PRESS RELEASE

FILA Q1 2018: IMPROVED MARGIN DESPITE NEGATIVE CURRENCY EFFECT ON SALES AND IMPACT OF DELAYED SEASONALITY FOR SCHOOLS' DIVISION IN COMPARISON WITH SAME PERIOD OF THE PREVIOUS YEAR

AGREEMENT SIGNED FOR FULL ACQUISITION OF US GROUP PACON AN EDUCATION AND ART & CRAFTS MARKET LEADER

- ***Q1 2018 Core Business Revenue of Euro 104.8 million, contracting 10.9% on Q1 2017 (Euro 117.6 million), principally due to the negative currency effect, the delayed seasonality for schools' division and the introduction of IFRS 15;***
- ***Organic revenues reduce 3.7% net of currency movements and effect from introduction of IFRS 15;***
- ***Adjusted EBITDA of Euro 16.2 million (-5.3% compared to Euro 17.1 million in Q1 2017), while EBITDA margin increases to 15.5% from 14.5% in Q1 2017 thanks to improved Group level cost efficiencies and stronger Daler margin;***
- ***Adjusted Net Profit of Euro 4.8 million, contracting on Euro 5.7 million for Q1 2017;***
- ***Net Debt of Euro 269.9 million at March 31, 2018 (Euro 239.6 million at December 31, 2017). Movement relates to seasonality;***
- ***Working capital improves on Q1 2017 despite prudent approach to inventory.***

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Pero, May 15, 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 First Quarter results.

F.I.L.A. – which operates in the creativity tools market - producing and distributing design, colouring, writing and modelling objects - reports Q1 2018 Core Business Revenue of Euro 104.8 million, down 10.9% on the same period of the previous year. Adjusted EBITDA of Euro 16.2 million contracted 5.3% on the first quarter of 2017. Adjusted net profit of Euro 4.8 million compared to Euro 5.7 million in Q1 2017.

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"The first three months of the year confirm that the integration of the most recently acquired entities is progressing as planned in terms of boosting the EBITDA margin and Group level efficiencies. "The first quarter results, net of the negative currency effect, mainly relate to the impact of delayed seasonality for schools' division and to the postponement of orders for some of our main clients to the second quarter of 2018" stated Massimo Candela CEO of F.I.L.A. "From the second quarter, we will see revenue recover and continuous improvement for the margin, alongside working capital management in line with expectations. The acquisition of Pacon furthers the FILA Group's international development and expansion, with the US market set to become our largest in terms of revenue and margins generated. The reaction of our US customers was surprising, consolidating F.I.L.A. Group as an increasingly credible partner in their eyes".

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<u>Operating performance - F.I.L.A. GROUP</u>

Core Business Revenue of Euro 104.8 million down 10.9% on the same period of the previous year (Euro 117.6 million).

Organic revenue contracted 3.7%, net of:

1. the negative currency effect of approx. Euro 7.5 million (principally related to fluctuations regarding the US Dollar, the Indian Rupee and the Mexican Peso).
2. the application of IFRS 15 which reduced "Core Business Revenue" by approx. Euro 1 million.

Organic revenue growth in Central-South America +7.2% (+Euro 1 million) and in Asia +5.8% (+Euro 1 million) did not totally offset the temporary contraction in Europe -8.2% (-Euro 4.6 million) and in North America -5.2% (-Euro 1.5 million).

The contribution of other creativity tools to total revenue increased approx. 0.7% to 32.3%, mainly due to the new Art & Craft sector acquisitions.

The Group's operations are affected by business seasonality, as reflected in the consolidated results. 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 the first quarter of 2018 of Euro 90.6 million reduced Euro 15.7 million compared to the same period in 2017, principally due, in addition to the weakening of the currencies of the main Group companies against the Euro, reduced procurement costs, net of the change to inventories, for Euro 11.1 million and related to lower sales volumes and increased operating cost efficiencies, together with lower realised and unrealised currency differences on commercial transactions for Euro 3.9 million.

Adjusted **EBITDA** was Euro 16.2 million, reducing 5.3% on Q1 2017. EBITDA margin on core business revenue was 15.5%, increasing 100bp on 14.5% in Q1 2017, thanks to greater Group level efficiencies and Daler's improved margin. The application of IFRS 15 had a negative impact on EBITDA of approx. Euro 0.1 million.

The adjustments to the Q1 2018 EBITDA relates to non-recurring operating costs of approx. Euro 0.7 million, principally for Group reorganisation plans and the Stock Grant Plan for specific Group employees.

Adjusted **EBIT** of Euro 11.4 million decreased 9% on Euro 12.5 million in Q1 2017 and includes amortisation, depreciation and write-downs of Euro 4.8 million, substantially in line with the previous year. The application of IFRS 9 resulted in increased doubtful debt write-downs of Euro 0.2 million.

Net Financial Charges increased on Q1 2017 by Euro 0.9 million, mainly due to negative currency effects which mitigated the positive contribution from lower financial charges incurred by Group companies. The application of IFRS 15 had a positve impact of approx. Euro 0.1 million.

Adjusted Group income taxes amounted to Euro 2.6 million, reducing on Q1 2017 by Euro 1 million. The lower tax charge is principally due to reduced income taxes matured by Canson SAS (France) and Dixon Tinconderoga (U.S.A.) against lower tax rates.

The **Adjusted Net Profit** of the F.I.L.A. Group for Q1 2018, net of minorities, was Euro 4.8 million (Euro 5.7 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 March 31, 2018 of Euro 511.2 million is principally comprised of Net Fixed Assets of Euro 298.7 million (decreasing on December 31, 2017 Euro 2.5 million) and Net Working Capital totalling Euro 248.9 million (increasing on December 31, 2017 Euro 33.5 million).

The decrease in **Intangible assets** of Euro 2.1 million compared to December 31, 2017 substantially concerns progressive amortisation for approx. Euro 1.7 million and negative currency effects for approx. Euro 0.8 million, particularly with regards to "Trademarks" and "Development Technology" by the Group companies Daler-Rowney Lukas, St. Cuthberts Mill (United Kingdom), the Canson Group and DOMS Industries Pvt Ltd (India), valued during their respective acquisitions. The reduction was partly offset by investments of Euro 0.4 million, principally by the parent F.I.L.A. S.p.A.

Property, plant and equipment decreased Euro 0.2 million on December 31, 2017. Overall net investments of Euro 3.2 million mainly concerned DOMS Industries Pvt Ltd (India), Canson SAS (France) and Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) to extend and develop local production sites. The overall movement also stems from negative currency differences for Euro 0.7 million and depreciation of Euro 2.7 million.

Financial assets decreased Euro 0.2 million compared to December 31, 2017, principally due to the fair value adjustment of the carrying amount of hedging derivatives of F.I.L.A. S.p.A. for Euro 0.2 million.

The increase in **Net Working Capital** of Euro 33.5 million relates to the following:

- **Inventories** - an increase of Euro 21.7 million is reported, principally concerning this business seasonality in the run up to the school's campaign, in addition to the continued development of the "Art & Craft" business and partly the temporary sales delay. The increase principally concerned Dixon Ticonderoga Company (U.S.A.), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico), Canson SAS (France), Canson Inc. (U.S.A.) and Daler Rowney Ltd (United Kingdom);

- **Trade and Other Receivables** - increasing Euro 12 million, principally due to the seasonality of F.I.L.A. Group business and concerning particularly F.I.L.A. S.p.A., the South American subsidiaries Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and F.I.L.A. Chile Ltda (Chile) and Omyacolor S.A. (France). The application of IFRS 9 in addition resulted in lower "Trade and Other Receivables" for Euro 2.3 million;

- **Trade and Other Payables** - increased Euro 0.6 million, principally concerning payables for the procurement of raw materials and investments by DOMS Industries Pvt Ltd (India).

The decrease in **Provisions** on December 31, 2017 of Euro 1.4 million principally concerns reduced Deferred tax liabilities (Euro 0.9 million), Employee benefits (Euro 0.2 million), mainly due to actuarial gains recorded in the first quarter by the company Daler Rowney Ltd (United Kingdom) and of Risks and Charges Provisions (Euro 0.3 million).

The **Equity** of the F.I.L.A. Group, amounting to Euro 241.3 million, increased on December 31, 2017 Euro 1.7 million Net of the period profit of Euro 4.6 million (of which Euro 0.3 million concerning non-controlling interest), the residual movement principally concerns negative currency effects of Euro 1.8 million, the "fair value adjustment" of derivative hedging instruments held by F.I.L.A. S.p.A. and Canson SAS (negative for Euro 0.2 million), the increase in the "Share Based Premium" reserve of Euro 0.1 million, the increase in the IAS 19 reserve for Euro 0.2 million and the negative effects from application of IFRS 9 for Euro 1.2 million.

At March 31, 2018, the **Group Net Financial Position** was a net debt of Euro 269.9 million, increasing Euro 30.3 million on December 31, 2017.

This variation principally concerns:

- net operating cash generated of Euro 15.1 million;
- absorption of Euro 38.5 million from working capital management, particularly concerning the increase in Inventories and Trade and Other Receivables, due to business seasonality and delay in sales;
- net investments in tangible and intangible assets (Capex) for Euro 3.5 million, concerning the development and extension of local production sites, principally by DOMS Industries Pvt Ltd (India), Canson SAS (France) and Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico);
- the payment of interest on loans and credit lines issued to Group companies for Euro 2.4 million;
- the currency effect from the conversion of net financial positions in currencies other than the Euro, for a negative Euro 0.9 million.

Significant events in the period

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 currently under negotiation 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;

Significant events after the period end

On May 7, 2018 an agreement was signed for the acquisition by the subsidiary Dixon Ticonderoga Company (U.S.A.) of 100% of Pacon Holding Company (“Pacon”) at an enterprise value of US$ 325 million, in addition to US$ 15 million of tax benefits and therefore for total cash consideration of US$ 340 million (subject to the usual adjustments on closing concerning debt, cash and net working capital). 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.).
The transaction is subject to a number of conditions, including approval by the Antitrust authority in accordance with the Hart-Scott-Rodino Antitrust Improvements Act in the United States and other

conditions typical of this type of transaction. 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 is funded through a medium/long-term bank loan agreed with Mediobanca - Banca di Credito Finanziario S.p.A. and UniCredit S.p.A. (both as Joint Global Coordinator and Bookrunner) for a total amount of Euro 520 million, including refinancing of current debt. 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. 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. The share capital increase shall be subject to completion of the Pacon acquisition. 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-underwriting agreement by which they have committed, in accordance with typical market conditions, to underwrite the subscription of any newly issued shares remaining unopted for a maximum amount equal to the value of the share capital increase.

Payment of dividend for 2017

We refer to the press release of April 27, 2018 in which F.I.LA. – Fabbrica Italiana Lapis ed Affini S.p.A. announced the unitary amount of the dividend for 2017.

In this regard, it should be noted that, as per Shareholders' AGM motion of April 27, 2018, the overall dividend is Euro 3,719,923 and therefore Euro 0.09 for each of the 41,332,477 ordinary shares in circulation. In fact, as previously announced, the dividend will be paid on May 23, 2018 - coupon date of May 21, 2018 and record date of May 22, 2018.

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The 2018 first quarter 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*).

The Executive Officer for Financial Reporting Stefano De Rosa declares, in accordance with paragraph 2 of Article 154-*bis* of the Consolidated Finance Act, that the accounting information contained in the present press release corresponds to the underlying accounting documents, records and accounting entries.

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

Euro millions	March 2018	*% core business revenue*	March 2017	*% core business revenue*	Change 2018 - 2017	
Core Business Revenue	104,796	*100%*	117,613	*100%*	(12,817)	*-10,9%*
Other Revenue and Income	2,035		5,855		(3,820)	*-65,2%*
Total Revenue	**106,831**		**123,468**		**(16,637)**	***-13,5%***
Total operating costs	(91,320)	*-87,1%*	(107,397)	*-91,3%*	16,077	*15,0%*
EBITDA	**15,511**	***14,8%***	**16,072**	***13,7%***	**(0,561)**	***-3,5%***
Amortisation, depreciation and write-downs	(4,833)	*-4,6%*	(4,616)	*-3,9%*	(0,217)	*-4,7%*
EBIT	**10,678**	***10,2%***	**11,456**	***9,7%***	**(0,778)**	***-6,8%***
Net financial charges	(3,582)	*-3,4%*	(1,685)	*-1,4%*	(1,897)	*-112,6%*
Pre-Tax Profit	**7,096**	***6,8%***	**9,771**	***8,3%***	**(2,675)**	***-27,4%***
Total income taxes	(2,543)	*-2,4%*	(3,564)	*-3,0%*	1,021	*28,6%*
Net profit - Continuing Operations	**4,553**	***4,4%***	**6,207**	***5,3%***	**(1,654)**	***-26,7%***
Net Profit for the period	**4,553**	***4,4%***	**6,207**	***5,3%***	**(1,654)**	***-26,7%***
Non-controlling interest profit	0,304	*0,3%*	0,476	*0,4%*	(0,172)	*-36,1%*
F.I.L.A. Group Net Profit	**4,249**	***4,1%***	**5,731**	***4,9%***	**(1,481)**	***-25,8%***

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

NORMALIZED - Euro millions	March 2018	*% core business revenue*	March 2017	*% core business revenue*	Change 2018 - 2017	
Core Business Revenue	104,796	*100%*	117,613	*100%*	(12,817)	*-10,9%*
Other Revenue and Income	2,035		5,855		(3,821)	*-65,2%*
Total Revenue	**106,831**		**123,468**		**(16,637)**	***-13,5%***
Total operating costs	(90,631)	*-86,5%*	(106,362)	*-90,4%*	15,731	*14,8%*
EBITDA	**16,200**	***15,5%***	**17,106**	***14,5%***	**(0,906)**	***-5,3%***
Amortisation, depreciation and write-downs	(4,833)	*-4,6%*	(4,616)	*-3,9%*	(0,217)	*-4,7%*
EBIT	**11,367**	***10,8%***	**12,490**	***10,6%***	**(1,123)**	***-9,0%***
Net financial charges	(3,582)	*-3,4%*	(2,675)	*-2,3%*	(0,907)	*-33,9%*
Pre-Tax Profit	**7,785**	***7,4%***	**9,815**	***8,3%***	**(2,030)**	***-20,7%***
Total income taxes	(2,645)	*-2,5%*	(3,656)	*-3,1%*	1,011	*27,6%*
Net profit - Continuing Operations	**5,140**	***4,9%***	**6,159**	***5,2%***	**(1,019)**	***-16,5%***
Net Profit for the period	**5,140**	***4,9%***	**6,159**	***5,2%***	**(1,019)**	***-16,5%***
Non-controlling interest profit	0,304	*0,3%*	0,476	*0,4%*	(0,172)	*-36,1%*
F.I.L.A. Group Net Profit	**4,836**	***4,6%***	**5,683**	***4,8%***	**(0,847)**	***-14,9%***

Fabbrica Italiana Lapis ed Affini

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

Euro millions	March 2018	December 2017	Change 2018 - 2017
Intangible Assets	205,945	208,091	(2,146)
Property, plant & equipment	88,187	88,355	(0,168)
Financial assets	4,530	4,725	(0,195)
Net Fixed Assets	**298,662**	**301,171**	**(2,509)**
Other non Current Asset/Liabilities	**15,176**	**15,564**	**(0,388)**
Inventories	200,396	178,699	21,697
Trade and Other Receivables	144,738	132,768	11,970
Trade and Other Payables	(96,904)	(96,263)	(0,641)
Other Current Assets and Liabilities	0,700	0,241	0,459
Net Working Capital	**248,930**	**215,445**	**33,485**
Provisions	**(51,580)**	**(52,989)**	**1,409**
Net Capital Employed	**511,188**	**479,191**	**31,997**
Equity	**(241,310)**	**(239,577)**	**(1,733)**
Net Financial Position	**(269,878)**	**(239,614)**	**(30,264)**
Net Funding Sources	**(511,188)**	**(479,191)**	**(31,997)**

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

Euro millions	March 2018	December 2017	Change 2018 - 2017
EBIT	10,678	11,456	(0,778)
Adjustments for non-cash items	6,652	5,724	0,928
Integrations for income taxes	(2,232)	(1,872)	(0,360)
Cash Flow from Operating Activities Before Changes in NWC	**15,098**	**15,308**	**(0,210)**
Change NWC	**(38,501)**	**(40,007)**	**1,506**
Change in Inventories	(23,879)	(14,442)	(9,437)
Change in Trade and Other Receivables	(14,672)	(23,077)	8,405
Change in Trade and Other Payables	0,905	(1,193)	2,098
Change in Other Current Assets/Liabilities	(0,855)	(1,293)	0,438
Cash Flow from Operating Activities	**(23,403)**	**(24,699)**	**1,296**
Investments in tangible and intangible assets	(3,541)	(3,696)	0,155
Interest Income	0,024	0,000	0,024
Equity Investments	0,000	0,990	(0,990)
Cash Flow from Investing Activities	**(3,517)**	**(2,706)**	**(0,811)**
Change in Equity	0,000	(0,127)	0,127
Interest Expenses	(2,410)	(2,343)	(0,067)
Cash Flow from Financing Activities	**(2,410)**	**(2,470)**	**0,060**
Other changes	(0,045)	(0,164)	0,119
Total Net Cash Flow	**(29,375)**	**(30,039)**	**0,664**
Effect from exchange rate changes	(0,889)	(2,376)	1,487
NFP from Variation in Consolidation Scope	0,000	0,000	0,000
Change in Net Financial Position	**(30,264)**	**(32,415)**	**2,151**