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## **PRESS RELEASE**

### **F.I.L.A. DELIVERS ON ITS GROWTH STRATEGY AND AGREES TO ACQUIRE 100% OF THE PACON GROUP, A LEADER IN THE U.S. SCHOOLS AND ART & CRAFT MARKET**

- **PACON'S AND F.I.L.A.'S PRODUCT OFFERING ARE COMPLEMENTARY IN THE EDUCATIONAL SEGMENT OF THE SCHOOL SECTOR; F.I.L.A. EXPANDS THE BREADTH OF ITS PORTFOLIO IN THE ART & CRAFT SECTOR IN NORTH AMERICA**
- **TRANSACTION VALUE US\$ 325 MILLION**
- **F.I.L.A.'S REVENUES AND NORMALIZED EBITDA AS OF 31.12.2017: € 510.4 MILLION (OF WHICH US\$ 175.8 MILLION IN NORTH AMERICA) AND € 80.6 MILLION; PACON PRO-FORMA REVENUES AND NORMALIZED EBITDA IN THE 12 MONTH PERIOD ENDED 25.11.2017<sup>1</sup>: US\$ 241.6 MILLION AND US\$ 38.2 MILLION**
- **F.I.L.A. ESTIMATES SIGNIFICANT COST SYNERGIES**
- **PROPOSED LAUNCH OF A RIGHTS OFFERING OF UP TO €100 MILLION, WITH PRE-EMPTION RIGHTS, CONDITIONAL UPON COMPLETION OF THE ACQUISITION**

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**Milan, May 7, 2018** - F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A. (ISIN Code IT0004967292) announces today that it has entered into an agreement providing for the acquisition by its subsidiary Dixon Ticonderoga Company of 100% of the shares of Pacon Holding Company (“**Pacon**”) for an Enterprise Value of US\$ 325 million and US\$ 15 million in tax benefits, equal to a cash payment of US\$ 340 million (subject to customary net debt / working capital and other adjustments at closing.)

All of Pacon's shareholders support the transaction and have given their voting consent to the acquisition.

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<sup>1</sup> Pacon, Carolina Pad & Papers and Princeton Artist Brush Co. report their results in U.S. GAAP, which differs in certain significant respects from IFRS, which is the reporting basis for F.I.L.A. results.

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Completion of the acquisition is subject to certain conditions precedent, including Hart-Scott-Rodino clearance (antitrust clearance) in the United States, and other customary conditions for transactions of this type.

Massimo Candela, CEO of F.I.L.A., stated: *“the acquisition of Pacon is a further step in the execution of the group’s international growth strategy, and further expands F.I.L.A.’s position in the largest market in the world. Furthermore, with Pacon the group will be able to complete its offering in the colour and paper segments with a broad and identifiable portfolio of products and instruments for educational and recreational creative activities, aimed at a highly diversified target.”*

Pacon, founded in 1951, is one of the main players in the U.S. market for products in the schools and art & craft sectors, based in Appleton, Wisconsin. Its product range, which includes over 8,500 items, is manufactured in 8 production facilities located in the United States (3 facilities in Appleton and 3 facilities in Neenah, Wisconsin), in the United Kingdom (1 facility in the West Midlands) and in Canada (1 facility in Barrie, Ontario).

During the period ended December 31, 2017, the F.I.L.A. group generated consolidated revenues of € 510.4 million (of which US\$ 175.8 million in North America) and normalized EBITDA of € 80.6 million. Management estimates that Pacon would have generated pro forma historical combined consolidated revenues of US\$ 241.6 million and normalized EBITDA of US\$ 38.2 million<sup>2</sup> in the 12 months period ended November 25, 2017, based on Pacon’s year end results combined with those of Carolina Pad & Papers and Princeton Artist Brush Co., which Pacon acquired in October 2017 and January 2018, respectively. Based on management estimates, the transaction will generate significant cost synergies, and will lead the F.I.L.A. group to more than doubling its consolidated sales in the United States. Upon completion of the acquisition, the enlarged F.I.L.A. group will have 29 production facilities in 5 continents with more than 9,000 employees.

F.I.L.A.’s activities in the United States following completion of the Pacon acquisition are expected to be led by James Schmitz, Pacon’s current CEO with a long-standing experience in the schools and art & craft sectors.

The transaction is financed by a medium/long-term loan underwritten by Mediobanca - Banca di Credito Finanziario S.p.A. and UniCredit S.p.A. (as Joint Global Coordinators and Bookrunners), for a total amount of €520 million, including the refinancing of its current debt.

The Board of Directors, with a view to optimizing the Group’s capital structure, has resolved to submit for approval to the general meeting of the shareholders of F.I.L.A. a proposal for a share capital increase by way of rights offering of up to €100 million (inclusive of any share premium), with pre-emption rights, to be used for the early repayment of the Group’s debt.

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<sup>2</sup> Pacon, Carolina Pad & Papers and Princeton Artist Brush Co. report their results in U.S. GAAP, which differs in certain significant respects from IFRS, which is the reporting basis for F.I.L.A. results.

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Such capital increase will be subject to completion of the acquisition of Pacon. Mediobanca - Banca di Credito Finanziario S.p.A. and UniCredit Corporate & Investment Banking will act as Joint Global Coordinators and Joint Bookrunners in connection with the proposed capital increase and have entered into a pre-underwriting agreement pursuant to which they have undertaken, on terms and conditions in line with market practice for similar transactions, to enter into an underwriting agreement for the subscription of any newly issued shares that remain unsubscribed for at the end of the auction period of the offering, for a maximum amount equal to the capital increase amount.

The Board of Directors has also instructed the Group's Chief Financial Officer to evaluate the possibility for the company to enter into foreign exchange hedging agreements to be determined in accordance with ISDA standards, under the Group's risk strategy.

For the transaction, F.I.L.A. was advised by 'Leonardo & Co. - Houlihan Lokey' as sole financial advisors, Skadden, Arps, Slate, Meagher & Flom and Salonia Associati as legal advisors, and BonelliErede for financing aspects, relationships with managers and F.I.L.A.'s proposed capital increase.

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An investor conference call will be held by Massimo Candela, CEO of F.I.L.A. tomorrow, May 8, 2018 at 9:00 a.m. CET.

Documentation for the presentation will be made available today on F.I.L.A.'s website [www.filagroup.it](http://www.filagroup.it), on Borsa Italiana's website [www.borsaitaliana.it](http://www.borsaitaliana.it) and on the storage mechanism NIS-STORAGE.

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*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 €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 more than 8,400.*

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*This document contains certain forward-looking statements. These statements are based on current expectations of F.I.L.A. and Pacon and are naturally subject to uncertainty and change. In some cases, you can identify these forward-looking statements by forward-looking words, such as “estimate,” “expect”, the negative or plural of these words and other comparable terminology. Forward looking statements in this document include, but are not limited to F.I.L.A. Group management activities following completion of the contemplated transaction and the expected benefits of the transaction. These forward-looking statements are subject to numerous risks and uncertainties, which could cause actual results to differ materially from those anticipated in these forward-looking statements. These variety of significant business, economic and competitive risks and uncertainties, many of which F.I.L.A. and Pacon may be unaware of or unable to control, include, but are not limited to, uncertainties as to the possibility that the closing conditions to the contemplated transaction may not be satisfied or waived; the effects of disruption caused by the announcement of the contemplated transaction; the risk of shareholder litigation in connection with the contemplated transaction. Subject to applicable law, neither F.I.L.A. nor Pacon assume responsibility to update or revise these forward-looking statements to reflect any changes in the expectations of the companies, i.e. related to changes in events, conditions or circumstances. Forward-looking statements are not guarantees of future performance.*

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