

Bit Market Services

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PRESS RELEASE

FILA: GROUP DELIVERS FURTHER GROWTH H1 2015 CORE BUSINESS SALES UP 15%

DEMAND STRENGTHENS ACROSS ALL MARKETS IN PARTICULAR THE US AND MEDITERRANEAN EUROPE

- *H1 2015 Core Business Sales) of Euro 141.5 million, +15% on H1 2014 (organic growth of 5% excluding the currency effect and changes to the consolidation scope)*
- *Revenues growth principally on the US market - following the excellent reception of the schools campaign - and in Mediterranean Europe - in particular Italy, with F.I.L.A. S.p.A. market share expanding on all channels*
- *Adjusted EBITDA of Euro 27.9 million, +15.1% on H1 2014 posting 19.7% margin on Core Business Sales*
- *Financial charges from the Fair Value measurement of Space S.p.A. equity at May 31, 2015 and of the Market Warrants at June 30, 2015 total Euro 46.7 million (no cash impact)*
- *Adjusted Net Profit, excluding extraordinary items and net of minorities at Euro 13.3 million, up 5,9% on H1 2014.*

Milan, August 6, 2015 – the Board of Directors of F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A. (“F.I.L.A.”), meeting today, approved the 2015 Half-Year Report.

FILA Group Consolidated Operating Performance

Core Business Revenues of Euro 141.5 million grew 15% on the same period of previous year.

Organic revenue growth, excluding exchange gains (FX effect)- principally on the US Dollar and partly on the Mexican Peso, and the change in the consolidation scope following the acquisition of Industria Maimeri S.p.A. (not included in the Q1 2014 consolidation scope) - was 5%.

Growth was principally seen in North America - following the excellent reception of the schools campaign - and in Mediterranean Europe, particularly Italy - with the continuous expansion of F.I.L.A. S.p.A. market share on all the reference channels.

F.I.L.A. S.p.A Italian Market share in the year to May 2015 was 56.4% of the total Color Panel (Source: *GFK Retail and Technology Market Research*).

Operating Costs in H1 2015 totalled Euro 118.5 million, increasing in line with revenues and reflecting – in addition to the strengthening of the US Dollar, the Mexican Peso and the Chinese Renminbi against the Euro - the following factors:

- increased procurement related to the higher turnover;
- operating costs at the Chinese facility (principally utilities, maintenance and personnel), not fully operational in H1 2014 following the transfer of production;
- higher air transport costs in order to ensure punctual procurement of materials;
- the change to the consolidation scope concerning Industrie Maimeri;
- extraordinary charges of Euro 1.9 million related to the operation with Space S.p.A. and the listing process.

EBITDA, adjusted for these extraordinary charges, was Euro 27.9 million (+15.1% entirely organic growth on H1 2014), exceeding organic revenue growth - with an operating revenue margin of 19.7%.

The financial management result included charges, without any cash impact, from the Fair Value measurement of Space S.p.A. equity at May 31, 2015 (Euro 45.8 million), following the merger with Space, and of the Market Warrants at June 30, 2015 (Euro 0.9 million).

The Net Financial Result for H1 2015, excluding the above-stated extraordinary items, was in line with the previous year.

Group Income Taxes totalled Euro 8.6 million, corresponding to a higher effective tax rate due to the reversal of deferred tax assets recognised on prior German tax losses, valued prudently and no longer recoverable following the efficacy of the merger with Space S.p.A..

Consequently, the Net Profit for the period excluding extraordinary charges and net of minorities was Euro 13.3 million - up approx. 5.9% on H1 2014.

The Reported Net Result, including extraordinary charges, the Fair Value measurement of Space S.p.A. equity at May 31, 2015 and of Market Warrants at June 30, 2015, registered a loss of Euro 34.3 million.

FILA Group Consolidated Balance Sheet Review

F.I.L.A. Group Net Capital Employed at June 30, 2015 of Euro 246.9 million principally comprises Net Fixed Assets for Euro 57.1 million, increasing Euro 2.8 million on December 31, 2014 and Net Working Capital of Euro 190.5 million, increasing Euro 73.1 million on December 31, 2014.

The main change concerning Net Fixed Assets was the increase in property, plant and equipment following capital expenditure of Euro 4.6 million.

The change in Net Working Capital particularly concerns the increases in:

- Trade and Other Receivables of Euro 58.6 million, relating to the seasonality of the F.I.L.A. Group's business, in addition to revenue growth;
- Inventories of Euro 20.7 million, mainly at the US and Mexican subsidiaries and the parent company in support of the expanding orderbook in the first half-year and the prompt execution of orders.

The Equity of the F.I.L.A. Group of Euro 173.1 million at June 30, 2015 increased Euro 61.1 million on the previous year. The increase, excluding the merger contribution of Euro 45.8 million, was Euro 15.3 million and was principally generated by the comprehensive net profit in 2015 by Group companies of Euro 11.5 million (net of the recognition to the income statement of the difference between the fair value and book value of Space S.p.A. at the effective merger date, as neutral at consolidated equity level) and the Translation Reserve following the conversion of the Group companies financial statements for Euro 3.7 million.

Financial Instruments of Euro 18.2 million concern the Fair Value measurement of Market Warrants.

The F.I.L.A. Group Net Financial Position at June 30, 2015 was a net debt of Euro 55.6 million, improving Euro 2.8 million on December 31, 2014.

Excluding the net cash deriving from the merger of Euro 64.7 million, the debt increased Euro 61.9 million (compared to cash absorption of Euro 38.7 million in H1 2014), principally due to:

- net cash absorbed from operating activities of Euro 54.2 million (Euro 29.6 million in H1 2014), mainly owing to the increase in receivables and inventories related to additional orders;
- net tangible and intangible asset investment of Euro 4.6 million (Euro 3.3 million in H1 2014);
- cash absorbed from interest on loans and credit lines issued to Group companies of Euro 1.8 million, similar to H1 2014.

“We are more than satisfied of the Group continuous growth and of 2015 first half-year results which exceed expectations” stated Massimo Candela, Chief Executive Officer of F.I.L.A. “F.I.L.A. confirms its acquisition-led growth strategy; we are assessing a number of possible operations to develop our position on new markets, with the stock market listing providing the necessary funding. These, together with the move of the company from the MIV to the MTA segment by the end of the year, are our priorities”.

“The Executive Responsible for the preparation of the corporate accounting documents, Mr. Stefano De Rosa, declares in accordance with Legs. Decree 58/1998, that the accounting information contained in the present press release corresponds to the underlying accounting documents, records and accounting entries.”

F.I.L.A. (Fabbrica Italiana Lapis ed Affini) has achieved outstanding success in Italy through its colouring, drawing, modelling, writing and painting tools and is now seen as the pinnacle for creative solutions across many countries thanks to brands such as GIOTTO, Tratto, DAS, Didò, Pongo and LYRA. Founded in Florence in 1920, F.I.L.A. is a highly consolidated, dynamic and innovative industrial enterprise and continues to grow market share. Managed since 1956 by the Candela family, FILA has achieved global reach and was listed on the MIV segment of the Milan Stock Exchange in June 2015. 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, with revenues of over Euro 230 million in 2014 while undertaking a series of strategic acquisitions: the Italian Adica Pongo in 1994, the US Dixon Ticonderoga in 2005, the German LYRA in 2008, the Mexican Lapiceria Mexicana in 2010 and the Brazilian Lycin in 2012. In addition to these acquisitions, in 2011 the company acquired a stake in the Indian company Writefine Products.

In 2014, F.I.L.A. and Maimeri - a highly-renowned Italian enterprise involved in the production and sale of colours, paints and fine art products and accessories - set up Industria Maimeri. The joint venture was a major step in the Group's expansion on the fine arts market.

F.I.L.A. operates through 11 production facilities and 19 subsidiaries across the globe and employs approx. 5,000.

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

<u>Milioni di Euro</u>	Giugno 2015	% sui ricavi gestione caratteristica	Giugno 2014	% sui ricavi gestione caratteristica	Variazione 2015 - 2014
Ricavi della Gestione Caratteristica	141,5		123,1		18,4 15,0%
Altri Ricavi e Proventi	3,0		1,5		1,5 96,2%
TOTALE RICAVI	144,5	100%	124,6	100%	19,9 16,0%
TOTALE COSTI OPERATIVI	(118,5)	-82,0%	(100,9)	-81,0%	(17,7) 17,5%
MARGINE OPERATIVO LORDO	26,0	18,0%	23,7	19,0%	2,2 9,5%
AMMORTAMENTI E SVALUTAZIONI	(4,2)	-2,9%	(3,0)	-2,4%	(1,2) 40,1%
RISULTATO OPERATIVO	21,8	15,1%	20,8	16,7%	1,0 5,0%
RISULTATO FINANZIARIO NETTO	(48,2)	-33,4%	(1,7)	-1,4%	(46,5) 2749,7%
UTILE PRIMA DELLE IMPOSTE	(26,4)	-18,3%	19,1	15,3%	(46,5) -244,0%
TOTALE IMPOSTE	(7,7)	-5,3%	(6,5)	-5,2%	(1,2) 18,4%
RISULTATO DERIVANTE DALLE ATTIVITA' DI FUNZIONAMENTO	(34,2)	-23,6%	12,5	10,1%	(46,7) -372,5%
RISULTATO DELLE ATTIVITA' DESTINATE ALLA DISMISSIONE	(0,1)		(0,1)		(0,0)
RISULTATO DEL PERIODO	(34,3)	-23,7%	12,5	10,0%	(46,7) -375,1%
Risultato del periodo di Competenza di Terzi Azionisti	0,1		0,2		(0,1)
RISULTATO DEL PERIODO DEL GRUPPO F.I.L.A.	(34,3)	-23,8%	12,3	9,8%	(46,6) -379,9%

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

<u>Milioni di Euro</u>	Giugno 2015	% sui ricavi gestione caratteristica	Giugno 2014	% sui ricavi gestione caratteristica	Variazione 2015 - 2014
Ricavi della Gestione Caratteristica	141,5		123,1		18,4 15,0%
Altri Ricavi e Proventi	3,0		1,5		1,5 96,2%
TOTALE RICAVI	144,5		124,6		19,9 16,0%
TOTALE COSTI OPERATIVI	(116,7)	-82,4%	(100,4)	-81,6%	(16,3) 16,2%
MARGINE OPERATIVO LORDO	27,9	19,7%	24,2	19,7%	3,7 15,1%
AMMORTAMENTI E SVALUTAZIONI	(4,2)	-2,9%	(3,0)	-2,4%	(1,2) 40,1%
RISULTATO OPERATIVO	23,7	16,7%	21,2	17,2%	2,5 11,6%
RISULTATO FINANZIARIO NETTO	(1,6)	-1,1%	(1,7)	-1,4%	0,1 0,0%
UTILE PRIMA DELLE IMPOSTE	22,1	15,6%	19,5	15,9%	2,6 13,2%
TOTALE IMPOSTE	(8,6)	-6,1%	(6,7)	-5,4%	(1,9) 28,5%
RISULTATO DERIVANTE DALLE ATTIVITA' DI FUNZIONAMENTO	13,5	9,6%	12,9	10,4%	0,7 0,0%
RISULTATO DELLE ATTIVITA' DESTINATE ALLA DISMISSIONE	(0,1)	0,0%	(0,1)	0,0%	(0,0)
RISULTATO DEL PERIODO	13,4	9,5%	12,8	10,4%	0,6 0,0%
Risultato del periodo di Competenza di Terzi Azionisti	0,1	0,0%	0,2	0,0%	(0,1)
RISULTATO DEL PERIODO DEL GRUPPO F.I.L.A.	13,3	9,4%	12,6	10,2%	0,7 0,0%

- ❖ The normalisation of H1 2015 EBITDA relates to non-recurring operating costs for approx. Euro 1.9 million, principally for consultancy on the merger proposal between F.I.L.A. S.p.A. and Space S.p.A..
- ❖ The normalisation of the Financial Management Result concerns charges from the Fair Value measurement of Space S.p.A. equity at May 31, 2015 (Euro 45.8 million) and of market warrants at June 30, 2015 (Euro 0.9 million).
- ❖ The normalisation of the H1 2014 Group Result concerns the above-stated normalisations, net of the tax effect.
- ❖ The normalisation of the H1 2014 EBITDA principally concerns non-recurring operating costs for approx. Euro 0.5 million, mainly for consultancy on acquisition projects.
- ❖ The normalisation of the H1 2014 Group Result concerns the above-stated normalisations, net of the tax effect.

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

<u>Milioni di Euro</u>	Giugno 2015	Dicembre 2014	Variazione 2015 - 2014	Apporto di Fusione Space S.p.A. al 31 maggio 2015
Immobilizzazioni Immateriali	21,0	21,3	(0,3)	0,0
Immobilizzazioni Materiali	27,9	25,6	2,3	0,0
Immobilizzazioni Finanziarie	8,3	7,5	0,8	0,0
ATTIVO FISSO NETTO	57,1	54,3	2,8	0,0
ALTRE ATTIVITÀ/PASSIVITÀ NON CORRENTI	11,0	10,4	0,6	1,4
Magazzino	112,7	92,0	20,7	0,0
Crediti Commerciali e Altri Crediti	134,6	7,6	127,0	0,4
Altre Attività Correnti	5,0	0,9	4,1	0,4
Debiti Commerciali e Altri Debiti	(55,5)	(49,1)	(6,4)	(3,8)
Altre Passività Correnti	(6,4)	(2,5)	(3,8)	0,0
CAPITALE CIRCOLANTE NETTO	190,5	117,4	73,1	(3,0)
FONDI	(11,6)	(11,7)	0,1	0,0
ATTIVITA'/PASSIVITA' DESTINATE ALLA DISMISSIONE	(0,2)	0,0	(0,2)	0,0
CAPITALE INVESTITO NETTO	246,9	170,4	76,5	(2,6)
PATRIMONIO NETTO	(173,1)	(112,0)	(61,1)	(45,8)
STRUMENTI FINANZIARI	(18,2)	0,0	(18,2)	(17,3)
POSIZIONE FINANZIARIA NETTA	(55,6)	(58,4)	2,8	64,8
FONTI NETTE DI FINANZIAMENTO	(246,9)	(170,4)	(76,5)	1,6

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

<u>Milioni di Euro</u>	Giugno 2015	Giugno 2014	Variazione
REDDITO OPERATIVO	21,8	20,8	1,0
<i>rettifiche per costi non monetari</i>	4,5	3,6	0,9
<i>integrazioni per imposte:</i>	(6,9)	(3,4)	(3,5)
<i>Variazioni del Capitale Circolante Netto:</i>	(73,6)	(50,6)	(23,0)
FLUSSO DI CASSA NETTO DA ATTIVITA' OPERATIVA	(54,2)	(29,6)	(24,6)
FLUSSO DI CASSA NETTO DA ATTIVITA' DI INVESTIMENTO	(4,4)	(3,7)	(0,7)
FLUSSO DI CASSA NETTO DA ATTIVITA' DI FINANZIAMENTO	(15,4)	7,0	(22,3)
Differenza di traduzione ed altre variazioni non monetarie	1,2	(0,2)	1,4
FLUSSO DI CASSA NETTO DELL'ESERCIZIO	(72,8)	(26,5)	(46,2)
Disponibilità Liquide e Mezzi Equivalenti al netto dei Conti Correnti Bancari Passivi all'inizio del periodo	30,7	35,7	(5,0)
Disponibilità Liquide ed Equivalenti al netto dei Conti Correnti Bancari Passivi all'inizio del periodo (apporto di fusione)	93,3	0,0	93,3
Disponibilità Liquide ed Equivalenti al netto dei Conti Correnti Bancari Passivi all'inizio del periodo (variazione area di consolidamento)	0,0	(1,1)	1,1
DISPONIBILITA' LIQUIDE E MEZZI EQUIVALENTI AL NETTO DEI CONTI CORRENTI BANCARI PASSIVI ALLA FINE DEL PERIODO	51,2	8,1	43,1

Fine Comunicato n.1565-54

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