

PRESS RELEASE

FILA: GROWTH CONTINUES ALONGSIDE FOCUS ON “EXECUTION” OF GROUP INTEGRATION

- *Core Business Revenue of Euro 309.3 million in 9M 2016 (+42.0% on Euro 217.8 million in 9M 2015, with organic growth of 8.2% excluding the currency effect and changes to the consolidation scope)*
- *Double-digit growth in India confirmed*
- *Normalised EBITDA of Euro 55.2 million (+34.8% on Euro 40.9 million in 9M 2015, with more than proportional organic growth of 12.0%)*
- *Normalised Net Profit, excluding extraordinary costs and tax effects, up 32.0% to Euro 27.3 million (Euro 20.7 million in 9M 2015)*
- *Net Debt of Euro -175.8 million at September 30, 2016*
- *Acquisition of Canson Group, global leader of the high added value paper market for the fine arts, schools and leisure sector completed on October 5, 2016*

Milan, November 11, 2016 – The Board of Directors of F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A. (“F.I.L.A.”), ISIN code IT0004967292, meeting today approved the 9M 2016 results.

F.I.L.A. – a Company listed on the STAR segment of the Milan Stock Exchange, which operates in the creativity tools market, producing writing and design objects - reports 9M 2016 Core Business Revenue of Euro 309.3 million, up 42.0% on 9M 2015. Normalised EBITDA in the first nine months was Euro 55.2 million, up 34.8% on 9M 2015. Normalised net profit in 9M 2016, excluding extraordinary items, totalled Euro 27.3 million (Euro 20.7 million in 9M 2015).

“We are highly satisfied with F.I.L.A. Group’s results for the first nine months of the year which have significantly improved on the previous year. In 2016, F.I.L.A. has focused development on strategic art & craft sector acquisitions, seeking to become the leading market player” stated Massimo Candela, Chief Executive Officer of F.I.L.A.. “We continue to target growth and boosting of the margin through leveraging

on management's ability to precisely execute the group integration and deliver the expected cost and revenue synergies"

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

Core Business Revenue of Euro 309.3 million grew 42.0% (Euro 91.5 million) on the previous year (Euro 217.8 million).

Organic revenue growth was 8.2%, net of currency impacts of Euro 9.0 million (principally on the Central-South America currencies) and M&A effects of Euro 82.7 million concerning the English Daler & Rowney Lukas Group ("D&R Group") for Euro 48.3 million (from February 3, 2016), the Indian Writefine Products Private Limited ("WFPL")/Pioneer for Euro 33.8 million and the English St.Cuthberts for Euro 0.6 million (from September 15, 2016).

Such organic growth principally stemmed from Central-South America, in particular Mexico and Argentina, +16.5% (+Euro 6.6 million), Europe, in particular Italy, Spain, Russia, Poland, Greece and Scandinavia, +6.4% (+Euro 6.4 million) and North America, +5.3% (+Euro 4.0 million).

This follows strong school and arts and craft product demand, increased penetration in South America and the continued consolidation of market share in Europe and North America.

The contribution of other creativity tools rose 8.3%, growing 13.7% on the same period of the previous year; Pencils (+4.8%) and Industrial and Office Products (+6.9%) also performed strongly.

Operating Costs of Euro 267.3 million increased Euro 82 million on 9M 2015, principally due to the consolidation of the D&R Group, WFPL and St. Cuthberts for approx. Euro 76.7 million and with approx. Euro 6.2 million concerning extraordinary costs incurred principally for M&A operations.

The increase in costs required to generate greater revenues was offset by the depreciation of the Mexican and Chinese currencies and air transport savings in 2015 to ensure punctual deliveries and satisfy customer demands. Excluding the above-stated effects, operating costs were substantially in line with the first nine months of 2015.

Normalised EBITDA of Euro 55.2 million was up 34.8% (Euro 14.2 million) on the first nine months of 2015. The core revenue margin was 17.8%, slightly down on the previous year due to the consolidation of

WFPL and the D&R Group. **Organic EBITDA growth, excluding M&A operations and the currency effect, was 12.0%** - therefore exceeding revenue growth.

Normalised EBIT amounted to Euro 44.9 million and includes higher amortisation and depreciation on the previous year, principally due to the consolidation of the D&R Group and WFPL, in addition to production investment.

Financial charges for 9M 2016 were substantially in line with the previous year, as increased acquisition financing charges were offset by lower financial charges for the South American and Chinese companies following the weakening of the respective currencies.

The Normalised Net Profit, excluding minorities, was Euro 27.3 million, up 32.0% on 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 September 30, 2016 of Euro 407.5 million principally comprised “Net Fixed Assets” of Euro 216.8 million (increasing on December 31, 2015 Euro 79.0 million) and “Net Working Capital” totalling Euro 216.4 million (increasing on December 31, 2015 Euro 70.0 million).

These increases include the change in the consolidation scope with the entry of the D&R Group on February 3, 2016 for Euro 97.1 million.

The increase in “Net Fixed Assets”, amounting to Euro 79 million, mainly concerned “Intangible and Tangible Fixed Assets” and relates to the change in the consolidation scope in 2016, substantially concerning the D&R Group for Euro 77.9 million and marginally the net investments undertaken during the year by the other Group companies.

The increase in “Intangible Assets” of Euro 64.7 million relates to “Brands & Development Technology” and in part, Goodwill substantially attributable to the D&R Group and St. Cuthberts, recognised during the Business Combination for a total of Euro 78.2 million, less currency impacts of Euro 9.9 million and amortisation amounting to Euro 4.0 million.

The increase in “Property, plant and equipment” of Euro 13.8 million substantially concerns D&R Group and St. Cutberths assets from the Business Combination, for a total of Euro 16.2 million and net investments during the period of Euro 6.6 million, following depreciation of Euro 6.0 million and currency impacts of Euro 2.9 million.

The main changes in “Net Working Capital” essentially concern:

- increase in “Trade and Other Receivables” (Euro 58.2 million) due to the seasonality of the F.I.L.A. Group’s business and increased revenues, of which Euro 14.1 million principally concerning the entry of the D&R Group into the consolidation scope.
- increase in “Inventories” of Euro 33.7 million, principally at the US, German, English, Indian and Dominican Republic subsidiaries, mainly due to the extended Arts&Craft range and the improved customer service quality, principally by the D&R Group. The change in the consolidation scope concerning the D&R Group accounted for Euro 25.7 million

The increase in “Inventories” and “Trade and Other Receivables” is offset by the changes to the “Trade and Other Payables” account (Euro -18.1 million), principally following:

- increased purchases to satisfy greater production and inventory volumes;
- extraordinary consultancy for M&A operations;
- Euro 10.8 million concerning the change in the consolidation scope relating to the D&R Group.

The increase in “Provisions” of Euro 15.2 million substantially concerns “Deferred Tax Liabilities” contributed by the D&R and St.Cuthberts Groups under the Business Combination for a total of Euro 14.5 million and the tax effect from the Fair Value adjustment of “Brands” and “Development Technology”.

“Equity” of the F.I.L.A. Group of Euro 231.7 million at September 30, 2016 increased Euro 20.0 million on the previous year.

The increase was principally generated by:

- the exercise of “Market Warrants” for Euro 21.4 million;
- the comprehensive net profit in 2016 of the Group companies, totalling Euro 23.8 million, offset by the “Translation Reserve” concerning the conversion of the Group companies financial statements for Euro 16.9 million, recorded principally in UK Sterling and Mexican Pesos;
- the distribution of dividends to F.I.L.A. Group shareholders of Euro 4.3 million;
- the “IAS 19 Reserve” for Euro 3.1 million.
- financial hedging derivatives for Euro 1.1 million.

Following the conclusion of the Market Warrants exercise period, the “Net Financial Instruments” account amounted to zero, which at December 31, 2015 amounted to Euro 21.5 million. The effect of the conversion into shares resulted in a change to equity as previously described of Euro 21.4 million; the residual non-exercised portion was recognised to the income statement as financial income for Euro 60 thousand.

At September 30, 2016, the Group Net Debt totalled Euro 175.8 million, increasing Euro 137.1 million on December 31, 2015. The increase relates to the following extraordinary and non-recurring items:

- The net debt of the D&R Group, of Pioneer and St.Cuthberts at their acquisition date, amounting to Euro 87.2 million;
- Euro 23.7 million concerning the acquisition of the D&R Group, Pioneer Stationery Private Ltd (India), St. Cuthberts and Uniwrite Pens and Plastic Pvt Ltd (India);
- the currency effect from the conversion of net financial positions in currencies other than the Euro, contributing Euro 3.0 million;

Excluding these effects, the increase in the net debt was Euro 29.2 million and principally related to:

- the absorption of net cash from operating activities for Euro 12.9 million (Euro 28.9 million in the first nine months of 2015), due principally to working capital movements, generated in particular by the Trade and Other Receivables, in line with the seasonality of the business, principally at the parent and the US subsidiary, in addition to the increase in inventories (mainly due to an extended “Art & Craft” sector range to improve customer service quality, principally by the Daler-Rowney Lukas Group).
- net tangible and intangible asset investment, in particular for new plant and machinery (capex) for Euro 7.3 million (Euro 5.7 million in the first nine months of 2015).
- the payment of dividends of Euro 4.3 million to F.I.L.A. S.p.A. shareholders and Group non-controlling interests
- cash absorbed from interest on loans and credit lines issued to Group companies of Euro 3.9 million (Euro 3.0 million in 9M 2015);

Significant Events in the period

- On September 14, 2016, F.I.L.A. S.p.A. acquired full control of the company St. Cuthberts Holding Limited and its operating company (St. Cuthberts Mill Limited). The operation involved total consideration of GBP 5.4 million. St. Cuthberts, founded in 1907, is a highly-renowned English paper mill located in the South-West of England and involved in the production of high quality paper, specialised in papers for watercolours, for printmaking and for fine arts, creating its products utilising a particular “cylinder mould” technique which ensures the delivery of a highly crafted product.
- In October 2016, F.I.L.A. S.p.A. completed the acquisition of the Canson Group, founded in 1557 by the Montgolfier family, with headquarters in Annonay in France, production facilities in France and conversion and distribution centres in Italy, France, the USA, China, Australia and Brazil. Canson products are available in over 120 countries and the brand is the most respected globally involved in

the production and distribution of high added value paper for the fine arts, design, leisure and schools, but also for artists' editions and technical and digital drawing materials.

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 275 million in 2015, 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 St. Cuthberts and the French Canson.

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 and Daler. 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 21 production facilities (of which 2 in Italy) and 39 subsidiaries across the globe and employs more than 6,500.

For further information

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

	9M 2016	% core business revenue	9M 2015	% core business revenue	Change 2016 - 2015	
<i>Euro millions</i>						
Core Business Revenue	309,3	100%	217,8	100%	91,5	42,0%
Other Revenue and Income	7,0		5,5		1,5	27,3%
Total Revenue	316,3		223,3		93,0	41,6%
Total operating costs	(267,3)	-86,4%	(185,3)	-85,1%	(82,0)	44,3%
EBITDA	49,0	15,8%	37,9	17,4%	11,1	29,3%
Amortisation, depreciation and write-downs	(10,2)	-3,3%	(5,9)	-2,7%	(4,3)	72,9%
EBIT	38,8	12,5%	32,1	14,7%	6,7	20,9%
Net financial charges	(3,7)	-1,2%	(50,2)	-23,1%	46,5	-92,6%
Pre-Tax Profit	35,1	11,3%	(18,2)	-8,4%	53,3	-292,9%
Total income taxes	(11,3)	-3,7%	(10,2)	-4,7%	(1,1)	10,8%
Net profit - Continuing Operations	23,8	7,7%	(28,4)	-13,0%	52,2	-133,8%
Net profit - Discontinued Operations	0,0	0,0%	0,5	0,2%	(0,5)	-100,0%
Net Profit for the period	23,8	7,7%	(27,9)	-12,8%	51,7	-185,6%
Non-controlling interest profit	1,0	0,3%	0,4	0,2%	0,6	150,0%
F.I.L.A. Group Net Profit	22,7	7,3%	(28,2)	-13,0%	50,9	-180,5%

Attachment 2 - F.I.L.A. Group Normalized Consolidated Income Statement

	9M 2016	% core business revenue	9M 2015	% core business revenue	Change 2016 - 2015	
<i>NORMALISED - Euro millions</i>						
Core Business Revenue	309,3	100%	217,8	100%	91,5	42,0%
Other Revenue and Income	7,0		5,5		1,5	27,7%
Total Revenue	316,3		223,3		93,0	41,7%
Total operating costs	(261,2)	-84,4%	(182,3)	-83,7%	(78,8)	43,2%
EBITDA	55,2	17,8%	40,9	18,8%	14,2	34,8%
Amortisation, depreciation and write-downs	(10,2)	-3,3%	(5,9)	-2,7%	(4,3)	73,8%
EBIT	44,9	14,5%	35,1	16,1%	9,9	28,2%
Net financial charges	(3,9)	-1,3%	(4,1)	-1,9%	0,2	-4,1%
Pre-Tax Profit	41,0	13,3%	31,0	14,2%	10,1	32,5%
Total income taxes	(12,7)	-4,1%	(10,4)	-4,8%	(2,2)	21,5%
Net profit - Continuing Operations	28,4	9,2%	20,5	9,4%	7,8	38,0%
Net profit - Discontinued Operations	0,0	0,0%	0,5	0,2%	(0,5)	-100,0%
Net Profit for the period	28,4	9,2%	21,1	9,7%	7,3	34,6%
Non-controlling interest profit	1,0	0,3%	0,4	0,2%	0,7	178,8%
F.I.L.A. Group Net Profit	27,3	8,8%	20,7	9,5%	6,6	32,0%

Attachment 3 – F.I.L.A. Group Consolidated Balance Sheet

<i>Euro millions</i>	September 2016	December 2015	Change 2016 - 2015
Intangible Assets	152,9	88,2	64,7
Property, plant & equipment	61,7	47,9	13,8
Financial assets	2,2	1,8	0,4
Net Fixed Assets	216,8	137,8	79,0
Other non Current Asset/Liabilities	15,7	13,9	1,8
Inventories	152,2	118,5	33,7
Trade and Other Receivables	135,9	77,7	58,2
Trade and Other Payables	(71,1)	(53,0)	(18,1)
Other Current Assets and Liabilities	(0,6)	3,2	(3,8)
Net Working Capital	216,4	146,4	70,0
Provisions	(41,4)	(26,2)	(15,2)
Assets/Liabilities of Discontinued Operations	0	0	0
Net Capital Employed	407,5	272,0	135,5
Equity	(231,7)	(211,7)	(20,0)
Net Financial Instruments	0	(21,5)	21,5
Net Financial Position	(175,8)	(38,7)	(137,1)
Net Funding Sources	(407,5)	(272,0)	(135,5)

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

<i>Euro millions</i>	September 2016	September 2015	Change 2016 - 2015
EBIT	38,8	32,1	6,7
Adjustments for non-cash items	10,2	5,9	4,3
Integrations for income taxes	(8,0)	(10,6)	2,6
Cash Flow from Operating Activities Before Changes in NWC	41,0	27,3	13,8
Change NWC	(53,8)	(56,2)	2,4
Change in Inventories	(15,6)	(10,8)	(4,9)
Change in Trade and Other Receivables	(46,4)	(40,5)	(5,9)
Change in Trade and Other Payables	7,2	(4,8)	12,0
Change in Other Current Assets/Liabilities	1,0	(0,1)	1,1
Cash Flow from Operating Activities	(12,9)	(28,9)	16,0
Investments in tangible and intangible assets	(7,3)	(5,7)	(1,6)
Other Investments	0,1	0,3	(0,2)
Equity Investments	(23,7)	0,0	(23,7)
Cash Flow from Investing Activities	(30,8)	(5,4)	(25,4)
Change in Equity	(4,3)	(0,3)	(4,0)
Interest Expense	(3,9)	(3,0)	(0,9)
Cash Flow from Financing Activities	(8,2)	(3,3)	(4,9)
Other changes	(0,9)	(0,6)	(0,3)
Total Net Cash Flow	(52,8)	(38,2)	(14,6)
Effect from exchange rate changes	3,0	1,7	1,3
NFP from M&A operations (Cge. Consolidation Scope)	(87,2)	64,8	(152,0)
Change in Net Financial Position	(137,1)	28,3	(165,4)