



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

- *FILA is a world leader in the production and sale of colouring, drawing, modelling, writing and painting tools, principally for school and pre-school age children.*
- *Following the operation, FILA will be listed on the Italian Stock Exchange, opening up to major institutional investors, who will hold between 30.4% and 34.5% of the post-merger company.*
- *As a result of the Stock Market listing following the merger with Space, FILA will accelerate its organic and acquisition-based growth plan and in particular its entry to new overseas markets and development in the fine arts sector.*
- *Massimo Candela, majority shareholder of FILA, will be the Chief Executive Officer. Gianni Mion will be the Non-Executive Chairman.*
- *Intesa Sanpaolo will divest from Fila.*

Milan, January 15, 2015 – the Board of Space S.p.A. (“**Space**”) – the first Italian SPAC to list on the SIV market of the Italian Stock Exchange – and **F.I.L.A. – Fabbrica Italiana Lapis e Affini S.p.A. (“FILA”)** – a global leader in the production and sale of colouring, drawing, modelling, writing and painting tools, principally for school and pre-school age children – today announces the approval of the merger (the “**Business Combination**”) of FILA into Space.

The respective Boards of Directors have called Shareholders’ Meetings to consider the operation. They will be held in joint ordinary and extraordinary session, for Space on February 20 and for FILA on February 19.

Purposes of the Business Combination

The capital conferred to FILA through the Business Combination (estimated at between Euro 50 and 65 million) will support the business development plans of FILA and particularly will be channelled into consolidating established markets, in addition to the development of the fine arts sector and the emerging markets, also through the possible acquisition of a further share of up to 50% of the Indian investee Writefine Products Private Limited by FILA.



“The Business Combination with FILA is a source of great pride and satisfaction for Space” stated Gianni Mion. “The Group in fact fulfils precisely all the criteria which we set down one year ago at the beginning of the initiative: entrepreneurial talent, a made-in-Italy success story in the widest sense, a far-reaching international presence, financial solidity, strong future prospects and a management team of proven experience. These considerations were behind our strong belief in this project, which we will support and develop in every aspect” concluded Gianni Mion.

“Thanks to the combination with Space, FILA lists on the Stock Market, which for some time has been a key objective for my Group” – stated Massimo Candela, Chief Executive Officer of FILA. “In Space, I have found a team of individuals with whom I have shared a vision and a growth strategy. With the fresh capital injected from the merger, we will accelerate the development of the Group both through acquisitions and partnerships, as we have successfully done in the past, striving principally to strengthen our global presence in the world of colours and the fine arts” concluded Massimo Candela.

Key terms of the Business Combination

The Business Combination will be broken down into the following principal stages:

- acquisition by Space of 15.49% of FILA, representing 11.73% of the voting rights exercisable at the Fila Shareholders’ Meeting, from the Shareholders Intesa Sanpaolo S.p.A. (“**Intesa**”) or their successors in title and Venice European Investment Capital S.p.A. (“**VEI**”) for consideration of Euro 39 million on the basis of a full valuation of FILA of Euro 228 million; VEI will remain however a shareholder with a 10.38% stake of the post-merger company (calculated according to the maximum distribution of reserves);
- cancellation of the treasury shares held by Fila;
- merger of FILA into Space, according to the same valuation of the full share capital of FILA (Euro 228 million) and a price per Space share of Euro 10;
- distribution of reserves by Space to those who at the effective merger date hold ordinary Space shares (although not the ex-Fila shareholders who have received shares in exchange) or holders of Space special shares, for Euro 26,919,998 (corresponding to Euro 2 per share), less any payment incurred by Space to purchase the shares following the exercise of exit rights by holders of ordinary shares not in favour of the operation;



- payment of an indemnity to holders of “Space Market Warrants” (“**Market Warrants**”) for an amount not greater than Euro 1,646,666.54 (equal to a maximum of Euro 0.19 per Market Warrant) to compensate financially such parties following the alteration of the terms and conditions of the Market Warrant regulation following any distribution of any reserves (“**Warrant Indemnity**”).

The share swap ratio will therefore be between: (i) a maximum newly issued 16.8017 Space shares for each Fila share, in the case in which Space distributes reserves for the maximum amount; and (ii) a minimum 13.4414 newly issued Space shares for each Fila share where Space has not distributed the reserves.

A Space Shareholders’ Meeting will be called to consider the share capital increase in service of the share swap for a nominal maximum Euro 31,525,534, to be executed by June 30, 2015 through the issue of 31,525,534 shares, of which a maximum 24,959,026 ordinary shares and a maximum 6,566,508 special class multi-vote shares, as indicated in greater detail below.

Taking account of the payments incurred by Space for the distribution of reserves and/or payments to shareholders who have exercised exit rights and/or the payment of Warrant Indemnities, it is estimated that Space will confer between approx. Euro 50 million and Euro 65 million to the post-merger company.

This company – following the expected conclusion of the Business Combination in the first half of 2015 – will be called FILA and will request the trading of its shares on the MTA market of Borsa Italiana by December 31, 2015.

Exit rights

Holders of ordinary Space shares not in favour of the operation may (i) exercise the option to sell to Space all or part of their shares, on the condition that simultaneously 1 Market Warrant for every 3 ordinary shares subject to the option is transferred to Space in the period between January 23, 2015 and February 11, 2015, against payment by Space of a price per share of Euro 9.9; or (ii) exercise the right to withdrawal (as per Article 2437 and subsequent of the Civil Code), in accordance with law following the Shareholders’ Meeting, against payment for each share of Euro 9.928.



The terms and the means for the exercise of the sales option and the right to withdrawal will be notified to shareholders, in accordance with the applicable regulations, respectively, by the beginning date for the exercise of the option and by the filing date at the Companies Registration Office of the approval motion of the Business Combination.

Post-Business Combination ownership structure

Pencil, the majority shareholder of Fila, holds 1,172,473 Fila shares, representing 62.49% of the share capital and 78.86% of the voting rights, of which 781,649 are ordinary shares, representing 41.66% of the share capital and 31.54% of the voting rights and 390,824 are multi-vote shares which currently represent 20.83% of the share capital and 47.32% of the voting rights. Fila hold 180,075 treasury shares, representing 9.60% of the share capital. The Fila multi-vote shares will swapped with Space multi-vote shares with similar features to those currently issued by Fila. These shares will not be listed and will automatically convert into ordinary shares, losing the right to multiple votes where sold.

In the case that no Space shareholders exercise the exit right under the Business Combination, the FILA ownership structure will be as follows:

| Ownership structure at the effective date of the Business Combination | | |
|--|--------------------------|--------------------------|
| | Share capital percentage | Voting rights percentage |
| Pencil | 52.23%(*) | 64.95%(*) |
| VEI | 10.38%(*) | 7.75%(*) |
| Space investors | 34.46%(*) | 25.72%(*) |
| Space Holding | 2.93%(*) | 1.59%(*) |

(*)The percentages are calculated taking account of the fact that on the fifth trading day subsequent to the merger 161,000 special Space shares held by Space Holding will be converted into 805,000 ordinary shares. At the effective merger date, Pencil will hold therefore 53.13% of the share capital, representing 66.00% of voting rights.

Market Warrants

At the effective date of the Business Combination, the holders of ordinary Space shares (excluding the ex-Fila shareholders who received shares in exchange) will have the right to receive a further Market Warrant for every 3 ordinary shares held.



The Board of Directors today in addition approved the adjustment of the “Strike Price” and the “Acceleration Price” of the Market Warrants on the basis of any distribution of reserves, according to an adjustment ratio; this was undertaken in order to maintain as far as possible the financial conditions and the purposes of the financial instruments unchanged, without amending the number of shares to be issued for their exercise.

Where Space does not distribute reserves, the terms and conditions for exercise of the Market Warrants will remain unchanged and no Indemnity Warrant will be due. In the case of the maximum distribution of reserves, the “Strike Price” and the “Acceleration Price” of the Market Warrants will respectively be Euro 7.59 and Euro 10.39 and the total Indemnity Warrant will amount to Euro 1,646,666.54.

Framework agreement

The Business Combination is governed by a framework agreement (“**Framework Agreement**”) signed today by Pencil, Fila, Space and Space Holding. The Framework Agreement governs, among other matters, the declarations and guarantees issued by Fila and by Space and the related indemnity obligations, in addition to the option for Space to withdraw from the Framework Agreement in a number of specific circumstances related to the violation of the declarations and guarantees undertaken by Fila within the Framework Agreement.

In accordance with the Framework Agreement, the execution of the Business Combination is subject to a number of conditions. In particular, the Business Combination will not take place where:

- (i) the number of Space shares for which the sales option is exercised is greater than 33% less one share of the ordinary share capital of Space; or
- (ii) the number of Space shares for which the sales option and/or withdrawal right is exercised exceeds 33% of the ordinary share capital of Space; or
- (iii) the total payment which Space would be required to make against the exercise by shareholders of the above-stated exit option is greater than Euro 42,470,996.73; or
- (iv) the merger of Fila into Space is not approved by the Shareholders’ Meeting of Space according to the means established by Article 49, paragraph 1, letter g) of Consob Regulation No. 11971/1999 (so-called whitewash).

Shareholder Agreement and composition of the Board of Directors

Pencil, VEI, Fila, Space and Space Holding also signed today a shareholder agreement (“**Shareholder Agreement**”), which will enter into force on the effective merger date



concerning (i) the lock-up commitments of Pencil and VEI for a duration respectively of 18 and 6 months from that date and (ii) a number of issues concerning the post-merger governance of FILA, including the manner and the timing for the renewal of the Board of Directors of FILA, establishing that subsequent to the completion of the Business Combination a new Board of Directors will be appointed, comprising a total of 9 members, of which 5 chosen by Pencil, 2 by Space Holding, 1 by VEI and 1 from the minority slate.

Space Holding, on the basis of the commitments undertaken on the listing of Space, will have a lock-up on the ordinary shares deriving from the conversion of special treasury shares under the Business Combination of 12 months from the effective merger date.

Massimo Candela, the majority shareholder of Fila, will be the Chief Executive Officer of the new post-Business Combination FILA and Gianni Mion will be the non-executive chairman of the Board of Directors.

Today, the Space Directors Carlo Pagliani, Edoardo Subert and Alberto Tazartes resigned their positions with effect from the effective merger date to enable the entry to the Board of Directors of Massimo Candela and two other Directors nominated by Fila.

In the operation, Space was supported by Lazard S.p.A. as financial advisor, Equita as Capital Market Advisor and for legal aspects the firms Bonelli Erede Pappalardo and Giovannelli e Associati. Ernst & Young is the auditor of Space.

FILA was supported by Leonardo & Co. S.p.A. as financial advisor and Pedersoli e Associati, Salonia e Associati and Skadden, Arps, Slate, Meagher & Flom for legal matters. KPMG is the auditor of FILA. Freshfields Bruckhaus Deringer assisted VEI in terms of the legal aspects.

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

It will also be possible to connect through conference calling at the following numbers:

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



The Business Combination documentation will be published on the Space website (www.space-spa.it) in accordance with law.

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Companies involved

Space is the first Italian registered SPAC (Special Purpose Acquisition Company) to be incorporated as a SIV (Special Investment Vehicle) in accordance with the Borsa Italiana Regulation, and was listed in December 2013 on the MIV regulated market/SIV segment, organised and managed by Borsa Italiana. Space is 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 has helped generations of Italians to learn to write, draw and colour and is now seen as a pinnacle for creative solutions and of Italian quality in many countries. Founded in Florence in 1920, F.I.L.A. is a highly consolidated, dynamic and innovative industrial enterprise and continues to grow on the colouring, drawing, modelling, writing and painting tools market. Managed since 1956 by the Candela family, FILA is a shining example of an Italian family-owned business which has achieved global reach, with 11 production facilities¹, 19 subsidiaries throughout the world and approx. 2,500 employees.

¹ Includes the two facilities of the investee WFPL in India.



Under the stewardship of Massimo Candela, majority shareholder and CEO of F.I.L.A., the company has achieved strong growth over the last twenty years, driving revenues up from approx. Euro 20 million in 1993 to over Euro 220 million in 2013, on the basis both of organic and acquisition-led growth. FILA is now a global company, with the acquisition of the US Dixon Ticonderoga in 2005, the German Lyra in 2008, the Mexican Lapiceria Mexicana in 2010, the holding in the Indian Writefine Products, the Brazilian Lycin in 2012 and the Italian Industria Maimeri in 2014. The group operates through a network of production facilities located in Italy, France, Germany, Mexico, Brazil, China and India, ensuring favoured access to raw materials and a cost leadership position.

The group sells its products throughout the world, with approximately 49% of revenues generated in Europe, 29% in North America, 21% in Central-South America and 1% in rest of the world² (2013 figures). In addition to strong leadership on the Italian market, Fila leads a number of non-European strategic markets: Fila is the No. 1 player on the United States graphite pencil market and also on the Mexican coloured pencils market and through its investment in WFPL is the second largest player on the Indian coloured pencils market. This also highlights the ability to full integrate the acquisitions made in recent years.

FILA operates through local highly-renowned brands with long traditions 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 increased revenues to over Euro 220 million, with an EBITDA of approx. Euro 37 million, while in the twelve months to September 30, 2014 (October 1, 2013 - September 30, 2014, not coinciding with the fiscal year), revenues totalled Euro 228 million, with an EBITDA of approx. Euro 40 million. The net debt of Fila at September 30, 2014 was Euro 79.6 million, comprising non-current debt of Euro 24.7 million and current debt of Euro 54.9 million.

² The geographic breakdown sales does not include the investee WFPL in India.