

PRESS RELEASE

FILA: 9M 2017 REVENUE GROWTH CONTINUES WITH FOCUS ON SYNERGIES TO BOOST MARGINS

- *Core Business Revenue of Euro 391.5 million (+26.6% on Euro 309.3 million in 9M 2016, with organic growth of 3% excluding the currency effect and changes to the consolidation scope)*
- *Significant revenue recovery in North America in Q3 2017*
- *Double digit growth in Asia (particularly India) and Central-South America (particularly Mexico)*
- *Substantially stable European market with good performances by the recently established subsidiaries (Greece, Russia, Poland, Turkey and Benelux)*
- *Adjusted EBITDA of Euro 68.0 million (+23.2% on Euro 55.2 million in 9M 2016, with organic growth of 2.0%), also thanks to the significant margin improvement for Canson and Daler, leading companies in the Art & Craft sector*
- *Adjusted Net Profit, excluding extraordinary costs and tax effects, of Euro 27.5 million (Euro 27.3 million in 9M 2016)*
- *Net Debt of Euro 276.5 million at September 30, 2017, due to the impact of business seasonality on working capital*
- *New plant and machinery investment in India, Mexico, France and UK for the renovation and extension of existing facilities*

Milan, November 13, 2017 – 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 discussed and approved the 9M 2017 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 design, colouring, writing and modelling objects - reports 9M 2017 Core Business Revenue of Euro 391.5 million, up 26.6% on 9M 2016. Normalised EBITDA in the first nine months was Euro 68.0 million, up 23.2% on 9M 2016. Normalised net profit in 9M 2017, excluding extraordinary items, totalled Euro 27.5 million (Euro 27.3 million in 9M 2016).

“The results for the first nine months of the year indicate the quicker than forecast productive and commercial integration of the Group” stated Massimo Candela, Chief Executive Officer of F.I.L.A. “Together with the ongoing sustained growth in Asia, and in particular India, and in Central-South America, North America saw volumes and revenues recover on the first half of the

year, demonstrating the Group's capacity to quickly respond in terms of logistical and commercial efficiencies to the challenge posed by acquisition-led growth. The focus on the integration of these latter entities acquired, both in production and commercial terms, eliminating products with insufficient margins, will continue. Investments for the current year concern, in addition to new plant and production machinery and industrial equipment, the extension of the French warehouse and the installation of the SAP system for a single Group level ERP".

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

Core Business Revenue of Euro 391.5 million up 26.6% on the same period of the previous year (Euro 82.2 million).

Organic growth of Euro 9.2 million (+3.0% on 9M 2016), net of:

- the negative currency effect of approx. Euro 1.1 million (mainly due to the weakening of UK Sterling and the Mexican Peso, only in part offset by the strengthening of the Indian Rupee);
- the M&A effect of approx. Euro 74.2 million (of which principally: Euro 66.8 million concerning the Canson Group, consolidated from October 2016, Euro 4.6 million relating to a month of Daler-Rowney Lukas Group operations, consolidated from February 2016 and Euro 3.0 million concerning St. Cuthberts Mill, consolidated from September 2016).

Organic growth principally stemmed from Asia, +16.4% (+ Euro 5.9 million), mainly thanks to the Indian subsidiary and Central-South America, +12.6% (+ Euro 4.9 million), in particular Mexico, and to a lesser extent, Chile and Argentina. This growth was partially offset by a revenue reduction in Europe of Euro 0.6 million (-0.5%, particularly in Italy due to slightly contracting demand across all distribution channels and the consequent delayed launch of the schools campaign) and in North America for Euro 1.2 million (-1.2%); the localised logistical integration problems in North America with the Daler Group and, to a lesser extent, Canson, have now been resolved, as evident from the significant recovery in revenues on the first half of the year (-10.4%).

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 approx. 10.4pp to 53.7%, both due to the new Art & Craft sector acquisitions and organic growth of 4.7%.

Operating Costs were Euro 340.1 million, increasing Euro 79.0 million on 9M 2016, almost entirely as a result of the M&A effect and only residually the increase in acquisition, commercial,

marketing and overhead costs in support of the higher revenues, in addition to currency losses on commercial operations.

Adjusted EBITDA was Euro 68.0 million, up Euro 12.8 million on 9M 2016 (+23.2%).

The normalisation of the 9M 2017 EBITDA relates to non-recurring operating costs of approx. Euro 5.9 million, principally for Group reorganisation plans and the Stock Grant Plan for specific Group employees.

Excluding M&A's and the currency effect, organic EBITDA increased 2%, reflecting the recovery in revenues on the preceding quarter and completion of the logistical integration of the Daler and Canson products in North America which resulted in additional costs in the first half of the year.

Adjusted EBIT was Euro 53.8 million, up 19.7% and includes higher amortisation, depreciation and write-downs than the previous year of Euro 3.9 million, exclusively due to the above-stated M&A effect.

Normalised Net Financial Expense of Euro 12,3 million increased on 9M 2016 of Euro 8.4, million, principally due to higher interest charges incurred by F.I.L.A. S.p.A. on the loan contracted in 2016 for the acquisitions and to the negative currency differences on inter-company loans granted in Euro to companies in the United States, Brazil, Russia and South Africa for Euro 3.4 million.

Adjusted Group "Income taxes" amounted to Euro 12.8 million. The tax rate was substantially in line with the previous year thanks to the use of the matured "ACE" tax base.

Excluding the non-controlling interest result, the adjusted net profit was Euro 27.5 million, compared to Euro 27.3 million in 9M 2016.

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

The Net Capital Employed of the F.I.L.A. Group at September 30, 2017 of Euro 525.9 million principally comprised Net Fixed Assets of Euro 297.3 million (decreasing on December 31, 2016 Euro 6.1 million) and Net Working Capital totalling Euro 267.2 million (increasing on December 31, 2016 Euro 66.5 million).

The decrease in Intangible Assets on December 31, 2016 of Euro 9.3 million substantially relates to negative translation differences of Euro 5.1 million and the amortisation of intangible assets (Euro 5.1 million), particularly with regards to "*Trademarks*" and "*Development Technology*" by the Daler-Rowney Lukas Group, St. Cuthberts Mill (United Kingdom), the Canson Group and DOMS Industries Pvt Ltd (India), valued during their respective acquisitions. Investments in the period of Euro 1.1 million particularly concern the installation of the new Group ERP.

The increase in Property, plant and equipment on December 31, 2016 of Euro 2.6 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 14.2 million 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 (United Kingdom), with the latter engaged in constructing new warehouses. The overall movement also stems from negative currency differences for Euro 2.4 million and depreciation of Euro 8.2 million.

Financial assets increased Euro 0.6 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. S.p.A. for Euro 0.4 million.

The increase in Net Working Capital on December 31, 2016 of Euro 66.5 million relates principally to:

- an increase in Trade and Other Receivables of Euro 59.4 million as a result of higher revenues, in addition to business seasonality with sales concentrated in the “Schools campaign”;
- an increase in Inventories of Euro 7.7 million in support of sales planning, particularly in North America, the UK, India and China;
- a reduction in Trade and Other Payables of Euro 1.1 million, principally due to positive currency effects which offset the increase in Group company payables;
- a reduction in Other Current Assets and Liabilities of Euro 1.7 million due to the increase in current tax payables.

The increase in Provisions of Euro 7.7 million refers substantially to a reduction in deferred tax liabilities of Euro 6.2 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 partly to negative currency effects. The first nine months also saw a reduction in “Employee benefits”, principally due to actuarial gains and particularly by Daler Rowney Ltd (United Kingdom) for Euro 2.3 million and an increase in the risks and charges provisions of Euro 0.7 million, principally concerning the current restructuring plans.

Group Equity of Euro 249.4 million at September 30, 2017 increased Euro 10.4 million on December 31, 2016. Net of the period profit of Euro 24.1 million (of which Euro 1.2 million concerning non-controlling interests), the residual movement principally concerns:

- a negative currency effect of Euro 14.2 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 0.4 million);
- the “Share Based Premium” reserve of Euro 2.2 million;

- the increase in the IAS 19 reserve of Euro 1.8 million.

At September 30, 2017, the **Group Net Financial Debt** was Euro 276.5 million, increasing Euro 53 million on December 31, 2016. This increase principally concerns:

- **net operating cash flow** of Euro 55.6 million;
- the absorption of Euro 81.4 million from **working capital management** related to the seasonality of business and principally the increase in “Trade and Other Receivables” following the major recovery for North American sales;
- **net investments in tangible and intangible assets** (Capex) for Euro 15.3 million; concerning new plant and machinery, principally by Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico), Daler Rowney Ltd (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;
- **the payment of interest** on loans and credit lines issued to Group companies for Euro 6.6 million;
- **the distribution of dividends to F.I.L.A. S.p.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;
- **the negative currency effect** from the conversion of net financial positions in currencies other than the Euro, for Euro 2.3 million;
- **Euro 1 million generated from the disposal of the minority stake** (30%) held in FILA Nordic AB (Sweden) by the German subsidiary Lyra KG.

Significant events in the period

- On January 20, 2017, 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. The holding of Lyra KG (Germany) is 50% and therefore is considered a F.I.L.A. Group subsidiary as per the definition of control in IFRS 10;
- On April 20, 2017, the Indian company 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, previously 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, 2017 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 extension of its 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. S.p.A. in guarantee of the payment obligations undertaken by Canson in accordance with the loan contract;
- On July 26, 2017, F.I.L.A. S.p.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 without consideration to employees of F.I.L.A. S.p.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.

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 422 million in 2016, 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 21 production facilities (of which 2 in Italy) and 40 subsidiaries across the globe and employs approx. 7,000.

For further information

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

<i>Euro millions</i>	September 2017	% core business revenue	September 2016	% core business revenue	Change 2017 - 2016	
Core Business Revenue	391.548	100%	309.312	100%	82.236	26.6%
Other Revenue and Income	16.547		7.012		9.535	136.0%
Total Revenue	408.095		316.324		91.771	29.0%
Total operating costs	(346.077)	-88.4%	(267.308)	-86.4%	(78.769)	-29.5%
EBITDA	62.018	15.8%	49.016	15.8%	13.002	26.5%
Amortisation, depreciation and write-downs	(14.163)	-3.6%	(10.227)	-3.3%	(3.936)	-38.5%
EBIT	47.855	12.2%	38.789	12.5%	9.066	23.4%
Net financial charges	(11.346)	-2.9%	(3.704)	-1.2%	(7.642)	-206.3%
Pre-Tax Profit	36.509	9.3%	35.085	11.3%	1.424	4.1%
Total income taxes	(12.400)	-3.2%	(11.324)	-3.7%	(1.076)	-9.5%
Net profit - Continuing Operations	24.109	6.2%	23.761	7.7%	0.348	1.5%
Net Profit for the period	24.109	6.2%	23.761	7.7%	0.348	1.5%
Non-controlling interest profit	1.157	0.3%	1.021	0.3%	0.136	13.3%
F.I.L.A. Group Net Profit	22.952	5.9%	22.740	7.4%	0.212	0.9%

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

<i>NORMALIZED - Euro millions</i>	September 2017	% core business revenue	September 2016	% core business revenue	Change 2017 - 2016	
Core Business Revenue	391.548	100%	309.312	100%	82.236	26.6%
Other Revenue and Income	16.547		7.012		9.535	136.0%
Total Revenue	408.095		316.324		91.771	29.0%
Total operating costs	(340.136)	-86.9%	(261.155)	-84.4%	(78.981)	-30.2%
EBITDA	67.959	17.4%	55.169	17.8%	12.790	23.2%
Amortisation, depreciation and write-downs	(14.163)	-3.6%	(10.227)	-3.3%	(3.936)	-38.5%
EBIT	53.796	13.7%	44.942	14.5%	8.854	19.7%
Net financial charges	(12.336)	-3.2%	(3.910)	-1.3%	(8.426)	-215.5%
Pre-Tax Profit	41.460	10.6%	41.032	13.3%	0.428	1.0%
Total income taxes	(12.829)	-3.3%	(12.681)	-4.1%	(0.148)	-1.2%
Net profit - Continuing Operations	28.631	7.3%	28.351	9.2%	0.280	1.0%
Net Profit for the period	28.631	7.3%	28.351	9.2%	0.280	1.0%
Non-controlling interest profit	1.157	0.3%	1.028	0.3%	0.129	12.6%
F.I.L.A. Group Net Profit	27.474	7.0%	27.323	8.8%	0.151	0.6%

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

<i>Euro millions</i>	September 2017	December 2016	Change 2017 - 2016
Intangible Assets	209.173	218.440	(9.267)
Property, plant & equipment	83.915	81.321	2.594
Financial assets	4.215	3.656	0.559
Net Fixed Assets	297.303	303.416	(6.113)
Other non Current Asset/Liabilities	16.118	20.737	(4.619)
Inventories	185.058	177.406	7.652
Trade and Other Receivables	173.025	113.582	59.443
Trade and Other Payables	(89.345)	(90.445)	1.100
Other Current Assets and Liabilities	(1.581)	0.154	(1.735)
Net Working Capital	267.157	200.697	66.460
Provisions	(54.724)	(62.444)	7.720
Net Capital Employed	525.854	462.407	63.447
Equity	(249.388)	(238.970)	(10.418)
Net Financial Position	(276.466)	(223.437)	(53.029)
Net Funding Sources	(525.854)	(462.407)	(63.447)

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

<i>Euro millions</i>	September 2017	September 2016	Change 2017 - 2016
EBIT	47.855	38.789	9.066
Adjustments for non-cash items	18.583	11.751	6.832
Integrations for income taxes	(10.887)	(8.045)	(2.842)
Cash Flow from Operating Activities Before Changes in NWC	55.551	42.495	13.056
Change NWC	(81.411)	(56.824)	(24.587)
Change in Inventories	(15.919)	(15.623)	(0.296)
Change in Trade and Other Receivables	(64.752)	(46.414)	(18.338)
Change in Trade and Other Payables	1.770	7.225	(5.455)
Change in Other Current Assets/Liabilities	(2.510)	(2.012)	(0.498)
Cash Flow from Operating Activities	(25.860)	(14.329)	(11.531)
Investments in tangible and intangible assets	(15.289)	(7.253)	(8.036)
Interest Income	0.072	0.104	(0.032)
Equity Investments	0.806	(23.664)	24.470
Cash Flow from Investing Activities	(14.411)	(30.813)	16.402
Change in Equity	(3.833)	(4.311)	0.478
Interest Expenses	(6.700)	(3.900)	(2.800)
Cash Flow from Financing Activities	(10.533)	(8.211)	(2.322)
Other changes	(0.684)	(0.039)	(0.645)
Total Net Cash Flow	(51.488)	(53.392)	1.904
Effect from exchange rate changes	(2.277)	3.090	(5.367)
NFP from Variation in Consolidation Scope	0.736	(86.752)	87.488
Change in Net Financial Position	(53.029)	(137.054)	84.025