLY IN MEXICO AND INDIA FOCUS ON GROUP INTEGRATION AND SAP ROLL OUT

- *2017 Core business revenues of Euro 510.4 million (+20.8% on Euro 422.6 million in 2016), with organic growth of 4.7% net of currency effect and changes to the consolidation scope;*
- *Growth in Asia +15,1% (particularly India) and Central-South America +15,7% (particularly Mexico);*
- *Substantially stable European market with good performances by the recently established subsidiaries (Greece, Russia, Poland, Turkey and Benelux), in addition to Spain;*
- *Adjusted EBITDA of Euro 80.6 million (+19.9% on Euro 67.2 million in 2016, with organic growth of 3.3%), significant margin improvement for Canson and Daler;*
- *Adjusted Net Profit, excluding extraordinary costs and tax effects, of Euro 29.2 million (Euro 28.2 million in 2016);*
- *Net Financial Debt of Euro 239.6 million at December 31, 2017 (effect from Canson earnout payment of Euro 7.5 million and management of working capital due to higher sales in Central-South America and, in the final part of the year, in North America);*
- *New plant and machinery investment in India, Mexico, France and the United Kingdom for the renovation and extension of existing facilities for Euro 23.9 million;*
- *In execution of the Roadmap, the SAP roll out continues with the companies launching so far immediately operative;*
- *2017 proposed dividend: Euro 0.09 per share.*

Milan, March 21, 2018 – The Board of Directors of F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A. (“F.I.L.A.”) - listed on the STAR segment of the Italian Stock Exchange and producing and distributing creativity tools (colouring, writing and modelling objects), ISIN code IT0004967292 - meeting today approved the statutory financial statements at December 31, 2017 and the consolidated financial statements at December 31, 2017.

The F.I.L.A. Group reports 2017 Core Business Revenue of Euro 510.4 million, up 20.8% on 2016. Adjusted EBITDA in the year of Euro 80.6 million was up 19.9% on 2016. Adjusted net profit was Euro 29.1 million (Euro 28.2 million in 2016).

“The results for 2017 indicate the accelerated productive and commercial integration of the Group.” stated Massimo Candela, Chief Executive Officer of F.I.L.A. “India and Mexico saw further sustained business growth, while North American volumes and revenues recovered on the first half of the year. Investments made in the logistics sector will start to bear fruit from the end of the first half of the year. The roll out of the SAP system as the Group’s standard ERP, are continuing as planned and in support of future development and the reduction of working capital”.

Operating performance - F.I.L.A. GROUP

Core Business Revenue of Euro 510.4 million increased on the previous year by Euro 87.7 million (+20.8%).

Organic growth of Euro 19.9 million (+4.7%), excluding:

- the negative currency effect of approx. Euro 6.0 million (mainly due to the strengthening of the Euro against the US Dollar, UK Sterling and the Mexican Peso, only in part offset by the strengthening of the Indian Rupee)
- the M&A effect of approx. Euro 73.8 million, principally:
 - Euro 4.6 million concerning the English Daler-Rowney Lukas Group, consolidated from February 2016;
 - Euro 66.4 million concerning the French Group Canson, consolidated from October 2016.
 - Euro 3.0 million concerning the English company St. Cuthberts Holding Limited, consolidated from September 2016;

Such growth principally stemmed from Central-South America, in particular Mexico +15.7% (+Euro 8.9 million), Asia, in particular in India +15.1% (Euro 7.8 million) and North America +2.4% (Euro 3.2 million). European revenues remain substantially stable.

This follows strong school and arts & craft product demand, increased penetration in South America and the continued consolidation of market share, thanks also to the acquisition of the Daler-Rowney Lukas Group and the Canson Group, which strengthened distribution capacity.

The contribution of other creativity tools to total revenue increased over 4.3% to 58%, both due to the new Art & Craft sector acquisitions and organic growth of 6.1%.

Operating Costs in 2017 of Euro 448 million increased Euro 73 million on 2016, principally as a result of the M&A effect cited above and residually from the increase in commercial, marketing and transport costs in support of the higher revenues.

Adjusted EBITDA of Euro 80.6 million was up 19.9% (Euro 13.4 million) on 2016. The Core business revenue margin was 15.8%, substantially in line with 2016. **Organic EBITDA growth, excluding M&A operations and the currency effect, was 3.3%.**

Adjusted EBIT was Euro 60.8 million, up 18.1% and includes higher amortisation, depreciation and write-downs than the previous year, exclusively due to the above-stated M&A effect.

Adjusted Net Financial Expense increased Euro 9.8 million, principally due to higher interest charges incurred by F.I.L.A. on the loan contracted in 2016 for the acquisitions, in addition to currency differences on inter-company loans granted in Euro to companies in the United States, Brazil, Russia and South Africa.

Adjusted Group income taxes amounted to Euro 14.3 million, reducing on 2016 Euro 1.9 million. The reduction in the tax charge principally follows lower parent company income taxes and the release of deferred taxes at Canson SAS following the reduction in the expected tax rate.

Excluding the non-controlling interest result, the F.I.L.A. **Group adjusted net profit in 2017 was Euro 29.1 million**, compared to Euro 28.2 million in the previous year.

Statement of Financial Position review - F.I.L.A. GROUP

The Net Capital Employed of the F.I.L.A. Group at December 31, 2017 of Euro 479.3 million principally comprised Net Fixed Assets of Euro 301.2 million (decreasing on December 31, 2016 Euro 2.2 million) and the Net Working Capital totalling Euro 215.4 million (increasing on December 31, 2016 Euro 14.7 million).

The decrease in Intangible Assets on December 31, 2016 of Euro 10.3 million substantially relates to negative translation differences of Euro 5.5 million and the amortisation of intangible assets for Euro 6.7 million, particularly with regards to “*Trademarks*” and “*Development Technology*” by the Group companies Daler-Rowney Lukas, St. Cuthberts Mill (United Kingdom), the Canson Group and DOMS Industries Pvt Ltd (India), valued during their respective acquisitions.

The increase in Property, plant and equipment on December 31, 2016 of Euro 7.0 million mainly relates to investments in Plant and Machinery and Buildings (in use or under construction) by Group companies in support of production volume growth and business development, in particular in the “*Art & Craft*” sector. Overall net investments of Euro 21.9 million (including divestments) principally concerned DOMS Industries Pvt Ltd (India), F.I.L.A. S.p.A., Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico), Canson SAS (France) and Daler Rowney Ltd, St. Cuthberts Mill Ltd

(United Kingdom). Investments were rolled out to develop the existing production facilities and for the creation of a European logistics Hub at Annonay (France). The overall movement also stems from negative currency differences for Euro 2.8 million and depreciation of Euro 11 million.

Financial assets increased Euro 1.1 million compared to December 31, 2016, principally due to the Fair Value adjustment of the Carrying amount of the hedging derivatives of F.I.L.A. for Euro 0.6 million and movements in investments in associates held by the Indian subsidiary DOMS Industries Pvt Ltd for Euro 0.5 million.

The increase in Net Working Capital on December 31, 2016 of Euro 14.7 million relates principally to:

- an increase in Trade and Other Receivables for Euro 19.2 million deriving from the improved Central-South American revenues and in the final part of the year in North America, and to a lesser extent longer collection times;
- an increase in Inventories for Euro 1.3 million, principally due to higher stock levels, in particular in North America and the United Kingdom in support of the sales strategies and expected turnover in the initial months of 2018;
- an increase in Trade and Other Payables of Euro 5.8 million, principally relating to Dixon Ticonderoga Company (USA) and Daler Rowney Ltd (United Kingdom) due to stock purchases for the filling of orders in the initial months of the subsequent year. In addition, the movement is in part due to payables deriving from the acquisition of tangible assets by DOMS Industries Pvt Ltd (India) against investments undertaken in the final part of the year for the development of the production sites.

The decrease in Provisions was Euro 9.5 million. The decrease refers substantially to a reduction in deferred tax liabilities of Euro 7.8 million against the gradual release of the amounts calculated on the amortisation and depreciation of tangible and intangible assets valued according to the “Purchase Price Allocation” during the acquisitions carried out by the Group in recent years and a reduction of Euro 2.6 million in “Employee benefits”, principally due to actuarial gains, particularly at the company Daler Rowney Ltd (United Kingdom).

Partially offsetting this decrease in the Provisions for Risks and Charges was Euro 0.9 million for the provision for the year regarding the senior management medium/long-term variable remuneration plan of F.I.L.A. and the restructuring provisions accrued by a number of Group companies for the execution of Group reorganisation plans.

Group Equity of Euro 239.6 million at December 31, 2017 increased Euro 0.6 million on December 31, 2016. Net of the profit of Euro 17.4 million (of which Euro 1.6 million concerning non-controlling interests), the residual movement principally concerns:

- a negative currency effect of Euro 17.5 million;
- the payment of Dividends of Euro 3.9 million (of which Euro 3.7 million concerning F.I.L.A. S.p.A. and Euro 0.2 million minorities);
- the increase in the fair value of F.I.L.A. S.p.A. and Canson SAS (France) hedging derivatives (Euro 0.6 million);
- the “Share Based Premium” reserve of Euro 2.3 million;
- the increase in the IAS 19 reserve of Euro 1.8 million.

At December 31, 2017, the **Group Net Financial Debt was Euro 239.6 million**, increasing Euro 16.2 million on December 31, 2016. This increase principally concerns:

- **net operating cash flow** of Euro 61.2 million;
- the absorption of Euro 33.1 million from **working capital management** related to the seasonality of business and principally the increase in “Trade and Other Receivables”, largely due to higher sales in Central-South America and, in the latter part of the year, in North America. This movement is in addition, to a lesser extent, due to an extension of collection times.
- **net investments in tangible and intangible assets** (Capex) for Euro 23.9 million; concerning new plant and machinery, principally by Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico), Daler Rowney Ltd and St. Cuthberts (United Kingdom), DOMS Industries Pvt Ltd (India), Canson SAS (France) and F.I.L.A. S.p.A., for the refurbishment and extension of production facilities;
- **net interest paid** on loans and credit lines granted to Group companies for Euro 8.4 million;
- **the distribution of dividends to F.I.L.A. shareholders and Group non-controlling interests**, net of those paid to non-controlling interests of the company FILA Art Products AG (Switzerland), currently in the incorporation phase, for Euro 3.8 million.
- for **Euro 0.8 million** investments and divestments in holdings, principally relating to the generation of cash from the disposal of the minority stake (30%) held in FILA Nordic AB (Sweden) by the German subsidiary Lyra KG.

Excluding the currency effect from the translation of the net financial positions in currencies other than the Euro (absorbing cash of Euro 2.5 million) and from the change in the consolidation scope, the increase in the Group Net Financial Position was therefore Euro 16.2 million (Euro 184.7 million at December 31, 2016).

Significant events

- On January 20, 2017, on incorporation 52% of the share capital of FILA Art Products AG (Switzerland) was acquired, a company involved in the sale of F.I.L.A. Group writing, art and design products in Switzerland;
- On February 8, 2017, Lyra KG (Germany), a F.I.L.A. Group company held directly by F.I.L.A. S.p.A., sold 30% of its investment in Fila Nordic AB to non-controlling interests, however maintaining control;
- On April 20, 2017, the Indian subsidiary DOMS Industries Pvt Ltd subscribed a portion of the share capital increase of Pioneer Stationery Pvt Ltd (India) for a total of INR 5.1 million (approx. Euro 65 thousand). The transaction resulted in changes in the ownership of Pioneer Stationery Pvt Ltd (India), now held 51% by DOMS Industries Pvt Ltd (India);
- On July 21, 2017, the Indian subsidiary DOMS Industries Pvt Ltd acquired an additional 25% of Uniwrite Pens and Plastics Pvt Ltd, an Indian company specialised in writing tools and in particular ballpoint pens, and in which DOMS Industries Pvt Ltd already held 35%. Consideration was approx. INR 9 million (approx. Euro 121 thousand), increasing the investment held by DOMS Industries Pvt Ltd in Uniwrite Pens and Plastics Pvt Ltd to 60%;
- On July 24, Canson SAS (France) signed with Mediocredito Italiano S.p.A. a long-term loan contract for a total of Euro 6.4 million to fund the construction of a central warehouse located in Annonay, close to the city of Lyon. This loan is guaranteed by a mortgage on buildings owned by Canson and by a corporate surety issued by F.I.L.A. in guarantee of the payment obligations undertaken by Canson SAS in accordance with the loan contract;
- On July 26, 2017, F.I.L.A. announced the new composition of its share capital following the full execution of the share capital increase approved on April 27, 2017 by the Extraordinary Shareholders' Meeting, in accordance with Article 2349 of the Civil Code, for a nominal value of Euro 90,314, through the issue of 100,181 new ordinary shares, without nominal value, to be released through the use of a corresponding part of the existing retained earnings, allocated free of charge to employees of F.I.L.A. and its subsidiaries, beneficiaries of the extraordinary bonus approved by the ordinary shareholders' meeting of the same date;
- On August 31, 2017, the company Licyn Mercantil Industrial Ltda (Brazil) was merged by incorporation into Canson Brasil I.P.E. Ltda (Brazil), effective from September 1, 2017.

SAP roll out

As per the Roadmap, Industria Maimeri completed the SAP set up in January 2018, followed by Canson SAS - France, Fila Iberia - Spain, Fila Benelux, Canson Italia, Canson Australia, Canson Yixing Art & Craft - China and Canson Inc - USA. The companies introducing the new system were immediately operative.

The launch did not have particular impacts on day-to-day operations, thanks also to the advance business protection measures taken by F.I.L.A.. Some tuning measures are currently being undertaken, but the new operating and control model has demonstrated itself to be highly robust, both from a technical and business viewpoint.

In view of the results from this initial roll out, the F.I.L.A. Group considers all the required conditions to be in place to confirm the original roadmap, both in terms of scope and timing for the various roll outs, and as an essential requirement to achieve the synergies expected to be delivered over the coming 24 months.

Subsequent events

On January 18, 2018, F.I.L.A., on the basis of strong operating and financial developments both at company and Group level, negotiated with the lending banks a number of amendments to the medium/long-term loan, contracted on May 12, 2016 for a total maximum amount of Euro 236.9 million and agreed with Intesa Sanpaolo S.p.A., Mediobanca – Banca di Credito Finanziario S.p.A., Banca Nazionale del Lavoro S.p.A. and UniCredit S.p.A.. (the “**Loan Contract**”).

The amendments and supplements to the Loan Contract resulted in the application of improved terms and conditions for F.I.L.A. and the other Group companies, both in terms of reducing the financial charges on the loan and with regards to lessening the commitments in terms of the associated financial documentation and covenants. These amendments finally included the undertaking by F.I.L.A. of an additional debt of a total maximum amount of Euro 30 million from Banca Popolare di Milano, maturing on February 2, 2022, increasing the total amount set out under the loan contract to Euro 266.9 million.

The IFRS consolidated and statutory financial statements from the approved document are annexed.

The Board has proposed to the Shareholders' Meeting the distribution of a dividend of Euro 0.09 for each of the 41,332,477 shares currently in circulation, while it should be noted that in the case where the total number of shares of the Company currently in circulation should increase, the total amount of dividend will remain unchanged and the unitary amount will be automatically adjusted to the new number of shares; the dividend will be issued with coupon, record and payment dates respectively of May 21, 22 and 23, 2018.

The Board in addition today approved the consolidated non-financial disclosure (“NFD”) prepared in accordance with Legislative Decree No. 254/2016. The NFD outlines Group operations, its performances, results and the impact in terms of environmental, social, personnel, human rights and anti-active and passive corruption aspects.

The statutory financial statements at December 31, 2017 and the consolidated financial statements at December 31, 2017, in addition to the documentation approved by the Board of Directors and concerning the Shareholders' Meeting called for April 27, 2018 in single call (as per the notice of March 16, 2018), shall be made available to the public according to the deadlines and means established by the applicable regulation, at the registered office, on the company website (www.emarketstorage.com) and on the authorised storage mechanism NIS-STORAGE.

The Executive Officer for Financial Reporting Stefano De Rosa declares, in accordance with paragraph 2 of Article 154-*bis* of the Consolidated Finance Act, that the accounting information contained in the present press release corresponds to the underlying accounting documents, records and accounting entries.

F.I.L.A. (Fabbrica Italiana Lapis ed Affini), founded in Florence in 1920 and managed since 1956 by the Candela family, is a highly consolidated, dynamic and innovative Italian industrial enterprise and continues to grow market share. In November 2015, F.I.L.A. listed on the STAR segment of the Milan Stock Exchange. The company, with revenue of over Euro 510 million in 2017, has grown significantly over the last twenty years and has achieved a series of strategic acquisitions, including the Italian Adica Pongo, the US Dixon Ticonderoga, the German LYRA, the Mexican Lapiceria Mexicana, the Brazilian Lycin, the English Daler-Rowney Lukas and the French Canson, founded by the Montgolfier family in 1557. F.I.L.A. is an icon of Italian creativity globally through its colouring, drawing, modelling, writing and painting tools, thanks to brands such as Giotto, Tratto, Das, Didò, Pongo, Lyra, Doms, Maimeri, Daler-Rowney and Canson.

Since its foundation, F.I.L.A. has chosen to focus on growth through continuous innovation, both in technological and product terms, in order to enable individuals to express their ideas and talent through tools of exceptional quality. In addition, F.I.L.A. and the Group companies work together with the Institutions to support educational and cultural projects which promote creativity and expression among individuals and make culture accessible to all.

F.I.L.A. operates through 19 production facilities (of which 2 in Italy) and 35 subsidiaries across the globe and employs approx. 8,400.

For further information

F.I.L.A. Investor Relations

Stefano De Rosa Investor Relations Officer

Francesca Cocco Investor Relations

ir@fila.it

(+39) 02 38105206

For financial communication:

Community – Strategic Communication Advisers

Tel. +39 02 89404231

fila@communitygroup.it

F.I.L.A Press Office

Cantiere di Comunicazione

Eleonora Galli: (+39) 02 87383180 -186 – mob: (+39) 331 9511099

e.galli@cantierecomunicazione.com

Antonella Laudadio: (+39) 02 87383180 -189

a.laudadio@cantierecomunicazione.com

Attachment 1 – F.I.L.A. Group Consolidated Income Statement

	December 2017	% core business revenue	December 2016	% core business revenue	Change 2017 - 2016	
<i>Euro millions</i>						
Core Business Revenue	510,354	100%	422,609	100%	87,745	20,8%
Other Revenue and Income	18,300		19,652		(1,352)	-6,9%
Total Revenue	528,654		442,261		86,393	19,5%
Total operating costs	(455,530)	-89,3%	(385,437)	-91,2%	(70,093)	-18,2%
EBITDA	73,124	14,3%	56,824	13,4%	16,300	28,7%
Amortisation, depreciation and write-downs	(19,856)	-3,9%	(15,738)	-3,7%	(4,118)	-26,2%
EBIT	53,268	10,4%	41,086	9,7%	12,182	29,6%
Net financial charges	(22,359)	-4,4%	(5,780)	-1,4%	(16,579)	-286,8%
Pre-Tax Profit	30,909	6,1%	35,306	8,4%	(4,397)	-12,5%
Total income taxes	(13,542)	-2,7%	(13,334)	-3,2%	(0,208)	-1,6%
Net profit - Continuing Operations	17,367	3,4%	21,972	5,2%	(4,605)	-21,0%
Net Profit for the period	17,367	3,4%	21,972	5,2%	(4,605)	-21,0%
Non-controlling interest profit	1,600	0,3%	0,979	0,2%	0,621	63,4%
F.I.L.A. Group Net Profit	15,767	3,1%	20,993	5,0%	(5,226)	-24,9%

Attachment 2 – F.I.L.A. Group Adjusted Consolidated Income Statement

	December 2017	% core business revenue	December 2016	% core business revenue	Change 2017 - 2016	
<i>NORMALIZED - Euro millions</i>						
Core Business Revenue	510,354	100%	422,609	100%	87,745	20,8%
Other Revenue and Income	18,300		19,652		(1,352)	-6,9%
Total Revenue	528,654		442,261		86,393	19,5%
Total operating costs	(448,049)	-87,8%	(375,039)	-88,7%	(73,010)	-19,5%
EBITDA	80,605	15,8%	67,222	15,9%	13,383	19,9%
Amortisation, depreciation and write-downs	(19,785)	-3,9%	(15,738)	-3,7%	(4,047)	-25,7%
EBIT	60,820	11,9%	51,484	12,2%	9,336	18,1%
Net financial charges	(15,849)	-3,1%	(6,062)	-1,4%	(9,787)	-161,4%
Pre-Tax Profit	44,971	8,8%	45,422	10,7%	(0,451)	-1,0%
Total income taxes	(14,277)	-2,8%	(16,211)	-3,8%	1,934	11,9%
Net profit - Continuing Operations	30,694	6,0%	29,211	6,9%	1,483	5,1%
Net Profit for the period	30,694	6,0%	29,211	6,9%	1,483	5,1%
Non-controlling interest profit	1,589	0,3%	0,986	0,2%	0,603	61,2%
F.I.L.A. Group Net Profit	29,105	5,7%	28,225	6,7%	0,880	3,1%

Attachment 3 – F.I.L.A. Group Consolidated Statement of Financial Position

<i>Euro millions</i>	December 2017	December 2016	Change 2017 - 2016
Intangible Assets	208,091	218,440	(10,349)
Property, plant & equipment	88,355	81,321	7,034
Financial assets	4,725	3,656	1,069
Net Fixed Assets	301,171	303,416	(2,245)
Other non Current Asset/Liabilities	15,564	20,737	(5,173)
Inventories	178,699	177,406	1,293
Trade and Other Receivables	132,768	113,582	19,186
Trade and Other Payables	(96,263)	(90,445)	(5,818)
Other Current Assets and Liabilities	0,241	0,154	0,087
Net Working Capital	215,445	200,697	14,748
Provisions	(52,989)	(62,444)	9,455
Net Capital Employed	479,191	462,407	16,784
Equity	(239,577)	(238,970)	(0,607)
Net Financial Position	(239,614)	(223,437)	(16,177)
Net Funding Sources	(479,191)	(462,407)	(16,784)

Attachment 4 – F.I.L.A. Group Consolidated Statement of Cash Flow

<i>Euro millions</i>	December 2017	December 2016	Change 2017 - 2016
EBIT	53,268	41,086	12,182
Adjustments for non-cash items	22,758	17,865	4,893
Integrations for income taxes	(14,849)	(11,987)	(2,862)
Cash Flow from Operating Activities Before Changes in NWC	61,177	46,964	14,213
Change NWC	(33,069)	(6,437)	(26,632)
Change in Inventories	(10,818)	(16,470)	5,652
Change in Trade and Other Receivables	(28,495)	(4,607)	(23,888)
Change in Trade and Other Payables	9,906	15,409	(5,503)
Change in Other Current Assets/Liabilities	(3,662)	(0,769)	(2,893)
Cash Flow from Operating Activities	28,108	40,527	(12,419)
Investments in tangible and intangible assets	(23,899)	(12,446)	(11,453)
Interest Income	0,139	0,105	0,034
Equity Investments	0,793	(84,938)	85,731
Cash Flow from Investing Activities	(22,967)	(97,280)	74,313
Change in Equity	(3,833)	(4,461)	0,628
Interest Expenses	(8,425)	(5,761)	(2,664)
Cash Flow from Financing Activities	(12,258)	(10,223)	(2,035)
Other changes	0,156	0,028	0,128
Total Net Cash Flow	(6,961)	(66,948)	59,987
Effect from exchange rate changes	(2,452)	2,194	(4,646)
NFP from Variation in Consolidation Scope	(6,764)	(119,939)	113,175
Change in Net Financial Position	(16,177)	(184,693)	168,516