PRESS RELEASE

FILA H1 2018: MAJOR REVENUE GROWTH IN ASIA AND SOME CENTRAL/SOUTH AMERICAN COUNTRIES

GOOD PERFORMANCE BY PACON WHOSE RESULTS ARE ONLY PARTIALLY REFLECTED IN THE HALF-YEAR REPORT

- ***Adjusted H1 2018 Core Business Revenue of Euro 262 million, +0.6% (adjustment from introduction of IFRS 15 of Euro 2.8 million);***
- ***Organic revenues up 0.7%, net of negative currency effect and M&A - significantly improving on Q1 2018;***
- ***Organic growth of 20.7% in Asia (particularly India) and of 5.2% in Central-South America (particularly Brazil and Chile);***
- ***Adjusted EBITDA of Euro 44.6 million, +1.7% on Euro 43.8 million in H1 2017 (-0.9% organic); revenue margin growth continues (17% compared to 16.8% in H1 2017);***
- ***Adjusted Net Profit of Euro 16.1 million (Euro 17.6 million in H1 2017);***
- ***Net Debt of Euro 612.7 million in H1 2018 (Euro 239.6 million at December 31, 2017). Increase mainly due to acquisition of Pacon for Euro 301.9 million and seasonality;***
- ***The Pacon acquisition, completed on June 7, 2018, ensures establishment of a major development platform for the US market. H1 2018 Pacon Revenue USD 125.9 million and Adjusted EBITDA of USD 20.6 million[1], although reflected in the half-year report from the acquisition date and for respectively only Euro 16.3 million and Euro 3.1 million.***

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Pero, August 3, 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 Milan Stock Exchange, STAR Segment, ISIN code IT0004967292, today reviewed and approved the 2018 Half-Year Report.

[1] Data provided by Pacon management and not approved by F.I.L.A. Board of Directors or management, nor subject to audit or other checks by the latter.

F.I.L.A. – a Company which operates in the creativity tools market - producing design, colouring, writing and modelling objects - reports Adjusted H1 2018 Core Business Revenue of Euro 262 million, up 0.6% on H1 2017. Adjusted EBITDA of Euro 44.6 million rose 1.7% on H1 2017. Adjusted Net Profit after extraordinary items and minorities of Euro 16.1 million (Euro 17.6 million for H1 2017).

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"The second quarter of the year confirmed, as previously announced, the shift of seasonality closer to the summer months, the business growth in the key markets such as USA and the acceleration in Asia - particularly in India - alongside margin growth" stated Massimo Candela CEO of F.I.L.A.. "The Pacon acquisition is delivering margin and revenue growth ahead of expectations on the key North American market - which in fact is developing into our first reference market. Continued working capital improvements, the introduction of SAP and the centralization of European warehouses at Annonay will deliver further benefits from the second half of the year and the results will be significantly ahead of the second half of the previous year. The benefits in terms of cross-selling and synergies from the transaction will be fully evident from 2019".

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

Adjusted Core Business Revenue of Euro 262 million was up 0.6% on the same period of the previous year (Euro 260.5 million net of the adjustment effect following the introduction of IFRS 15 of Euro 2.8 million);

Organic revenue growth was 0.7%, net of:

1. the negative currency effect of approx. Euro 16.6 million (principally due to the weakening of the US Dollar, the Indian Rupee and the Central-South American currencies).
2. the M&A effect for Euro 16.3 million with the consolidation of Pacon from June 7, 2018.

Organic revenue growth in Central-South America of 5.2% (Euro +1.6 million) and in Asia of 20.7% (Euro +6.4 million) picked up strongly on the first quarter of the year and more than offset the contraction in Europe of 4.6% (Euro -5.6 million) and North America of 0.3% (Euro -0.2 million) - areas which however reported a major turnaround on the first quarter of the year.

The contribution of creativity tools (Fine art, Hobby and Digital) to revenue increased by almost one percentage point to 28.2% - mainly due to the new Art&Craft segment acquisitions. This segment in fact grew 5.2% in the first half of the year.

The breakdown of the income statement by quarter highlights the concentration of sales in the second and third quarters for the "schools' campaign". Specifically, in June significant sales are made through the "school suppliers" traditional channel and in August through the "retailers" channel.

Operating Costs in H1 2018 of Euro 222.3 million reduced approx. Euro 6.3 million on the same period of 2017, mainly due to the weakening currencies of the main Group companies against the Euro and despite increased M&A related costs. Finally, raw material costs rose in the period - particularly for pulp, packaging and cedar wood - alongside higher transport costs (in particular in the USA) and overhead costs (in India and Mexico relating mainly to the expanded workforce and at Fila for the introduction of SAP).

Adjusted **EBITDA** was Euro 44.6 million, up 1.7% on H1 2017 (of which organic -0.9%). The core business revenue margin was 17%, increasing 20bp on 16.8% for H1 2017, thanks to the consolidation of production efficiencies already achieved at Group level in the first quarter.

The adjustment on H1 2018 EBITDA concerns extraordinary charges of approx. Euro 10.1 million, principally concerning extraordinary consultancy for the M&A's in the period.

Adjusted **EBIT** of Euro 34.4 million reduced 1% on Euro 34.8 million for H1 2017 and includes amortisation, depreciation and write-downs of Euro 10.2 million, up Euro 1.1 million - both due to higher amortisation and depreciation (partly due to the M&A effect) and increased doubtful debts write-downs in the period.

Adjusted **Net Financial Charges** are substantially in line with the previous year.

Adjusted Group income taxes amounted to Euro 8.8 million, increasing on H1 2017 by Euro 0.9 million.

The **Adjusted Net Profit** of the F.I.L.A. Group for H1 2018, net of minorities, was Euro 16.1 million (Euro 17.6 million in the same period of 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 June 30, 2018 of Euro 856.0 million is principally comprised of net fixed assets of Euro 525.4 million (increasing on December 31, 2017 by Euro 224.3 million) and net working capital totalling Euro 371.9 million (increasing on December 31, 2017 by Euro 156.5 million).

Intangible Assets rose Euro 215.7 million on December 31, 2017, substantially as a result of the change in consolidation scope.

The acquisition of the Pacon Group in fact contributed to the consolidated financial statements intangible assets by Euro 100.6 million and the Goodwill generated by the transaction was Euro 114.3 million.

Property, plant and equipment increased on December 31, 2017 by Euro 9.4 million. This is due both to the acquisition of the Pacon Group (contribution at the consolidation date of Euro 7.8 million) and net investments made in the period of Euro 7.9 million, principally by DOMS Industries Pvt Ltd (India), Canson SAS (France), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and Daler Rowney Ltd (United Kingdom) to extend and develop production facilities and logistical offices. This movement is offset by depreciation of Euro 5.7 million.

The reduction in **Financial Assets** on December 31, 2017 was Euro 0.8 million and principally concerned the settlement of derivatives (IRS) by the parent F.I.L.A. S.p.A. for Euro 1.1 million.

The increase in **Net Working Capital** of Euro 156.5 million relates to the following:

- **Inventories** - the increase of Euro 85.4 million is due both to inventories from the consolidation of the Pacon Group and to the seasonality of the schools campaign business. The increase concerned in particular the US subsidiaries Dixon Ticonderoga Company and Canson Inc., Daler Rowney Ltd (United Kingdom), the Mexican Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and DOMS Industries Pvt Ltd (India);

- **Trade and Other receivables** - increasing Euro 104.9 million, due to the consolidation of the Pacon Group and to the seasonality of F.I.L.A. Group business, with receivables at their highest during the middle months of the year as revenue is principally generated during the "Schools campaign". The movements particularly concern F.I.L.A. S.p.A., Dixon Ticonderoga Company (U.S.A.) and Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico); "Trade and Other Receivables" were subject to application of IFRS 9, which in adjustment to fair value reduced by Euro 2.9 million.

- **Trade and Other Payables** - increasing Euro 32.4 million, principally due to the M&A effect from the acquisition of the Pacon Group and to the business seasonality, with procurement concentrated in the first months of the year in support of production and supplies for peak sales concentrated in the middle months of the year.

The increase in Provisions on December 31, 2017 of Euro 3.5 million is mainly due to higher "Provisions for Risks and Charges" of Euro 1.7 million, principally related to the change in consolidation scope, the increase in Deferred tax liabilities for Euro 3.1 million, also mainly due to the acquisition of the Pacon Group and the reduction in Employee Benefits for Euro 1.3 million, principally related to actuarial gains in the first half of the year of the company Daler Rowney Ltd (United Kingdom).

The **Equity** of the F.I.L.A. Group, amounting to Euro 243.4 million, increased on December 31, 2017 by Euro 3.8 million. Net of the period profit of Euro 6.0 million, of which Euro 0.66 million concerning minorities, the residual variation principally concerns positive currency effects of Euro 2.3 million, the release of the reserves established for fair value changes to derivatives subscribed by F.I.L.A. S.p.A. for Euro 1.1 million, the fair value adjustment of derivative hedging instruments held by Canson SAS (negative for Euro 0.015 million), the increase in the "Share Based Premium" reserve of Euro 0.3 million, the increase in the IAS 19 reserve for Euro 1.2 million and the negative effects from application of IFRS 9 for Euro 1.2 million.

At June 30, 2018, the **Group Net Financial Position** was a net debt of Euro 612.7 million, increasing Euro 373.0 million on December 31, 2017.

This increase principally concerns:

- net operating cash flow of Euro 29.8 million;
- absorption of Euro 74.6 million from Working Capital Management, particularly concerning the increase in Inventories and Trade and Other Receivables, due to business seasonality and to the revenue performance;
- net investments in tangible and intangible assets (Capex) for Euro 10.2 million for the development and extension of local production facilities, mainly by DOMS Industries Pvt Ltd (India), Canson SAS (France), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and Daler Rowney Ltd (United Kingdom);
- the acquisition of the Pacon Group by the US subsidiary Dixon Ticonderoga Company (U.S.A.) for Euro 215.2 million;
- the payment of financial charges on loans and credit lines issued to Group companies for Euro 11.4 million, including one-off costs for the new loan;
- the distribution of dividends to shareholders of F.I.L.A. S.p.A. and Group minorities for Euro 3.8 million
- the currency effect from the conversion of net financial positions in currencies other than the Euro, for a negative Euro 1.7 million.

Excluding the currency effect from the translation of the net financial positions in currencies other than the Euro (absorbing cash of Euro 1.7 million) and from the change in the consolidation scope for a negative Euro 86.7 million, the increase in the Group Net Financial Position was therefore Euro 373.0 million.

Significant events

- **On January 18, 2018**, F.I.L.A. S.p.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 236,900 thousand 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 amendments and supplements to the Loan Contract negotiated with the lending banks related to the approval of improved conditions and terms for the company 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. In addition, these amendments included the undertaking by the company F.I.L.A. S.p.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.

- **On March 7, 2018**, 51% of the share capital of FILA Art and Craft Ltd (Israel) was acquired, a company involved in the sale of F.I.L.A. Group writing, art and design products in Israel;

- **On June 7, 2018,** the acquisition of 100% of the shares of Pacon Holding Company ("Pacon") by the subsidiary Dixon Ticonderoga Company (U.S.A.) was completed at an Enterprise Value of USD 325 million, in addition to USD 15 million concerning tax benefits. For this purpose, on May 1, 2018 the vehicle company FILA Acquisition Company was incorporated, with registered office in Delaware (U.S.A.), held entirely by Dixon Ticonderoga Company (U.S.A.). Completion of the transaction was subject to antitrust approval as per the Hart-Scott-Rodino Antitrust Improvements Act in the United States of America, which was obtained on May 29, 2018.
  The Pacon acquisition is further testament to the Group's overseas market development commitment and further expands F.I.L.A on the world's largest market. With Pacon - in addition - the Group will be in a position to complete its color and paper segment offer with a broad and recognised portfolio of recreational - educational - creative products and tools targeting a highly diversified audience.
  Pacon, founded in 1951, is a leading schools and arts & craft operator on the US market, headquartered in Appleton in the state of Wisconsin. The range of products includes over 8,500 items produced at 8 facilities located in the United States (3 in Appleton and 3 in Neenah, in the state of Wisconsin), in Great Britain (1 facility in the West Midlands) and in Canada (1 facility in Barrie, in the state of Ontario). The transaction was funded by a medium/long-term bank loan obtained from a syndicate comprising Mediobanca - Banca di Credito Finanziario S.p.A., UniCredit S.p.A., Banca IMI S.p.A., Banco BPM S.p.A. and Banca Nazionale del Lavoro S.p.A., for a total amount of Euro 520 million, including also the refinancing of the existing FILA S.p.A. debt, accompanied by a Euro 50 million revolving line to cover any needs generated by Group working capital. Euro 150 million of the medium/long-term loan shall be repaid according to a 5-year settlement plan, with the residual settled through a single instalment (of which Euro 125

million with maturity at 5 years and Euro 245 million with maturity at 6 years). The Board of Directors, in order to optimise the capital structure, also submitted for the approval of the Shareholders' Meeting of F.I.L.A. S.p.A. a share capital increase for a maximum Euro 100 million (including any share premium), by way of a rights offering with pre-emption rights and earmarked for the early repayment of Group debt. Mediobanca - Banca di Credito Finanziario S.p.A. and UniCredit Corporate & Investment Banking will act as Joint Global Coordinator and Joint Bookrunner for the planned share capital increase and have signed a pre-guarantee agreement by which they have committed, in accordance with typical market conditions, to sign a guarantee contract regarding the subscription of any newly issued shares remaining unopted on conclusion of the auctioning of unopted rights for a maximum amount equal to the value of the share capital increase.

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The 2018 Half-Year Report will be made available to the public, according to the legally required terms and means, at the registered office, on the company website *www.filagroup.it* and on the authorised storage mechanism NIS-STORAGE (*www.emarketstorage.com*).

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Statement pursuant to Article 154-bis, paragraph two, of the Consolidated Finance Act

The Executive Officer for Financial Reporting Stefano De Rosa declares, in accordance with Article 154-bis, paragraph 2, of Legs. Decree No. 58/98, that the accounting information contained in this press release (with the exception of the Pacon figures reported below) corresponds to the underlying accounting documents, records and accounting entries

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The Board of Directors of FILA S.p.A., meeting today, was in addition informed - following completion of the acquisition - of the following Pacon figures: **Revenue H1 2018 USD 125.9 million, Adjusted EBITDA H1 2018 USD 20.6 million**[2].

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[2] Data provided by Pacon management and not approved by F.I.L.A. Board of Directors or management, nor subject to audit or other checks by the latter.

Fabbrica Italiana Lapis ed Affini

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 and Pacon Group, the German LYRA, the Mexican Lapiceria Mexicana, 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, Canson, Princeton and Strathmore. 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 27 production facilities (of which 2 in Italy) and 40 subsidiaries across the globe and employs approx. 9,000.

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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 Communications 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@cantieredicomunicazione.com
Antonella Laudadio: (+39) 02 87383180 -189
a.laudadio@cantieredicomunicazione.com

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

Euro millions	**June 2018**	***% core business revenue***	**June 2017**	***% core business revenue***	**Change 2018 - 2017**	
Core Business Revenue	259.140	*100%*	260.543	*100%*	(1.403)	*-0.5%*
Other Revenue and Income	4.951		11.977		(7.026)	*-58.7%*
Total Revenue	**264.091**		**272.520**		**(8.429)**	***-3.1%***
Total operating costs	(229.543)	*-88.6%*	(233.532)	*-89.6%*	3.989	*1.7%*
EBITDA	**34.548**	***13.3%***	**38.988**	***15.0%***	**(4.440)**	***-11.4%***
Amortisation, depreciation and write-downs	(11.057)	*-4.3%*	(9.076)	*-3.5%*	(1.981)	*-21.8%*
EBIT	**23.491**	***9.1%***	**29.912**	***11.5%***	**(6.421)**	***-21.5%***
Net financial charges	(9.909)	*-3.8%*	(7.580)	*-2.9%*	(2.329)	*-30.7%*
Pre-Tax Profit	**13.582**	***5.2%***	**22.332**	***8.6%***	**(8.750)**	***-39.2%***
Total income taxes	(7.599)	*-2.9%*	(7.588)	*-2.9%*	(0.011)	*-0.1%*
Net profit - Continuing Operations	**5.983**	***2.3%***	**14.744**	***5.7%***	**(8.761)**	***-59.4%***
Net Profit for the period	**5.983**	***2.3%***	**14.744**	***5.7%***	**(8.761)**	***-59.4%***
Non-controlling interest profit	0.658	*0.3%*	0.706	*0.3%*	(0.048)	*-6.8%*
F.I.L.A. Group Net Profit	**5.325**	***2.1%***	**14.038**	***5.4%***	**(8.713)**	***-62.1%***

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

NORMALIZED - Euro millions	**June 2018**	***% core business revenue***	**June 2017**	***% core business revenue***	**Change 2018 - 2017**	
Core Business Revenue	261.984	*100%*	260.543	*100%*	1.441	*0.6%*
Other Revenue and Income	4.951		11.977		(7.026)	*-58.7%*
Total Revenue	**266.935**		**272.520**		**(5.585)**	***-2.0%***
Total operating costs	(222.333)	*-84.9%*	(228.674)	*-87.8%*	6.341	*2.8%*
EBITDA	**44.602**	***17.0%***	**43.846**	***16.8%***	**0.756**	***1.7%***
Amortisation, depreciation and write-downs	(10.179)	*-3.9%*	(9.076)	*-3.5%*	(1.103)	*-12.2%*
EBIT	**34.423**	***13.1%***	**34.770**	***13.3%***	**(0.347)**	***-1.0%***
Net financial charges	(8.763)	*-3.3%*	(8.570)	*-3.3%*	(0.193)	*-2.3%*
Pre-Tax Profit	**25.660**	***9.8%***	**26.200**	***10.1%***	**(0.540)**	***-2.1%***
Total income taxes	(8.783)	*-3.4%*	(7.880)	*-3.0%*	(0.903)	*-11.5%*
Net profit - Continuing Operations	**16.877**	***6.4%***	**18.320**	***7.0%***	**(1.443)**	***-7.9%***
Net Profit for the period	**16.877**	***6.4%***	**18.320**	***7.0%***	**(1.443)**	***-7.9%***
Non-controlling interest profit	0.760	*0.3%*	0.706	*0.3%*	0.054	*7.6%*
F.I.L.A. Group Net Profit	**16.117**	***6.2%***	**17.614**	***6.8%***	**(1.497)**	***-8.5%***

Fabbrica Italiana Lapis ed Affini

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

Euro millions	June 2018	December 2017	Change 2018 - 2017
Intangible Assets	423.810	208.091	215.719
Property, plant & equipment	97.774	88.355	9.419
Financial assets	3.902	4.725	(0.823)
Net Fixed Assets	**525.486**	**301.171**	**224.315**
Other non Current Asset/Liabilities	**15.126**	**15.564**	**(0.438)**
Inventories	264.162	178.699	85.463
Trade and Other Receivables	237.650	132.768	104.882
Trade and Other Payables	(128.639)	(96.263)	(32.376)
Other Current Assets and Liabilities	(1.280)	0.241	(1.521)
Net Working Capital	**371.893**	**215.445**	**156.448**
Provisions	**(56.476)**	**(52.989)**	**(3.487)**
Net Capital Employed	**856.029**	**479.191**	**376.838**
Equity	**(243.372)**	**(239.577)**	**(3.795)**
Net Financial Position	**(612.657)**	**(239.614)**	**(373.043)**
Net Funding Sources	**(856.029)**	**(479.191)**	**(376.838)**

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

Euro millions	June 2018	June 2017	Change 2018 - 2017
EBIT	23.491	29.912	(6.421)
Adjustments for non-cash items	12.887	10.902	1.985
Integrations for income taxes	(6.539)	(4.850)	(1.689)
Cash Flow from Operating Activities Before Changes in NWC	**29.839**	**35.964**	**(6.125)**
Change NWC	**(74.568)**	**(84.529)**	**9.961**
Change in Inventories	(26.623)	(19.048)	(7.575)
Change in Trade and Other Receivables	(61.646)	(71.799)	10.153
Change in Trade and Other Payables	15.755	6.648	9.107
Change in Other Current Assets/Liabilities	(2.054)	(0.331)	(1.723)
Cash Flow from Operating Activities	**(44.729)**	**(48.565)**	**3.836**
Investments in tangible and intangible assets	(10.252)	(8.445)	(1.807)
Interest Income	(0.092)	0.044	(0.136)
Equity Investments	(215.188)	0.918	(216.106)
Cash Flow from Investing Activities	**(225.532)**	**(7.483)**	**(218.049)**
Change in Equity	(3.762)	(3.838)	0.076
Financial expenses	(11.436)	(4.441)	(6.995)
Cash Flow from Financing Activities	**(15.198)**	**(8.279)**	**(6.919)**
Other changes	0.833	(0.396)	1.229
Total Net Cash Flow	**(284.627)**	**(64.723)**	**(219.904)**
Effect from exchange rate changes	(1.693)	1.840	(3.533)
NFP from Variation in Consolidation Scope	(86.724)	0.736	(87.460)
Change in Net Financial Position	**(373.043)**	**(62.147)**	**(310.896)**