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(Translation from the Italian original which remains the definitive version)

F.I.L.A. GROUP
2021 ANNUAL REPORT

F.I.L.A. S.p.A.
2021 ANNUAL REPORT

F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A.

Via XXV Aprile 5 Pero (MI)

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I - General information

Corporate Bodies

Board of Directors

Chairperson (*)	Giovanni Gorno Tempini
Honorary Chairperson	Alberto Candela
Chief Executive Officer (**)	Massimo Candela
Executive Director (**)	Luca Pelosin
Non-executive Director	Annalisa Matilde Barbera
Non-executive Director (*)	Giorgina Gallo
Non-executive Director (*)	Carlo Paris
Non-executive Director (*)	Donatella Sciuto

(*) Independent director in accordance with Article 148 of the Consolidated Finance Act and Article 3 of the Code of Conduct.

(**) Non-Executive Director

Control, Risks and Related Parties Committee

Donatella Sciuto
Annalisa Matilde Barbera
Carlo Paris

Remuneration Committee

Carlo Paris
Annalisa Matilde Barbera
Giorgina Gallo

Board of Statutory Auditors

Chairperson	Gianfranco Consorti
Standing Auditor	Elena Spagnol
Standing Auditor	Pietro Michele Villa
Alternate Auditor	Stefano Amoroso
Alternate Auditor	Sonia Ferrero

Independent Auditors

KPMG S.p.A.

Overview of the F.I.L.A. Group

The F.I.L.A. Group operates in the creativity tools market, producing and marketing colouring, design, modelling, writing and painting objects, such as pencils, crayons, modelling clay, chalk, oil colours, acrylics, watercolours, paints and paper for the fine arts, school and leisure.
The F.I.L.A. Group at December 31, 2021 operates through 22 production facilities and 34 subsidiaries across the globe and employs approx. 9,800 people, becoming a pinnacle for creative solutions in many countries with brands such as GIOTTO, DAS, LYRA, Canson, Maimeri, Daler-Rowney Lukas, Ticonderoga, Pacon, Strathmore, Princeton and Arches.

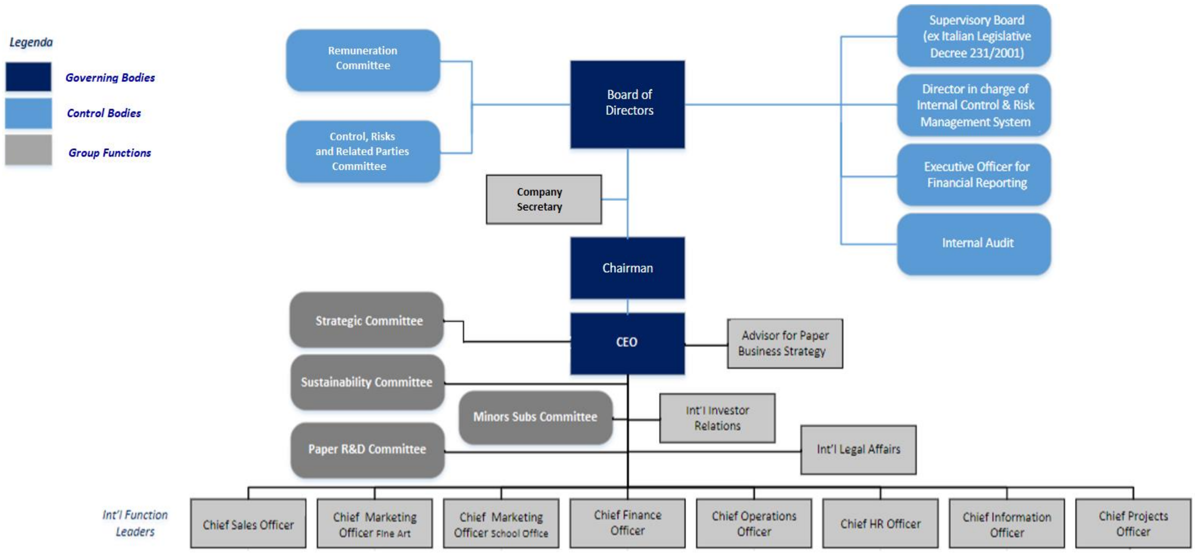
Founded in Florence in 1920 by two noble Tuscan families, della Gherardesca and Marchesi Antinori, F.I.L.A. S.p.A. (hereafter also the "Parent") has achieved strong international growth in the past 20 years, supported by a series of strategic acquisitions. Over the years, the Parent has acquired: (i) the Italian firm Adica Pongo in 1994, a leading producer of modelling clay for children; (ii) the Spanish firm Spanish Fila Hispania S.L. (formerly Papeleria Mediterranea S.L.) in 1997, the Group's former exclusive distributor in Spain; (iii) the French firm Omyacolor S.A. in 2000, a leading manufacturer of modelling putties and clays; (iv) the U.S. Dixon Ticonderoga Group in 2005, a leading producer and distributor of pencils in North America, with subsidiaries operating on the Canadian, Mexican, Chinese and European markets; (v) the German LYRA Group in 2008, which allowed the Group to enter the German, Scandinavian and Eastern Asian markets; (vi) the business unit operated by Lapiceria Mexicana in 2010, one of the main local competitors in the budget coloured and graphite pencils market; and (vii) the business unit operated by Maimeri S.p.A. in 2014, a manufacturer and distributor of paints and accessories for fine arts. In addition to these transactions, on the conclusion of an initiative which began with the acquisition of a significant influence in 2011, control of the Indian company DOMS Industries Pvt Ltd. was acquired in 2015 (viii). In 2016, the F.I.L.A. Group focused upon development through strategic Art&Craft sector acquisitions, seeking to become the leading market player. On February 3, 2016, F.I.L.A. S.p.A. acquired control of the Daler-Rowney Lukas Group, an illustrious brand producing and distributing materials and accessories on the arts and crafts market since 1783, with a direct presence in the United Kingdom, the Dominican Republic, Germany and the USA (ix). In September 2016, the F.I.L.A. Group acquired the entire share capital of St. Cuthberts Holding Limited and the operating company St. Cuthberts Mill Limited, a highly-renowned English paper mill, founded in 1907, located in the south-west of England and involved in the production of high quality artist's papers (x). In October 2016, F.I.L.A. S.p.A. acquired the Canson Group, founded in 1557 by the Montgolfier family, with headquarters in Annonay in France, production facilities in France and conversion and distribution centres in Italy, France, China, Australia and Brazil. Canson products are available in over 120 countries and the brand is the most respected globally involved in the production and distribution of high added value paper for the fine arts, design, leisure and schools, but also for artists' editions and technical and digital drawing materials (xi).

In June 2018, F.I.L.A. S.p.A., through its US subsidiary Dixon Ticonderoga Co. (U.S.A.), consolidated its role as a leading player on the US market with the acquisition of the US Group Pacon, which through brands such as Pacon, Riverside, Strathmore and Princeton, is a leader in the US schools and arts and crafts sector. Dixon Ticonderoga Co. (U.S.A.) was subsequently merged into Pacon Corporation (U.S.A.), which later changed its name to Dixon Ticonderoga Co. (U.S.A.) (xii).

On March 2, 2020, F.I.L.A.- Arches S.A.S., a French company wholly-owned by F.I.L.A. S.p.A., completed the purchase from the Ahlstrom-Munksjö Group of the fine art business unit specialised in fine art operating through the ARCHES® brand (xiii).

Organisational structure

The F.I.L.A. S.p.A. organisational structure is reported below.



F.I.L.A. GROUP AND F.I.L.A. S.p.A. 2021 DIRECTORS' REPORT

II - Directors' Report

Macroeconomic overview

The year 2021 (as in 2020) was characterised by the spread of the COVID-19 pandemic (the "coronavirus") in its various variants, with restrictive containment measures consequently implemented by the Governments of the countries affected and the health emergency continuing also in the initial months of 2022. The uptake of COVID-19 vaccines has in any case made it possible to very much limit, compared to 2020, the severe social impacts and the direct or indirect repercussions on the general economy and the propensity to consume and invest; GDP in fact grew across all geographical areas in which the Group operates, except for China, whose GDP growth was weaker than 2020.

The F.I.L.A. Group's market featured general sales volume increases on 2020, with a strong recovery in revenue from "Schools" products, despite India and Mexico experiencing partial or total closures of schools also for a significant portion of 2021. This situation impacted the level of growth compared to initial expectations, as these geographical areas still feature a market more focused on schools products and with a marginal online sales channel.

Amid such uncertainty, management focused again in 2021 on containing overheads and investments, seeking to minimise the operating and financial impacts of the pandemic on the Group's profit margins and on cash generation, which in fact, thanks to efficient working capital management has reached very satisfying levels, allowing the pursuit of continued annual Net Financial Debt reductions.

The inflation and GDP figures for the main countries in which the F.I.L.A. Group companies operate are reported below:

		December 31, 2021		December 31, 2020	
	Country	**Inflation**	**GDP**	**Inflation**	**GDP**
Euro zone	Italy	2.18%	3.85%	(0.14%)	(6.58%)
	Spain	3.40%	2.67%	(0.32%)	(9.05%)
	Portugal	1.49%	4.31%	(0.01%)	(6.11%)
	Greece	1.82%	16.20%	(1.25%)	(7.91%)
	France	1.72%	3.30%	0.48%	(4.94%)
	Turkey	19.26%	21.44%	12.28%	5.04%
	Germany	3.90%	2.57%	0.51%	(3.65%)
	Poland	5.47%	5.18%	3.40%	(2.74%)
	Sweden	1.98%	3.70%	0.50%	(2.14%)
North America	U.S.A.	5.34%	4.90%	1.23%	(2.44%)
	Canada	4.06%	3.84%	0.72%	(3.23%)
Latin America	Mexico	5.80%	5.82%	3.40%	(4.48%)
	Chile	4.89%	17.34%	3.05%	(10.25%)
	Argentina	51.89%	19.58%	42.02%	(10.09%)
BRICs	China	1.00%	4.90%	n.a.	6.50%
	India	4.82%	20.90%	5.56%	0.07%
	Brazil	9.64%	12.36%	3.21%	(1.24%)
	Russia	6.86%	8.07%	3.38%	(3.33%)
Others	South Africa	4.93%	19.37%	3.22%	(4.16%)
	Australia	3.01%	9.60%	0.85%	(1.12%)

Source: OECD, January 2022

Financial Highlights

The F.I.L.A. Group's 2021 Financial Highlights are reported below:

Euro thousands	December 31, 2021	% revenue	December 31, 2020	% revenue	Change 2021 - 2020		*Adjustments* IFRS 16 effects	*Adjustments* Adjustments for Non-Recurring expenses
Revenue	653,278	*100.0%*	607,382	*100.0%*	45,896	*7.6%*		*(193)*
Gross operating profit [1]	119,927	*18.4%*	95,051	*15.6%*	24,876	*26.2%*	*14,957*	*(4,105)*
Operating profit	78,547	*12.0%*	49,518	*8.2%*	29,029	*58.6%*	*3,794*	*(4,105)*
Net financial expense	(24,091)	*(3.7%)*	(35,231)	*(5.8%)*	11,140	*31.6%*	*(5,541)*	*19*
Total taxes	(15,031)	*(2.3%)*	(6,165)	*(1.0%)*	(8,866)	*(143.8%)*	*461*	*700*
F.I.L.A. Group Profit attributable to the owners of the Parent	38,014	*5.8%*	8,607	*1.4%*	29,407	*341.7%*	*(1,185)*	*(3,337)*
Earnings per share (€ cents)								
basic	*0.75*		*0.17*					
diluted	*0.73*		*0.17*					

ADJUSTED Net of Non-Recurring expenses and IFRS 16 effects - Euro thousands	December 31, 2021	% revenue	December 31, 2020	% revenue	Change 2021 - 2020	
Revenue	653,471	*100.0%*	608,167	*100.0%*	45,304	*7.5%*
Gross operating profit [1]	109,075	*16.7%*	95,351	*15.7%*	13,724	*14.4%*
Operating profit	78,858	*12.1%*	61,661	*10.1%*	17,197	*27.9%*
Net financial expense	(18,570)	*(2.8%)*	(29,273)	*(4.8%)*	10,704	*36.6%*
Total taxes	(16,191)	*(2.5%)*	(9,091)	*(1.5%)*	(7,100)	*(78.1%)*
F.I.L.A. Group Profit attributable to the owners of the Parent	42,536	*6.5%*	23,075	*3.8%*	19,461	*84.3%*
Earnings per share (€ cents)						
basic	*0.83*		*0.45*			
diluted	*0.82*		*0.44*			

Euro thousands	December 31, 2021	December 31, 2020	Change 2021 - 2020
Cash flows from operating activities	119,142	74,388	44,754
Investments	(12,000)	(10,175)	(1,825)
% revenue	*1.8%*	*1.7%*	

Euro thousands	December 31, 2021	December 31, 2020	Change 2021 - 2020	*IFRS 16 effects*
Net capital employed	835,379	824,731	10,648	305
Net Financial debt [2]	(437,253)	(493,456)	56,203	(2,414)
Equity	(398,127)	(331,275)	(66,852)	2,109

(1) The Gross Operating Profit (EBITDA) corresponds to the operating profit before amortisation and depreciation and impairment losses;
(2) Indicator of the net financial debt, calculated as the aggregate of the current and non-current financial debt, net of cash and cash equivalents and current financial assets and loans provided to third parties classified as non-current assets. The net financial debt as per Consob Communication DEM/6064293 of July 28, 2006 and Consob's warning notice n. 5/21 of April 29, 2021, excludes non-current financial assets. The non-current financial assets of the F.I.L.A. Group at December 31, 2021 amount to Euro 4,078 thousand, and they are not considered in the Net Financial Debt.

2021 Adjustments:

- The adjustment to ”Revenue” mainly concerns the return of goods as a result of disputes with customers, related to the economic and social effects of the COVID-19 pandemic;
- The adjustment of the 2021 gross operating profit relates to non-recurring operating costs of approx. Euro 4.1 million regarding reorganisation-restructuring charges and other Group consultancy costs for Euro 2.2 million, the expense incurred to handle the COVID-19 pandemic for Euro 1.1 million and the outlay for the medium/long-term incentive plan for Euro 0.8 million;
- The adjustment of the operating profit was Euro 4.1 million, resulting from the aforementioned effects on the gross operating profit;
- The adjustment to the 2021 profit attributable to the owners of the parent was Euro 3.3 million and principally concerns the above effects on the Gross Operating Profit, net of the tax effect.

2020 Adjustments :

- The adjustment to revenue mainly concerns the return of goods as a result of disputes with customers, related to the economic and social effects of the COVID-19 pandemic;
- The adjustment of the 2020 gross operating profit relates to non-recurring operating costs of approx. Euro 14.2 million, mainly for the expense concerning the corporate transaction for the acquisition of the ARCHES business unit for Euro 6.3 million, the costs incurred to deal with the pandemic and the inefficiencies on both the production and supply chain caused by the impact of COVID-19 for Euro 6.3 million and, residually, reorganisation costs of the F.I.L.A. Group for Euro 1.4 million;
- The adjustment of the operating profit was Euro 14.2 million, resulting from the aforementioned effects on the gross operating profit;
- The adjustment of net financial expense refers to the financial expense incurred by the Parent F.I.L.A. S.p.A. for the new loan to support the M&A transaction;
- The adjustment of the 2020 profit attributable to the owners of the parent concerns the above adjustments, net of the tax effect.

In order to permit a more accurate assessment of the F.I.L.A. Group’s financial performance and financial position, some alternative performance measures are presented alongside the conventional financial measures under the IFRS. Such alternative performance measures are not to be considered replacements for the IFRS-compliant measures. These measures are also tools used by the Directors to identify operating trends and for decision-making upon investments, the allocation of resources and other operative decisions. Alternative performance measures are not covered by IFRS and are therefore not comparable with similar performance and disclosure measures used in the financial statements of other entities.

The alternative performance measures used are illustrated below:

Gross operating profit or EBITDA: this is calculated as profit for the reporting period, excluding the following components: (i) income taxes for the reporting period, (ii) depreciation, amortisation and impairment losses, and (iii) financial income and expense. The F.I.L.A. Group uses this indicator as an internal management target and in external presentations (for analysts and investors), as it is useful in measuring the overall operating performance of the F.I.L.A. Group and of F.I.L.A. S.p.A.
The table below presents a reconciliation of the 2021 profit for the year with the gross operating profit or EBITDA:

Euro thousands	**December 31, 2021**	**December 31, 2020**
Profit/(loss) attributable to non-controlling interests	1,411	(485)
Profit/(loss) attributable to the owners of the parent	38,014	8,607
Profit for the year	**39,425**	**8,122**
Income taxes	**15,031**	**6,165**
Current taxes	*14,513*	*7,353*
Deferred taxes	*519*	*(1,188)*
Amortisation, depreciation and impairment losses	**41,379**	**45,533**
Financial items	**24,091**	**35,231**
Financial income	*(6,051)*	*(2,348)*
Financial expense	*30,436*	*37,850*
Share of losses of equity-accounted investees	*(294)*	*(271)*
Gross operating profit	**119,927**	**95,051**

The Group defines adjusted gross operating profit or EBITDA net of the effects of IFRS 16 as gross operating profit or EBITDA before: (i) non-recurring expense and (ii) the application of IFRS 16.

The following is a reconciliation between gross operating profit or EBITDA and adjusted gross operating profit or adjusted EBITDA:

Euro thousands	**December 31, 2021**	**December 31, 2020**
Gross operating profit	**119,927**	**95,051**
Non-recurring expense	4,105	14,184
IFRS 16 effect	(14,957)	(13,884)
Adjusted gross operating profit	**109,075**	**95,351**

Operating profit or EBIT: this is calculated as profit for the reporting period, excluding the following components: (i) income taxes for the reporting period, and (ii) financial income and expense.

The following is a reconciliation between gross operating profit or EBITDA and operating profit or EBIT:

Euro thousands	December 31, 2021	December 31, 2020
Gross operating profit	**119,927**	**95,051**
Amortisation and depreciation	(40,789)	(42,646)
Impairment losses on trade receivables and other assets	(568)	(1,833)
Other impairment losses	(22)	(1,053)
Operating profit	**78,547**	**49,518**

The Group defines operating profit or EBIT as operating profit or EBIT before: (i) non-recurring expense, and (ii) the application of IFRS 16.

The following is a reconciliation between operating profit or EBIT and adjusted operating profit or adjusted EBIT:

Euro thousands	December 31, 2021	December 31, 2020
Operating profit	**78,547**	**49,518**
Non-recurring expense	4,105	14,184
IFRS 16 effect	(3,794)	(2,041)
Adjusted Operating profit	**78,858**	**61,661**

Group profit for the year: profit for the reporting period, adjusted for the portion attributable to non-controlling interests.

The Group defines the adjusted profit attributable to the owners of the parent as the Group profit for the year, before: (i) non-recurring expense, and (ii) the application of IFRS 16.

The following is the reconciliation of the Group profit with the adjusted Group profit:

Euro thousands	December 31, 2021	December 31, 2020
Profit for the period attributable to the owners of the parent	**38,014**	**8,607**
Non-recurring expense	3,337	11,684
IFRS 16 effect	1,185	2,784
Adjusted Profit for the period attributable to the owners of the parent	**42,536**	**23,075**

Net financial debt – this is a valid indicator of the F.I.L.A. Group's financial structure. It is calculated as the aggregate of the current and non-current financial debt, net of cash and cash equivalents and of current financial assets, in accordance with Consob Communication DEM/6064293 of July 28, 2006 and Consob's warning notice No. 5/21 of April 29, 2021, excluding non-current financial assets.

The non-current financial assets of the F.I.L.A. Group at December 31, 2021 and at December 31, 2020 respectively totalled Euro 4,078 thousand and Euro 2,614 thousand. At December 31, 2020, part of the non-current financial assets, totalling Euro 68 thousand, have been taken into account in the calculation of the Net Financial Debt of the F.I.L.A. Group. Therefore, the financial indicator of the F.I.L.A. Group at December 31, 2020 differs for these amounts from the Net Financial Debt as defined by the above-mentioned CONSOB communication.

For greater details, reference should be made to the "Financial overview" section.

F.I.L.A. Group's Financial Highlights

The F.I.L.A. Group's 2021 financial highlights are reported below.

Adjusted financial performance

The F.I.L.A. Group's 2021 adjusted gross operating profit rose by +14.4% on 2020.

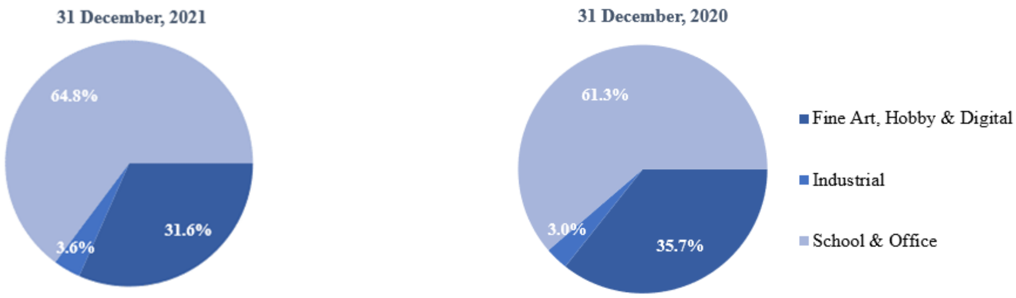
ADJUSTED - Euro thousands	December 31, 2021	*% revenue*	December 31, 2020	*% revenue*	Change 2021 - 2020	
Revenue	*653,471*	*100.0%*	*608,167*	*100.0%*	45,305	*7.4%*
Income	6,823		7,155		(332)	*(4.6%)*
Total revenue	**660,294**		**615,322**		**44,972**	***7.3%***
Total operating costs	(551,219)	*(84.4%)*	(519,971)	*(85.5%)*	(31,248)	*(6.0%)*
Gross operating profit	**109,075**	***16.7%***	**95,351**	***15.7%***	**13,724**	***14.4%***
Amortisation, depreciation and impairment losses	(30,216)	*(4.6%)*	(33,690)	*(5.5%)*	3,474	*10.3%*
Operating profit	**78,858**	***12.1%***	**61,661**	***10.1%***	**17,197**	***27.9%***
Net financial expense	(18,570)	*(2.8%)*	(29,273)	*(4.8%)*	10,704	*36.6%*
Pre-tax profit	**60,289**	***9.2%***	**32,388**	***5.3%***	**27,901**	***86.1%***
Total taxes	(16,191)	*(2.5%)*	(9,091)	*(1.5%)*	(7,100)	*(78.1%)*
Profit for the year	**44,097**	***6.7%***	**23,297**	***3.8%***	**20,800**	***89.3%***
Profit for the year attributable to non-controlling interests	1,561	*0.2%*	222	*0.0%*	1,340	*603.2%*
F.I.L.A. Group Profit attributable to the owners of the Parent	**42,536**	***6.5%***	**23,075**	***3.8%***	**19,461**	***84.3%***

The main changes compared to 2020 are illustrated below.

"Revenue" of Euro 653,471 thousand increased on 2020 by Euro 45,305 thousand (+7.5%). Net of exchange losses of Euro 11,913 thousand (mainly concerning the US Dollar and to a lesser extent a number of South American currencies and the Indian Rupee), the organic growth contribution was Euro 57,217 thousand (+9.4%).

At geographical segment level, organic growth was reported in Europe of Euro 23,659 thousand (+11.1% on the previous year), in Asia of Euro 17,835 thousand (+34.5% on the previous year), in Central-South America of Euro 17,234 thousand (+56.8% on the previous year), in the Rest of the World of Euro 525 thousand (+16.3% on the previous year) and was partially offset by the organic contraction in North America of Euro 2,036 thousand (-0.7% on the previous year).

In order to better illustrate F.I.L.A. Group revenue, the table below highlights revenue by strategic segment compared with the previous year (the School and Office strategic business segment, the Fine Arts strategic business segment and, to a residual extent, industrial products):



“Income” of Euro 6,823 thousand decreased by Euro 332 thousand compared to the previous year, mainly due to the lower exchange gains on commercial transactions.

“Operating costs” in 2021 of Euro 551,219 thousand increased Euro 31,248 thousand on 2020. This increase, offset by the exchange losses mirroring that of revenue, is mainly due to variable purchase and commercial costs, following the increase in revenue, while certain overheads such as travel and entertainment expenses, advertising, marketing promotion and trade fairs were again contained.

The ”Gross Operating Profit” of Euro 109,075 thousand increased by Euro 13,724 thousand on 2020 (+14.4%). At like-for-like exchange rates, the increase was 15.7% on the previous year.

“Amortisation, depreciation and impairment losses” decreased Euro 3,474 thousand on 2020, mainly due to lower depreciation due to the containment of investments over the last two years caused by the altered environment as a result of the COVID-19 pandemic and lower impairment losses on trade receivables as a result of the reduced amount of disputes with customers, in addition to the greater certainty on customer collections compared with the previous year.

“Net financial expense” improved by Euro 10,704 thousand, mainly due to greater exchange gains on financial transactions and generally reduced net financial expense, both due to better and more streamlined working capital management and the lower overall debt level.

Adjusted Group “Taxes” amounted to Euro 16,191 thousand, increasing on the previous year due to the improved pre-tax profit.

Net of the profit attributable to non-controlling interests, the F.I.L.A. Group adjusted profit in 2021 was Euro 42,536 thousand compared to Euro 23,075 thousand in the previous year.

Business seasonality

The group's operations are affected by the business's seasonal nature, as reflected in the consolidated results.

The F.I.L.A. Group primarily operates in the school and office strategic business segment and the fine arts strategic business segment. Historically, the school and office strategic business segment has reported greater sales in the second and third quarters of the year than in the first and fourth quarters of the year. This is mainly due to the fact that in the Group's main markets (i.e., North America, Mexico, India and Europe), schools reopen in the period from June to September. By contrast, the fine arts strategic business segment reports greater sales to some extent in the first, but especially in the fourth quarter, than in the second and third quarters, partially offsetting the seasonal nature of the school and office strategic business segment.

The quarterly breakdown of profit or loss shows the concentration of sales in the second and third quarters in conjunction with the "school campaign". Specifically, significant sales are made through the traditional "school suppliers" channel in June and through the "retailers" channel in August.

Seasonality is more significant when it is viewed in relation to working capital. In fact, in the school and office strategic business segment the group has historically invested large quantities of financial resources to meet the enormous demand for products from July to September, while only receiving payments in November.

The key figures for 2021 and 2020 are reported below:

	2020				2021			
Euro thousands	First 3 mth. 2020	First 6 mth. 2020	First 9 mth. 2020	FY 2020	First 3 mth. 2021	First 6 mth. 2021	First 9 mth. 2021	FY 2021
Revenue	**145,769**	**307,518**	**471,129**	**607,382**	**141,551**	**324,554**	**496,314**	**653,278**
Full year portion	24.0%	50.6%	77.6%	100.0%	21.7%	49.7%	76.0%	100.0%
Gross operating profit	**14,873**	**45,166**	**78,527**	**95,051**	**21,946**	**63,326**	**98,823**	**119,927**
% revenue from sales and services	10.2%	14.7%	16.7%	15.6%	15.5%	19.5%	19.9%	18.4%
Full year portion	15.6%	47.5%	82.6%	100.0%	18.3%	52.8%	82.4%	100.0%
Adjusted gross operating profit	**16,799**	**46,162**	**78,062**	**95,351**	**20,081**	**58,536**	**91,001**	**109,075**
% revenue from sales and services	11.5%	15.0%	16.6%	15.7%	14.2%	18.0%	18.3%	16.7%
Full year portion	17.6%	48.4%	81.9%	100.0%	18.4%	53.7%	83.4%	100.0%
Net Financial Debt	**(584,592)**	**(611,266)**	**(568,987)**	**(493,456)**	**(525,019)**	**(523,873)**	**(485,789)**	**(437,253)**

Statement of Financial Position

The F.I.L.A. Group's financial highlights at December 31, 2021 are as follows.

Euro thousands	December 31, 2021	December 31, 2020	Change 2021 - 2020
Intangible assets	445,823	435,990	9,833
Property, plant & equipment	169,653	171,489	(1,836)
Biological assets	1,936	1,639	297
Financial assets	5,585	3,680	1,905
Net non-current assets	**622,997**	**612,798**	**10,199**
Other Non-Current Assets/ Liabilities	**19,119**	**20,242**	**(1,123)**
Inventories	271,269	254,649	16,620
Trade receivables and other assets	121,357	115,929	5,428
Trade payables and other liabilities	(115,430)	(100,542)	(14,887)
Other current assets and liabilities	(218)	4,908	(5,126)
Net working capital	**276,979**	**274,944**	**2,035**
Provisions	**(83,716)**	**(83,252)**	**(464)**
Net invested capital	**835,379**	**824,731**	**10,648**
Equity	**(398,127)**	**(331,275)**	**(66,852)**
Net financial debt	**(437,253)**	**(493,456)**	**56,203**
Net funding sources	**(835,379)**	**(824,731)**	**(10,648)**

The F.I.L.A. Group's "Net Invested Capital" of Euro 835,379 thousand at December 31, 2021 was composed of Net Non-Current Assets of Euro 622,997 thousand (up by Euro 10,199 thousand on December 31, 2020), "Net Working Capital" of Euro 276,979 thousand (up Euro 2,035 thousand on December 31, 2020) and "Other Non-Current Assets/Liabilities" of Euro 19,119 thousand (down Euro 1,123 thousand on December 31, 2020), net of "Provisions" of Euro 83,716 thousand (Euro 83,252 thousand at December 31, 2020).

"Intangible Assets" increased on December 31, 2020 by Euro 9,833 thousand, mainly due to net investments of Euro 2,491 thousand, principally by the Parent F.I.L.A. S.p.A. for Euro 2,393 thousand to introduce the SAP system and exchange gains of Euro 21,875 thousand, partially offset by amortisation of Euro 14,409 thousand.

Property, Plant and Equipment decreased on December 31, 2020 by Euro 1,836 thousand, due to the reduction of Euro 1,681 thousand in "Property, Plant and Equipment" and the decrease in "Right-of-Use assets" (application of IFRS 16) of Euro 155 thousand.
Net investments in "Property, Plant and Equipment" amounted to Euro 9,561 thousand and were principally undertaken by DOMS Industries Pvt Ltd (India) and Dixon Ticonderoga Company (U.S.A.), for the extension and development of the local production and logistics site. We in addition report an increase from the recognition of exchange gains of Euro 3,882 thousand. The overall movement was

offset mainly by depreciation of Euro 15,217 thousand.

"Biological Assets" increased Euro 297 thousand compared to December 31, 2020. This caption only includes the fair value of the plantation of the Chinese subsidiary Xinjiang F.I.L.A. - Dixon Plantation Company Ltd.

"Financial Assets" increased by Euro 1,905 thousand on December 31, 2020, mainly concerning the subsidiary Daler Rowney Ltd (United Kingdom) for Euro 1,534 thousand, in relation to the financial assets underlying a portion of the indemnity plans to be paid to personnel.

The increase in "Net Working Capital" of Euro 2,035 thousand relates to the following:

- "Inventories" – increasing Euro 16,620 thousand, mainly due to the recognition of exchange gains of approx. Euro 13,290 thousand and the net increase in stock at the F.I.L.A. Group for approx. Euro 4,477 thousand, particularly in France and the United Kingdom, to promptly handle orders;
- "Trade Receivables and Other Assets" – increasing Euro 5,428 thousand, mainly due to the recognition of exchange gains for approx. Euro 4,270 thousand and higher "Trade Receivables" for Euro 1,828 thousand, due to the increase in revenue, mainly in North America;
- "Trade Payables and Other Liabilities" – increasing Euro 14,887 thousand, mainly due to the increase in "Trade Payables" for approx. Euro 10,681 thousand, recognised by Dixon Ticonderoga Company (U.S.A.), DOMS Industries PVT Ltd (India), Canson SAS (France) and F.I.L.A. S.p.A. (Italy) against higher purchases in support of sales volumes; the movement was amplified by the exchange losses of Euro 4,525 thousand;
- "Other Current Assets and Liabilities" - decreasing Euro 5,126 thousand, mainly due to the increase in current tax liabilities (Euro 4,235 thousand), increasing on the previous year due to the higher pre-tax profit.

The increase in "Provisions" on December 31, 2020 of Euro 464 thousand principally concerns the:

- Increase in "Deferred Tax Liabilities" of Euro 4,415 thousand, mainly due to the recognition of exchange losses of Euro 3,786 thousand and the tax effect concerning Right-of-Use assets in application of IFRS 16;
- Increase in "Provision for Risks and Charges" for Euro 454 thousand, mainly to cover any probable insurance liabilities;
- Reduction in "Employee Benefits" for Euro 4,405 thousand, mainly as a result of actuarial gains recorded by the subsidiary Daler Rowney Ltd (United Kingdom) in application of IAS 39.

The "Equity" of the F.I.L.A. Group, amounting to Euro 398,127 thousand, increased on December 31, 2020 by Euro 66,852 thousand. Net of the profit for the year of Euro 39,425 thousand (of which a profit of Euro 1,411 thousand attributable to non-controlling interests), the residual movement mainly concerned the increase in the translation reserve of Euro 19,764 thousand, the Actuarial Reserve of Euro 5,360 thousand and the fair value gains on IRSs of Euro 10,112 thousand. These increases were partially offset by the distribution of dividends to shareholders for Euro 6,582 thousand and the acquisition of treasury shares by the parent for Euro 488 thousand.

F.I.L.A. Group "Net Financial Debt" at December 31, 2021 was Euro 437,253 thousand, improving Euro 56,203 thousand on December 31, 2020. For greater details, reference should be made to the "Financial overview" section.

Financial overview

The Group's net financial debt at December 31, 2021 and cash flows for the year then ended are summarised in the following table to complete the discussion about its financial position and financial performance.

For the definition of the Net Financial Debt from the condensed consolidated interim financial statements at June 30, 2021, reference should be made to Consob's warning notice No. 5/21 of April 29, 2021, which cites the new ESMA guidelines in this regard.

For better presentation and comparability, the figures at December 31, 2020 were reclassified in line with the new criteria.

The **Net Financial Debt** at December 31, 2021 was Euro 437,253 thousand.

	Euro thousands	December 31, 2021	December 31, 2020	Change 2021 - 2020
A	Cash	104	114	(10)
B	Cash equivalents	145,880	126,991	18,889
C	Other current financial assets	3,536	622	2,914
D	**Liquidity (A + B + C)**	**149,520**	**127,727**	**21,793**
E	Current bank loans and borrowings	(45,196)	(88,138)	42,962
F	Current portion of non-current bank loans and borrowings	(50,515)	(37,913)	(12,602)
G	**Current financial debt (E + F)**	**(95,711)**	**(126,052)**	**30,341**
H	**Net current financial debt (G - D)**	**53,810**	**1,676**	**52,134**
I	Non-current bank loans and borrowings	(491,062)	(495,199)	4,137
J	Bonds issued	-	-	-
K	Trade payables and other non current liabilities	-	-	-
L	**Non-current financial debt (I + J + K)**	**(491,062)**	**(495,199)**	**4,137**
M	**Net financial debt (H + L)**	**(437,253)**	**(493,522)**	**56,269**
N	**Long term loans issued**	**-**	**68**	**(68)**
O	**Net financial debt (M + N) - F.I.L.A. Group**	**(437,253)**	**(493,456)**	**56,203**

The reconciliation between the Net Financial Debt - F.I.L.A. Group and the Statement of Financial Position is reported below:

- captions "A - Cash" and "B - Cash equivalents" are included in "Note 10 - Cash and cash equivalents";
- caption "C - Other current financial assets" refers to "Note 3 - Current financial assets";
- caption "G - Current financial debt" relates to "Note 13 - Current Financial Liabilities" and contains caption "F - Current portion of non-current bank loans and borrowings" which refers to the current portion of IFRS 16 Financial Liabilities and to the current portion of long-term loans;
- caption "I - Non-current bank loans and borrowings" refers to "Note 13 - Non-current financial

liabilities" and "Note 17 - Financial instruments".

Compared to December 31, 2020 (Euro 493,456 thousand), Net Financial Debt improved Euro 56,203 thousand, as outlined below in the Statement of Cash Flows:

Euro thousands	December 31, 2021	December 31, 2020
Operating profit net of IFRS 16 effect	74,753	47,478
Non-monetary adjustments net of IFRS 16 effect	31,791	34,476
Income taxes	(9,109)	(8,393)
Cash Flows from Operating Activities Before Changes in NWC	**97,435**	**73,561**
Change in NWC	**3,165**	**(7,166)**
Change in Inventories	(4,477)	(12,835)
Change in Trade receivables and Other Assets	(1,934)	10,404
Change in Trade payables and Other Liabilities	10,543	(1,962)
Change in Other Current Assets/Liabilities	(967)	(2,773)
Net cash Flows from Operating Activities	**100,600**	**66,396**
Investments in Property, Plant and Equipment and Intangible assets	(12,000)	(10,175)
Interest income	159	560
Net cash Flows from Investing Activities	**(11,841)**	**(9,615)**
Change in Equity	(7,022)	(222)
Financial Expense	(18,689)	(21,485)
Net cash Flows from Financing Activities	**(25,711)**	**(21,706)**
Exchange differences and other variations	2,258	(5,090)
Total Net Cash Flows	**65,307**	**29,984**
Effect of exchange gains (losses)	(13,089)	21,053
Change in amortized cost	(2,510)	(431)
Mark to mark hedging adjustment	8,909	(5,196)
NFD change due to IFRS16 FTA	(2,415)	2,885
NFD from M&A Transactions (Change in Consolidation Scope)	-	(43,600)
Change in Net Financial Debt	**56,203**	**4,695**

The net cash flows generated by "Operating activities" of Euro 100,600 thousand (compared to Euro 66,396 thousand in 2020) are due to:

- Inflows of Euro 97,435 thousand (Euro 73,561 thousand in 2020) from operating profit, calculated as the difference of operating costs and revenue plus other operating items, excluding financial items;
- Inflows of Euro 3,165 thousand (outflows of Euro 7,166 thousand in 2020) attributable to working capital movements, primarily related to the increases in trade payables and other liabilities, partially offset by the increase in trade receivables and other assets and the increase in inventories.

"Investing activities" used net cash flows of Euro 11,841 thousand (Euro 9,615 thousand in 2020), mainly due to the use of cash for Euro 12,000 thousand (Euro 10,175 thousand in 2020) for property, plant and equipment and intangible asset investment, particularly regarding DOMS Industries Pvt Ltd (India), Dixon Ticonderoga Company (U.S.A.) and F.I.L.A. S.p.A.

"Financing activities" absorbed net cash flows of Euro 25,711 thousand (Euro 21,706 thousand absorbed in 2020) due to interest paid on loans and credit lines granted to Group companies of Euro 18,689 thousand, mainly 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), to the dividends paid totalling Euro 6,582 thousand (to the shareholders of F.I.L.A. S.p.A. for Euro 6,119 thousand and to the minority shareholders of the subsidiaries for Euro 463 thousand) and the repurchase of treasury shares for Euro 488 thousand. These cash absorptions were partially offset by the capital increase subscribed by the minority shareholders of Fila Stationary O.O.O. (Russia) for Euro 47 thousand.

Excluding the exchange loss of Euro 13,089 thousand concerning the translation of the Net Financial Debt in currencies other than the Euro, the Mark to Market Hedging adjustment for a positive Euro 8,909 thousand, the decrease in the Net Financial Debt from the application of IFRS 16 of Euro 2,415 thousand and the decrease in the "Amortised Cost" for Euro 2,510 thousand, the Net Financial Debt of the F.I.L.A. Group therefore decreased by Euro 56,203 thousand (decrease of Euro 4,695 thousand at December 31, 2020).

Changes in net cash and cash equivalents are detailed below:

Euro thousands	December 31, 2021	December 31, 2020
Opening Cash and Cash Equivalents	**116,306**	**85,579**
Cash and cash equivalents	**127,105**	100,191
Current account overdrafts	(10,799)	(14,612)
Closing Cash and Cash Equivalents	**137,226**	**116,306**
Cash and cash equivalents	145,985	127,105
Current account overdrafts	(8,759)	(10,799)

Investments

Total investments made by the Group during the year amounted to Euro 12,052 thousand. These investments, undertaken both to develop production efficiency and efficacy and to support increased sales volumes, comprised "Intangible Assets" for Euro 2,491 thousand and "Property, Plant and Equipment" for Euro 9,561 thousand.
Cash flow from investments net of capital gains realized on the sale of assets, amounting to Euro 52 thousand, totalled Euro 12,000 thousand.

The main intangible investments concerned F.I.L.A. S.p.A. for the ongoing implementation of the new ERP system for Euro 2,389 thousand and "Concessions, Licenses, Trademarks and Similar Rights" for Euro 4 thousand.

Net investments in "Buildings" amount to Euro 703 thousand, mainly by Dixon Ticonderoga Company (U.S.A.) for Euro 369 thousand, by DOMS Industries PVT Ltd (India) for Euro 202 thousand, by F.I.L.A. S.p.A. for Euro 51 thousand and by St. Cuthberts Mill Limited Paper (United Kingdom) for Euro 48 thousand and relate to the expansion plan for the centralised storage and production site, while capitalisations of assets under construction total Euro 21 thousand.

Net investments in "Plant and Machinery" incurred by the F.I.L.A Group were Euro 4,516 thousand, mainly undertaken by DOMS Industries Pvt Ltd (India) for Euro 2,368 thousand, by Dixon Ticonderoga Company (U.S.A.) for Euro 893 thousand and by Daler Rowney Ltd (United Kingdom) for Euro 423 thousand. In addition, capitalisations of assets under construction total Euro 694 thousand.

Net investments in "Industrial and Commercial Equipment" amounted to Euro 1,002 thousand, primarily attributable to the subsidiary Daler Rowney Ltd (United Kingdom) for Euro 1,146 thousand.

Net investments in "Other assets" amounted to Euro 968 thousand, mainly undertaken by DOMS Industries Pvt Ltd (India) for Euro 589 thousand and by F.I.LA. S.p.A. (Italy) for Euro 174 thousand.

"Assets under construction" include internal constructions undertaken by the individual companies of the Group which are not yet up and running. The carrying amount at December 31, 2021 was Euro 2,646 thousand, increasing on the previous year by Euro 1,547 thousand mainly concerning the French subsidiary Canson SAS (Euro 1,018 thousand) and the Mexican subsidiary Grupo F.I.L.A.-Dixon, S.A. de C.V. (Euro 637 thousand) for the development and extension of local production sites. Investments for the year amounted to Euro 2,372 thousand and were mainly made by Canson SAS (France) for Euro 1,018 thousand, by Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for Euro 637 thousand, by DOMS

Industries Pvt Ltd (India) for Euro 268 thousand, by Fila Arches (France) for Euro 252 thousand and by F.I.L.A. S.p.A. (Italy) for Euro 150 thousand.

Other Information

Management and control

The Parent is not considered to be under the management and control of the ultimate parent Pencil S.p.A. in accordance with Article 2497-bis of the Italian Civil Code.

Treasury Shares

The parent, in the period between March 23 and March 25, 2021, purchased treasury shares as per the Shareholders' Meeting authorisation of April 22, 2020 and the subsequent Board of Directors' resolution of March 16, 2021. On December 31, 2021, the Group held 51,500 treasury shares (0.10% of the share capital), for a total amount of Euro 488 thousand (equal to the "Negative reserve for treasury shares in portfolio" deducted from consolidated equity).

Research and development and Quality Control

Research and development activities are primarily carried out centrally by the Research and Development Department, as well as at local level, through dedicated teams based at the Group's various manufacturing facilities, above all in Europe, Central and South America and Asia. The F.I.L.A. Group's strong commitment to understanding its customers and designing products that meet their expectations plays a significant role in the development strategy for the Group's products.

These departments avail of, where necessary, the support of technicians and production staff for the execution and testing of specific projects.
These activities are performed by expert technicians, who receive ongoing upskilling through targeted training.

Research and development focuses essentially on the following:

- Research and design of new materials and new technical solutions for product and packaging innovations;

- Product quality testing;
- Comparative analyses with competitor products in order to improve product efficiency;
- Research and design for production process innovation in order to improve efficiency.

Over recent years, the projects created by the dedicated research and development team have led to the creation of innovative products, such as new formulas for modelling clay, new plastic materials, new designs for paint and watercolour boxes, new industrial segment products and the polymer ("woodfree") pencil. The team, in order to guarantee compliance with physical and chemical specification rules, constantly monitors the development of product regulations (such as, for example purposes, those concerning the use of preservatives), amending the formulas or developing new formulas for altered products.

The quality control department is tasked with ensuring compliance with the F.I.L.A. Group's policies regarding the safety and quality standards for its products, suppliers and production procedures.
The F.I.L.A. Group's quality control process consists of two phases:

- statistical control, consisting of various tests performed at its internal laboratories for the analysis of materials and finished products. Its internal laboratories are also used to test its products in the research and development phase with the aim, inter alia, of assessing industrial product feasibility;
- the "control" process, which consists of various tests conducted on an ongoing and/or random basis throughout the stages of the production process by its production personnel. Visual and instrumental controls are performed directly at its facilities by machine technicians. Such tests are performed in addition to the technical tests required by national and international standards and/or the customer's specifications.

Research and development and Quality Control costs are broken down in the following table, indicating also the dedicated teams by geographical segment:

Euro thousands	R&D			Quality Assurance		
Geographical segment	**Workers**	**Personnel expense**	**Other related Costs**	**Workers**	**Personnel expense**	**Other related Costs**
Europe	26	1,257	113	15	943	579
North America	-	-	-	4	249	73
Central-South America	12	146	32	37	231	116
Asia	29	286	48	75	378	292
Total	**67**	**1,689**	**193**	**131**	**1,801**	**1,059**

Related party transactions

For the procedures adopted in relation to related party transactions, also in accordance with Article 2391-*bis* of the Civil Code, reference should be made to the new policy adopted by the parent on May 14, 2021, as per the Regulation approved by the Stock Exchange Regulator ("Consob") with resolution No. 17221 of March 12, 2010 and subsequent amendments, published on the parent's website www.filagroup.it in the "Governance" section.

Reference should be made to the Related Party Transactions section of the Notes to the Consolidated Financial Statements of the F.I.L.A. Group.

Significant Events in the year

- On January 9, 2021, the Indian associate Fixy Adhesives Private Limited was incorporated;

- On January 12, 2021, the Indian associate Inxon Pens & Stationary Private Limited was incorporated;

- On March 16, 2021, the liquidation of the non-operative subsidiary in the United Kingdom, CastleHill Crafts Ltd, concluded.

- The parent, in the period between March 23 and March 25, 2021, repurchased treasury shares as per the Shareholders' Meeting authorisation of April 22, 2020 and the subsequent Board of Directors' resolution of March 16, 2021. On December 31, 2021, the Group held 51,500 treasury shares (0.10% of the Share capital), for a total amount of Euro 488 thousand (equal to the "Negative reserve for treasury shares in portfolio" deducted from consolidated equity);

- On December 7, 2021, the liquidation of the non-operative subsidiary in the United Kingdom Creativity International Ltd concluded;

- COVID-19 impacts

  Since January 2020, on the Chinese market - and gradually from March 2020 across the rest of the world - the operating environment has been dominated by the spread of Covid-19 ("Coronavirus") and the resulting restrictive containment measures implemented by the public authorities of the countries affected. 2021 was impacted by the instability stemming from the outbreak of the Coronavirus and its variants, with direct and indirect repercussions on the general economy and with still significant restrictions on consumption and logistics and the propensity to invest, alongside major inflationary impacts on raw material and transport costs. The vaccination campaigns and the consequent increase in the vaccinated population and the adoption of stricter virus control measures have supported a recovery of School & Office product sales, although with criticalities still evident in a number of geographical areas such as India and Mexico, although recovering in the final part of the year, due to the lower rate of vaccinations and the greater difficulty in applying control measures to contain the virus. The F.I.L.A. Group has always monitored the developing situation in order to minimise its social and occupational health and safety impacts, in addition to impacts on its financial position, financial performance and cash flows, by drawing up and rolling out flexible and timely action plans, working tirelessly to ensure the health and safety of its employees, customers and suppliers.

The Group has maintained a strict customer selection and debt settlement policy, which has succeeded in minimising financial difficulties and, in terms of suppliers, a focus continues to be placed on identifying alternative sources of procurement in the case of any critical logistical or financial situations. No significant criticalities have emerged to date however, despite generally rising prices combined, in some cases, with supply shortages. No significant renegotiation of existing contracts with customers and suppliers is reported. The focus on the management on cash flows, together with better financial conditions, has resulted in an excellent level of cash generation in the year by all of the main Group companies.

At December 31, 2021, the F.I.L.A. Group had complied with its covenants.

It may be stated that COVID-19 to date has not therefore halted or changed any of the Group’s development plans and strategy, only acting to slow them.

As regards the lockdown following the Coronavirus pandemic, at the date of this report, the Group's plants are fully up and running and at full capacity, in accordance with the regulations for each country.

Subsequent events

- On January 12, 2022, the liquidation of the Italian subsidiary Canson Italy S.r.l. began;

- On January 14, 2022, the German subsidiaries Lukas-Nerchau GmbH and Nerchauer-Malfarben GmbH were merged into Daler Rowney GmbH;

- On February 8, 2022, the UK subsidiary Daler Rowney Ltd fully acquired the UK company Creative Art Products Limited, specialised in the schools segment, for a total amount of GBP 1 million;

- Impacts of events related to the conflict in Ukraine
  As widely publicised, on February 24, 2022 Russia launched a military operation in the east of Ukraine, resulting in the current conflict, which is significantly broadening in scope.
  F.I.L.A. Group management consider that the economic and financial impacts from the conflict between Russia and Ukraine on its Russian commercial subsidiary FILA Stationary O.O.O will not be significant at Group level, as the turnover of the subsidiary accounts for approx. 0.2% at Group level and the Russian company has demonstrated financial independence in running its operations, confirming its estimates for 2022. The net trade exposure of the Russian subsidiary amounts to Euro 4,289 thousand at December 31, 2021.
  At the same time, the parent F.I.L.A. S.p.A. at December 31, 2021 has not indicated impairment test difficulties with investees and the recoverability of the financial and commercial positions with FILA Stationary O.O.O.. The investment held by F.I.L.A. S.p.A. in FILA Stationary O.O.O. amount to Euro 945 thousand. The net trade exposure of the subsidiaries towards the Russian subsidiary amounts to Euro 382 thousand, while the net financial debt amounts to Euro 1,518 thousand.
  There are no companies of the F.I.L.A. Group in Ukraine at December 31, 2021.
  At Group level, the effects and the criticalities generated by the general inflation of raw and ancillary materials for production are being monitored, assessing the possibility of identifying alternative procurement sources where needed or undertaking adequate compensatory measures. Moreover, the vertical integration of the Group should enable these pressures to be mitigated.

  On the basis of the information available, the potential effects deriving from the conflict in Ukraine, in line with the application of the International Financial Reporting Standards (IAS 10), have been considered a "Non Adjusting" event. With reference to the valuations made for the purposes of the financial statements (recoverability of intangible assets, recoverability of deferred tax assets, fair value of financial instruments, liabilities for employee defined benefits etc.), the Directors consider that, given the information currently available, these factors of uncertainty are already included in the main sensitivity analyses provided with reference to the main financial statement captions subject to estimates. With particular reference to the uncertainties related to the developing conflict, it may not be excluded however that, should the crisis extend at an international level, the general economic consequences and specific consequences for the Group could be more severe than that envisaged at present, requiring a new estimate to be made, with a negative impact on the financial statement captions subject to estimate and in terms of the scenarios considered for the sensitivity analysis at December 31, 2021.

Outlook

2022 shall be impacted by the instabilities stemming from the last two years of the Coronavirus outbreak, in particular with regards to raw material, transport and energy cost inflation, with these difficulties amplified also by recent geo-political tensions in the ex-Soviet Republic areas.
The F.I.L.A. Group has consequently adopted from 2022 a global product price increase policy, highlighting - as in the past and thanks also to vertical supply chain integration - its ability to manage inflation well. Economic growth is forecast for all geographic areas, particularly for Schools products, thanks to forecast post-pandemic sales recoveries in India and Mexico and for the Fine Art, Hobby & Digital products, thanks to the strong expected sales performance in North America. This is reflected in the return of production to standard pre-pandemic levels.
A good level of cash generation is expected also in 2022, with a consequent reduction in the debt, despite the need to maintain adequate stock levels to overcome the COVID-19 related difficulties on the global chain.

Going Concern

The Directors reasonably expect that F.I.L.A. S.p.A. will continue operations into the foreseeable future and have prepared the consolidated financial statements for the Group and the separate financial statements of F.I.L.A. S.p.A. on a going concern basis and in line with the long-term business plan, which forecasts improving results.

Risk Management

The principal F.I.L.A. Group financial instruments include financial assets such as current accounts and on demand deposits, loans and short and long-term bank loans and borrowings. The objective is to finance the recurring and non-recurring transactions of the F.I.L.A. Group.

In addition, the F.I.L.A. Group has in place trade receivables and payables arising from "core business".

The management of funding needs and the relative risks is undertaken by the individual F.I.L.A. Group companies on the basis of the guidelines drawn up centrally by the Parent F.I.L.A. S.p.A. and approved by the Chief Executive Officer.
The principal objective of these guidelines is the ability to ensure a balanced equity structure in order to maintain a solid capital base.
The main funding instruments used by the F.I.L.A. Group are:

- Medium/long-term loans, in order to fund capital expenditure (principally the acquisition of controlling investments and plant and machinery) and working capital;
- Short-term loans and customer advances.

The average borrowing costs were in line with the 3-month and 6-month Euribor/Libor, with the addition of a spread which depends on the type of financial instrument used.

Loans issued in favour of subsidiaries may be accompanied by guarantees such as sureties and patronage letters issued by the Parent F.I.L.A. S.p.A..

Amid unstable markets and quickly changing business and regulatory environments, prudent and effective control of risks and opportunities is a key aspect in supporting knowledgeable decision-making which furthers the strategic and business objectives, guaranteeing an enterprise's sustainability and the creation of value over the long-term. With this in mind, in line with the Corporate Governance Code of Borsa Italiana, the Group has adopted a structured process to identify, assess, manage and systematically monitor the main risks which may impact upon the achievement of the Group's strategic and business objectives, in addition to the definition of adequate flows of information to ensure transparency and the internal circulation of information.

Loans obtained by the Parent provide for financial "covenants". In relation to the latter reference should be made to: "Note 13 - Financial Liabilities" of the Notes to the Consolidated Financial Statements.

The main operational risks, identified and managed by the F.I.L.A. Group are the following:

Physical risks related to climate change

The F.I.L.A. Group operates 22 production sites in a number of geographical areas (Italy, France, Germany, Great Britain, Argentina, Brazil, Canada, Mexico, Dominican Republic, USA, China, and India) and with 34 subsidiaries located in leading countries, employing approx. 9,800 employees and making vertical integration one of its strengths on the market. A peculiarity of a Group is that the intensification of phenomena related to climate change and the related impacts on the main areas of the value chain (e.g. operations, suppliers, customers and markets) represents one of the main challenges that the F.I.L.A. Group will have to face in the short and medium-long term.

The intensification of physical risks related to climate change is a further element capable of affecting the proper performance of the Group's activities. The rapid worsening of the climatic situation in fact affects the frequency of "acute phenomena" (e.g. storms, floods, fires or heat waves, etc.) that can damage company assets and/or interrupt value chains.

Taking these aspects into account, the Group conducted a climate risk assessment in 2021. The results of the analyses show a low overall exposure of the Group's production activities to climate risk. The risk profile assessment will be periodically monitored.

Cyber Security Risks

Awareness and attention to cyber security issues has progressively intensified due to the increasing frequency and complexity with which cyber attacks manifest themselves, also in view of the fact that the number and frequency of attacks increased, worldwide, during the COVID-19 pandemic.

For the F.I.L.A. Group, IT security is a fundamental requirement in order to guarantee the reliability of the information processed, as well as the effectiveness and efficiency of the services provided by the Group. This is essential, as it allows us to protect our "assets" against cyber threats while minimizing the impact in the event of a vulnerability due to overcoming implemented defences.

For the Group, the Information System (IT) (including technological resources - hardware, software, data, electronic documents, telematic networks - and the human resources dedicated to their administration, management and use) represents a tool of great importance for the achievement of strategic objectives, in view of the criticality of the business processes that depend on it. Within the Group the security of the Information System is achieved by implementing a series of security measures, in particular procedures, technical mechanisms or practices that reduce the risks of exposure of the information assets as a whole.

With reference to its activities, the Group has identified email phishing (fraudulent messages created to appear authentic, generally requiring the provision of sensitive personal information), complex infection processes (malware), ransomware (a class of malware that renders computer data inaccessible and often requires payment of a ransom) and Internet of Things (IoT) environmental attacks as the main cybersecurity risks. In order to mitigate these risks, Group-wide policies of conduct have been issued and actions have been implemented to identify, protect, detect, respond to and restore any critical situations that may arise, including specific communication and training activities.

In updating the Group's sustainability policy set during 2021, the Information Systems Policy and the Information Security Policy were issued.

The general principles of behaviour enshrined within the Information Systems Policy are:

- ensure user training and access to functions in accordance with security criteria that comply with the principles of sound and prudent management;
- activate processes to enhance IT resources;
- create a system for communicating the needs or criticalities of the Information System with the aim of activating a process of continuous improvement;
- implement controls to assess the company's ability to comply with internal policies;
- promptly identify deviations (anomalies, malfunctions, differences from what is known/approved/authorized);
- promote corrective action;

The Information Security Policy recalls, among other matters, F.I.L.A. Group's general principles regarding information security:

- Company information systems: the tools and software applications provided (email systems, local/network file systems, as well as data storage locations in the Cloud) are business tools, are considered company data and, therefore, company property; misuse of company systems is not permitted;
- Access to information: each user has limited access to the information they need to perform their tasks, both inside and outside the company; the setting of user profiles and rights is structured to limit the risk of deviation from this rule;
- Personnel and security: training and information activities aimed at personnel on IT security issues and the correct use of company equipment are planned and carried out; personnel (including internal and external consultants) are asked to sign appropriate confidentiality clauses;
- IT incidents and anomalies: employees are required to promptly report any problems relating to the security of the Group and its companies to the dedicated teams and to carefully manage company systems (email, Microsoft Teams, Microsoft Sharepoint, etc.) when carrying out work activities;
- Physical security: access to buildings and premises relevant to asset protection is restricted to authorized individuals;
- IT security: the identification and design of IT security countermeasures must consider the possibility of internal and external unauthorized access attempts and applicable legislation, as well as any other relevant constraints; users must not exploit any vulnerabilities in the IT security system, but are required to alert the system administrator to any malfunctions;
- Controls: Information systems should be checked periodically, as should operating procedures. IT security controls are implemented through the implementation of and compliance with policies in all organizational, procedural and technological areas in a manner consistent with the defined objectives; through the appropriate assignment of tasks and responsibilities within the Group for the implementation of policies; and through verification of the level of effectiveness of the measures implemented, also using periodic vulnerability assessments carried out by independent external parties;

For the F.I.L.A. Group, information security has as its priority the protection of information, personal data, digital storage and the elements through which the data are managed by protecting them from threats, whether organizational or technological, internal or external, accidental or intentional, ensuring their confidentiality, integrity and availability and compliance with applicable current legislation. The measures taken in this regard are:

- Ongoing user training aimed at increasing awareness of the types of threats that exist and the behaviours that are correct/avoided.
- Multi Factor Authentication
- Minimum Privilege (users should only have access to what is necessary to perform their tasks).
- Constant updating of operating systems and applications (Patching)

For the adequate management of the information system, in recent years work has been carried out on the implementation of the Group's ICT (Information and Communication Technologies) infrastructure, in order to obtain complete traceability of the critical resources in use, also from a cyber risk point of view.

As far as the F.I.L.A. Group is concerned, to date there have been no cases of ransomware or infection by malware worms.

The management of IT security is entrusted to qualified personnel who, thanks to their experience, ability and reliability, provide the guarantee of full compliance with internal and external regulations on the subject. The team includes a Group IT Domain Manager Cybersecurity, two Regional System Administration and several local IT liaisons for outreach efforts.

The main financial risks, identified and managed by the F.I.L.A. Group are the following:

Market risks

Risk may be broken down into two categories:

Currency risk

The currency used for the F.I.LA. Group consolidated financial statements is the Euro. However, the F.I.LA. Group undertakes and will continue to undertake transactions in currencies other than the Euro, particularly as the geographic distribution of the various Group industrial activities differs from the location of the group's markets, with an exposure therefore to exchange rate fluctuation risk. For this reason, the operating results of the F.I.L.A. Group may be impacted by currency fluctuations, both as a result of the conversion into Euro on consolidation and changes in the exchange rates on trade payables and receivables in currencies other than the functional currency of the various F.I.L.A. Group companies.

In addition, in limited cases, where financially beneficial or where local market conditions require such, the companies may undertake debt or use funds in currencies other than the functional currency. The change in the exchange rate may result in the realisation or the recording of exchange gains and losses.

The F.I.LA. Group is exposed to risks deriving from exchange rate fluctuations, which may impact on the profit or loss for the year and on equity.

The main exchange rates to which all F.I.L.A. Group companies are exposed concern the individual local currencies and:

- the Euro as the consolidation currency;
- the US Dollar, as the base currency for international trade.

The Group has decided not to use derivative financial instruments to offset currency risk arising from commercial transactions within a prospective twelve month period (or also subsequently, where considered beneficial according to the business's characteristics).

The F.I.LA. Group incurs part of its costs and realises part of its revenue in currencies other than the Euro and, in particular, in US Dollars, Mexican Pesos and British Sterling.
The F.I.LA. Group generally uses natural hedging to protect against this risk through the offsetting of costs and revenue in the same currency, in addition to acquiring funding in the local currency.
The policy adopted by the Group is considered adequate to contain currency risk. However, it must be considered that in the future currently unpredictable fluctuations in the Euro may impact the financial position, financial performance and cash flows of the Group companies, in addition to the comparability between reporting periods.
Also in relation to the commercial activities, the companies of the Group may hold trade receivables or payables in currencies other than the functional currency of the entity. This is appropriately monitored by the F.I.L.A. Group, both in relation to the potential economic impact and in terms of financial and liquidity risk.
A number of F.I.L.A. Group subsidiaries are based in countries not within the Eurozone, in particular the United States, Canada, Australia, Mexico, the United Kingdom, Scandinavia, China, Argentina (hyper-inflation economy), Chile, Brazil, Indonesia, South Africa, Russia and India. As the Group's functional currency is the Euro, the statements of comprehensive income of these companies are converted into Euro at the average exchange rate for the year and, at unchanged revenue and profit margins in the local currency, changes in the exchange rate may result in effects on the value in Euro of revenue, expense and profit or loss for the year recognised in the consolidation phase directly in equity under "Translation Differences" (See Note 12).

In 2021, the nature and the structure of the currency risk exposures and the Group's monitoring policies did not change substantially compared to the previous year.

Liquidity risk

The liquidity risk to which the F.I.L.A. Group is exposed may arise from an incapacity or difficulty to source, at beneficial conditions, the financing necessary to support operations in an appropriate timeframe.

The cash flows, financing requirements and the liquidity of the Group companies are constantly monitored centrally in order to ensure the efficient management of financial resources.

The above-stated risks are monitored according to internal procedures and periodic commercial and financial reporting, which allows management to assess and offset any impacts from these risks through appropriate and timely policies.

The Group continually monitors financial risks in order to offset any impacts and undertake appropriate corrective actions.

It has adopted at the same time the following policies and processes aimed at optimising the management of financial resources, reducing the liquidity risk:

- Maintenance of an adequate level of liquidity;
- Diversification of funding instruments and a continual and active presence on the capital markets;
- Obtaining of adequate credit lines;
- Monitoring of the liquidity position, in relation to business planning.

Financial transactions are carried out with leading highly rated Italian and international institutions.

Management believes that the funds and credit lines currently available, in addition to those that will be generated by operating and financial activities, will permit the Group to satisfy its requirements deriving from investing activities, working capital management and the repayment of debt in accordance with their maturities.

The capacity to generate liquidity through operations enables the Group to reduce liquidity risk to a minimum, which concerns the difficulty in sourcing funding to ensure the on time discharge of financial liabilities.

For the details of the due dates of financial liabilities, reference should be made to “Note 13.A - Financial Liabilities”.

Interest rate risk

The F.I.L.A. Group companies utilise external funding in the form of debt and use the liquidity available in financial assets. Changes in the market interest rates impact on the cost and return of the various forms of loans, with an effect on the net financial expense of the Group.

The Parent F.I.L.A. S.p.A. issues loans almost exclusively to Group companies, drawing directly on own funds.

Bank debt exposes the F.I.L.A. Group to interest rate risk. In particular, variable rate loans result in cash flow risk.

The F.I.L.A. Group chose to hedge the interest rate on the strategic loans issued to F.I.L.A. S.p.A., Dixon Ticonderoga Company (U.S.A.) and Canson SAS (France) through derivative hedges (Interest Rate Swaps) recognised as per IAS 39 concerning hedge accounting.

Credit risk

The credit risk represents the exposure to potential losses following the non-fulfilment of obligations by counterparties.

The maximum theoretical exposure to the credit risk for the Group at December 31, 2021 is the carrying amount of the trade receivables recorded in the consolidated financial statements, and the nominal amount of the guarantees given on liabilities and commitments to third parties.

The F.I.L.A. Group strives to reduce the risk relating to the insolvency of its customers through rules which ensure that sales are made to customers who are reliable and solvent. These rules, based on available solvency information and considering historical data, linked to exposure limits by individual customer, in addition to insurance coverage for overseas customers (at Group level), ensure a good level of credit control and therefore minimise the related risk.

According to the F.I.L.A. Group policy, customers that request extensions of payment are subject to a credit rate check. In addition, the maturity of trade receivables is monitored on an ongoing basis throughout the year in order to anticipate and promptly intervene on credit positions which present greater risk levels.

The credit risk is therefore offset by the fact that the credit concentration is low, with receivables divided among a large number of counterparties and customers.

The individual positions are impaired, if individually significant, with an allowance which reflects the partial or total non-recovery of the receivable. The amount of the impairment loss takes into account the estimate of the recoverable cash flows and the relative date of collection, charges and future recovery costs, in addition to the fair value of guarantees. Against the receivables which are not individually impaired, an individual and general provision is made, taking into account historical experience and statistical data, applying an expected credit loss approach.

As previously illustrated, the principal F.I.L.A. Group financial instruments include financial assets such as current accounts and on demand deposits, loans and short and long-term bank loans and borrowings. The objective is to finance the operating and non-recurring activities of the F.I.L.A. Group. In addition, the F.I.L.A. Group has in place trade receivables and payables arising from its "core business".

Disclosure in accordance with IFRS 7

The table below reports the carrying amounts for each category identified by IFRS 9, as required by IFRS 7. This carrying amount generally coincides with the amortised cost of financial assets and liabilities, with the exception of derivative instruments at fair value. See the notes on each caption for the fair value.

Euro thousands		December 31, 2021	Assets and liabilities measurement at FVOCI	Assets and liabilities measurement at FVTPL	Amortised cost	Total
Non-current financial assets						
Non-current financial assets	Note 3	**4,078**			4,078	**4,078**
Current financial assets						
Current financial assets	Note 3	**3,536**		3,059	477	**3,536**
Trade receivables and other assets	Note 9	**121,357**			121,357	**121,357**
Cash and cash equivalents	Note 10	**145,985**			145,985	**145,985**
Non current financial liabilities						
Non-current financial libilities	Note 13	**(481,205)**			(481,205)	**(481,205)**
Financial instruments	Note 17	**(9,858)**	(9,858)			**(9,858)**
Current financial libilities						
Current financial libilities	Note 13	**(95,711)**			(95,711)	**(95,711)**
Trade payables and other liabilities	Note 19	**(115,430)**			(115,430)	**(115,430)**

Euro thousands		December 31, 2020	Assets and liabilities measurement at FVOCI	Assets and liabilities measurement at FVTPL	Amortised cost	Total
Non-current financial assets						
Non-current financial assets	Note 3	**2,614**			2,614	**2,614**
Current financial assets						
Current financial assets	Note 3	**622**			622	**622**
Trade receivables and other assets	Note 9	**115,929**			115,929	**115,929**
Cash and cash equivalents	Note 10	**127,105**			127,105	**127,105**
Non current financial liabilities						
Non-current financial liabilities	Note 13	**(476,432)**			(476,432)	**(476,432)**
Financial instruments	Note 17	**(18,767)**	(18,767)			**(18,767)**
Current financial libilities						
Current financial liabilities	Note 13	**(126,052)**			(126,052)	**(126,052)**
Trade payables and other liabilities	Note 19	**(100,542)**			(100,542)	**(100,542)**

Financial liabilities at amortised cost refer mainly to the loan contracted by F.I.L.A. S.p.A. and Dixon Ticonderoga Company (U.S.A.) on June 4, 2018 for the acquisition of Pacon Holding and the loan taken out by the parent F.I.L.A. S.p.A. for the acquisition of the Arches brand products business line. These loans were contracted by the two companies with a banking syndicate consisting of UniCredit S.p.A. as global coordinator, Banca IMI S.P.A., Mediobanca Banca di Credito Finanziario S.p.A., Banca Nazionale del Lavoro and Banco BPM S.p.A. as mandated lead arrangers and UniCredit Bank AG as security agent.

The amounts of each facility and the revolving credit facility at the date of disbursement of the loan are detailed below:

Note 13.B - BANK LOANS AND BORROWINGS: DETAIL

Euro thousands	Principal F.I.L.A. S.p.A.	Principal Dixon Ticonderoga Company (U.S.A.)*	Total
Facility A	48,750	50,502	99,252
Facility A2	3,750	-	3,750
Facility B	90,000	159,044	249,044
Facility B2	8,750	-	8,750
Facility C	25,000	-	25,000
Facility C2	893	-	893
RCF	25,000	-	25,000
Total	**202,143**	**209,546**	**411,689**

** carrying amounts translated at the rate for the year*

Facility A (Euro 99,252 thousand) and Facility A2 (Euro 3,750 thousand) stipulate a residual repayment plan consisting of 6 half-yearly instalments, of which 4 instalments classified as current, as scheduled for June 6, 2022 and for December 5, 2022, Facility B (Euro 249,044 thousand) and Facility B2 (Euro 8,750 thousand) and Facility C (Euro 25,000 thousand) and Facility C2 (Euro 893 thousand) are Bullet loans, with fixed single repayment respectively on June 4, 2024 and June 4, 2023.

The Revolving Credit Facility stipulates the issue of short-term tranches of 1, 3 or 6 months, for a maximum amount of Euro 50,000 thousand, currently utilised for Euro 25,000 thousand.

F.I.L.A. S.p.A., Dixon Ticonderoga Company (U.S.A) and Canson SAS (France) undertook derivative hedges against fluctuations in the interest rates of the structured loans contracted. The Interest Rate Swaps, structured with fixed rate payments against variable payments, qualified as hedging derivatives and were considered as per the hedge accounting provisions of IAS 39. The fair value at December 31, 2021 of these instruments amounts to Euro 9,858 thousand, with the positive fair value adjustment recognised as an equity reserve.

In accordance with IFRS 7, the effects on the consolidated financial statements in relation to each category of financial instruments of the Group in the years 2021 and 2020 are shown below, which mainly includes the gains and losses deriving from the purchase and sale of financial assets or liabilities, as well as the changes in the value of the financial instruments measured at fair value and the interest expense/income matured on the financial assets/liabilities measured at amortised cost.

Financial income and expense are recognised in profit or loss:

Euro thousands	December 31, 2021	December 31, 2020
Interest income from bank deposits	144	114
Total financial income	**144**	**114**
Interest expense on financial liabilities measured at amortised cost*	(10,767)	(8,631)
Net exchange gains/(losses) on financial transactions	3,585	(5,890)
Total financial expense	**(7,182)**	**(14,522)**
Total net financial expense	**(7,038)**	**(14,408)**

** Interest on the only structured loan signed in 2018 by F.I.L.A. S.p.A. and Dixon Ticonderoga (U.S.A.)*

Non-current loans are broken down below; the F.I.L.A. Group financial statement classification is based on the settlement time criterion, as expressed by the contracts underlying each liability.

For greater detail on the breakdown of financial liabilities, reference should be made to “Note 13.A - Financial Liabilities” of the Notes to the Consolidated Financial Statements.

Euro thousands	December 31, 2021	December 31, 2020
Non-current financial liabilities	**491,063**	**495,199**
Bank loans and borrowings - Principal third parties	406,684	405,674
Bank loans and borrowings - Interest third parties	(3,659)	(6,168)
Banks	**403,025**	**399,506**
Other loans and borrowings - Principal third parties	154	298
Other loans and borrowings - Interest third parties	(6)	(2)
Other loans and borrowings	**148**	**296**
IFRS 16 - Principal third parties	78,032	76,630
IFRS 16	**78,032**	**76,630**
Loans and borrowings - due after one year	**481,205**	**476,432**
Financial Instruments - Principal	9,858	18,767
Financial Instruments	**9,858**	**18,767**

The account Other loans and borrowings includes the non-current portion of loans issued by other financial backers.

The total balance of the loans due after one year at December 31, 2021 was Euro 481,205 thousand, of which Euro 403,025 thousand concerning bank loans and borrowings, Euro 148 thousand other loans and borrowings and Euro 9,858 thousand concerning the Interest Rate Swaps undertaken by F.I.L.A. S.p.A., Dixon Ticonderoga (U.S.A.) and Canson SAS (France).

Euro thousands	December 31, 2021	December 31, 2020
Current financial liabilities	**95,711**	**126,052**
Bank loans and borrowings - Principal third parties	73,002	101,609
Bank loans and borrowings - Interest third parties	745	920
Banks	**73,747**	**102,529**
Other loans and borrowings - Principal third parties	3,875	4,320
Other loans and borrowings - Interest third parties	16	61
Other loans and borrowings	**3,891**	**4,381**
Current account Overdrafts - Principal third parties	8,759	10,799
Current account Overdrafts - Interest third parties	47	88
Current account overdrafts	**8,806**	**10,887**
IFRS 16 - Principal third parties	9,267	8,255
IFRS 16	**9,267**	**8,255**
Loans and borrowings - due within one year	**95,711**	**126,052**

The total balance of the loans due after one year at December 31, 2021 was Euro 95,711 thousand, of which Euro 73,747 thousand concerning bank loans and borrowings, Euro 3,891 thousand concerning other loans and borrowings and Euro 8,806 thousand of current account overdrafts.

Trade receivables and other assets at December 31, 2021 were as follows:

Euro thousands	December 31, 2021	December 31, 2020	Change
Trade receivables	107,574	102,155	5,419
Tax assets	3,811	2,420	1,391
Other assets	5,121	7,470	(2,349)
Prepayments and accrued income	4,851	3,884	967
Total	**121,357**	**115,929**	**5,428**

Trae payables at December 31, 2021 were as follows:

Euro thousands	December 31, 2021	December 31, 2020	Change
Trade payables	82,402	68,418	13,984
Tax liabilities	8,483	8,631	(148)
Other liabilities	23,963	22,726	1,237
Accrued expenses & def.income	582	767	(185)
Total	**115,430**	**100,542**	**14,888**

In relation to ”Trade Receivables and Other Assets” and ”Trade Payables and Other Liabilities”, reference should be made to “Note 9.A - Trade Receivables and Other Assets” and “Note 19 - Trade Payables and Other Liabilities”.

In relation to the financial instruments recognised in the Statement of Financial Position at fair value, IFRS 7 requires that these fair values are classified based on the hierarchy levels which reflect the significance of the input used in the determination of fair value.

See the specific notes to the consolidated financial statements for the classification of financial instruments according to the levels of the fair value hierarchy.

Sensitivity Analysis

In accordance with IFRS 7 and further to that outlined in the "Directors' Report – Financial Risks", the following is reported:

Currency risk

Net exposure for translation risk only for the main currencies:

	December 31, 2021			December 31, 2020		
(in Euro thousands)	USD	MXN	CNY	USD	MXN	CNY
Trade receivables	32,879	580,021	5,315	19,596	677,433	3,713
Financial assets	656	7,352	22,727	741	7,149	3,826
Financial liabilities	(235,933)	(550,015)	-	(253,710)	(830,704)	-
Trade payables	(29,945)	(88,016)	(15,832)	(22,982)	(72,218)	(16,435)
Total	**(232,343)**	**(50,659)**	**12,210**	**(256,356)**	**(218,340)**	**(8,896)**

Closing exchange rates applied:

	Closing exchange rate	
Currency	December 31, 2021	December 31, 2020
USD /€	1.1326	1.2271
MXN /€	23.1438	24.4160
CNY /€	7.1947	8.0225

Effect of a 10% increase against the Euro exchange rate:

Changes in equity

Currency	December 31, 2021	December 31, 2020
USD /€	(18,649)	(18,992)
MXN /€	(199)	(813)
CNY /€	154	(101)
Total	**(18,694)**	**(19,906)**

The impact on the statement of financial position, following an increase of 10% in the exchange rate of the main foreign currencies against the Euro, would be negative Euro 18,694 thousand (Euro 19,906 thousand at December 31, 2020).

Interest rate risk

The current F.I.L.A. Group policy is to maintain variable interest rates, monitoring the interest rate curve.

Financial liabilities at variable rates are reported below:

Euro thousands	December 31, 2021	December 31, 2020
Financial liabilities	586,774	621,250
Financial liabilities at variable rate	**586,774**	**621,250**

The financial instruments at variable rates typically include liquidity, loans granted to a number of Group companies and part of the financial liabilities.

A change of 100 "basis points" in the interest rates applicable to financial liabilities at variable rates in place at December 31, 2021 would result in the following financial statements impacts on annualised basis:

Euro thousands	Equity	
	+ 100 bps	- 100 bps
December 31, 2021		
Financial liabilities at variable rate	5,868	(5,868)
December 31, 2020		
Financial liabilities at variable rate	6,213	(6,213)

The same variables were maintained to establish the financial statements impact at December 31, 2021. The capital portions of financial assets and liabilities of the F.I.L.A. Group are broken down by contractual maturity for 2021 and 2020, in line with "Note 13.A – Financial Liabilities":

December 31, 2021 *Euro thousands*	**Within 12 months**	**Within 1-2 years**	**Within 2-3 years**	**Within 3-4 years**	**Within 4-5 years**	**Total**
Financial assets						
Cash and cash equivalents	145,985	-	-	-	-	145,985
Loans and financial assets	3,536	-	-	-	-	3,536
Financial liabilities						
Bank loans and borrowings(1)	82,553	125,694	130,358	146,738	234	485,578
Other loans and borrowings	3,891	135	13	-	-	4,039
Expected cash flows	**63,078**	**(125,830)**	**(130,371)**	**(146,738)**	**(234)**	**(340,095)**

(1) The principal portion of Financial Liabilities - Banks amounts to Euro 481,919 thousand, with an amortized cost adjustment of the medium/long-term portion of Euro 3,659 thousand. The carrying amount in the table is therefore Euro 485,578 thousand.

December 31, 2020 *Euro thousands*	**Within 12 months**	**Within 1-2 years**	**Within 2-3 years**	**Within 3-4 years**	**Within 4-5 years**	**Total**
Financial assets						
Cash and cash equivalents	127,105	-	-	-	-	127,105
Loans and financial assets	622	-	-	-	68,000	622
Financial liabilities						
Bank loans and borrowings(1)	113,416	39,813	112,492	246,128	1,072	512,922
Other loans and borrowings	4,381	255	41	-	-	4,677
Expected cash flows	**9,930**	**(40,068)**	**(112,534)**	**(246,128)**	**(1,004)**	**(389,804)**

(1) The principal portion of Financial Liabilities - Banks amounts to Euro 506,754 thousand, with an amortized cost adjustment of the medium/long-term portion of Euro 6,168 thousand. The carrying amount in the table is therefore Euro 512,922 thousand.

Credit Risk

Credit risk may be defined as the possibility of incurring a financial loss due to the breach of a contractual obligation by a counterparty.

At December 31, 2021, "Trade receivables and other assets" totalling Euro 121,357 thousand (Euro 115,929 thousand at December 31, 2020) is reported net of the related loss allowance of Euro 5,327 thousand (Euro 5,637 thousand at December 31, 2020).

The aging of trade receivables at December 31, 2021 (Euro 107,575 thousand), net of the loss allowance, compared with December 31, 2020 is reported below:

GROSS TRADE RECEIVABLES - AGEING			
Euro thousands	**December 31, 2021**	**December 31, 2020**	**Change**
Not yet due	69,874	55,671	14,203
Overdue from 0-60 days	18,282	22,067	(3,785)
Overdue from 60-120 days	6,939	16,621	(9,682)
Overdue more than 120 days	12,480	7,796	4,684
Total	**107,574**	**102,155**	**5,420**

The loss allowance was Euro 5,327 thousand at December 31, 2021 (Euro 5,637 thousand at December 31, 2020), amounting to 4.7% of total receivables (5.2% at December 31, 2020).

Trade receivables classified by type of creditor are also presented below:

TRADE RECEIVABLES - DISTRIBUTION CHANNEL			
Euro thousands	**December 31, 2021**	**December 31, 2020**	**Change**
Wholesalers	29,229	36,886	(7,658)
School/Office Suppliers	16,440	10,105	6,335
Supermarkets	18,681	26,942	(8,261)
Retailers	34,672	20,731	13,941
Distributors	1,299	5,029	(3,730)
Promotional & B2B	5,820	1,154	4,666
Other	1,433	1,308	125
Total	**107,574**	**102,155**	**5,420**

In conclusion, the breakdown of trade receivables by geographical segment is presented below:

TRADE RECEIVABLES: BY GEOGRAPHICAL SEGMENT			
Euro thousands	**December 31, 2021**	**December 31, 2020**	**Change**
Europe	35,187	38,024	(2,837)
North America	30,972	22,095	8,877
Central/South America	31,976	33,526	(1,550)
Asia	7,157	6,727	430
Rest of the world	2,283	1,783	500
Total	**107,574**	**102,155**	**5,420**

Environment and Safety

“Environment and Safety” issues are managed at local level by the F.I.L.A. Group companies under the applicable regulations and in accordance with the “Group policy”.

Within the F.I.L.A. Group a manager-in-charge of “Environment and Safety” is appointed by each local entity, reporting to the respective CEO, who in turn reports to the Parent F.I.L.A. S.p.A..

“Environment and Safety” for F.I.L.A. S.p.A. has been managed with the support of a specialised consultancy firm for a number of years. The actions implemented by the Parent F.I.L.A. S.p.A. are in line with the environmental and workplace safety regulation (Legislative Decree Nos. 626 and No. 81 of April 9, 2008). Waste is appropriately disposed of and its movement is properly recorded in approved registers.

The Parent, F.I.L.A. S.p.A., is certified according to ISO 14001:2015 on environmental management and British Standard ISO 45001:2018 “Occupational Health and Safety Assessment Series” for its Occupational Health and Safety Management System. During the process of managing and improving its own Occupational Health and Safety Management System, and based on the ISO 45001:2018 standards, the Parent identified and defined, under the scope of its Occupational Health and Safety Management System, the following processes which it monitors regularly:

- definition of health and safety policies
- risk factors and legislative compliance
- assessment and significance of the implications of the risk factors
- definitions of targets and objectives
- review of the governance and the Occupational Safety Programme

Canson France is also BS OHAS 18001 certified for its Occupational Health and Safety Management System and ISO 14001:2015 certified in environmental management.

During the year no significant problems emerged in relation to the environment and safety area. The ongoing environmental reclamation at the lands owned by the US subsidiary relates to previous industrial activity before the acquisition by F.I.L.A. S.p.A.

The Parent, in accordance with Article 5, paragraph 3, letter b of Legislative Decree 254/2016 has drawn up the consolidated non-financial statement as a separate report. The 2021 consolidated non-financial statement, drawn up as per the “GRI Standards” and subject to a limited assurance procedures by KPMG S.p.A. is available on the Group website.

F.I.L.A. S.p.A. and the F.I.L.A. Group contributes to education upon environmental protection matters, managing operations in an eco-compatible manner, in compliance with applicable national and EU regulations, both at company facilities and offices and at any other location in which business operations are carried out.

The Group is committed to minimising both the direct and indirect environmental impacts of its production activities in order to preserve the natural environment for the benefit of future generations.
For these purposes, the operating management must refer to, in relation to environmental prevention and protection, the most appropriate environmental protection, disposal of waste and energy efficiency criteria.
Production activities at the sites are bound by environmental protection as well as occupational health and safety legislation in force in each country.
In defending the natural environment through its business practices, the F.I.L.A. Group is not merely complying with the law, but is also applying one of its core values, since its Code of Ethics expressly commands protection of the environment for the Group.
The Management of each Group company carries out the necessary coordination and control for the implementation of legal provisions, both national and international, with regards to the environment, construction, urban planning, pollution and waste disposal etc. by all Group collaborators.
F.I.L.A. S.pA , the parent, in 2021 updated and integrated its set of Group policies on sustainability (available on the Group website). In terms of combating climate change, the Environmental Policy has been updated and the Energy Saving Policy and Sustainable Sourcing Policy have been issued. The F.I.L.A. Group carefully monitors the environmental aspects arising from its activities, despite the fact that the Group's business model has no significant impact on the environment.
All Policies are based on the fundamental principle that the Group's activities must be carried out in compliance with the provisions of the Code of Ethics, with particular reference to environmental protection and compliance with applicable regulations.

The Environmental Policy enshrines the Group's commitment to climate change, its continuous attention to reducing the environmental impact of its activities, with increasing focus also on the supply chain, and of its products.

With the Energy Saving Policy, the Group is committed to strengthening responsible energy management at all locations.

The Sustainable Sourcing Policy makes it clear that the Group expects suppliers and business partners to adhere to specific principles relating to sustainable sourcing in terms of working conditions, health and safety, respect for the environment, and in dealings with the Public Administration and Institutions, consistent with those adopted by the Group.

The consumption of renewable and non-renewable raw materials as manufacturing inputs is an important factor in terms of the impact of the use of resources: consumption of some materials by the F.I.L.A. Group may have substantial environmental impact. Among them are for example wood for pencils and crayons, plastic for felt-tip pens, flour for modelling clay and cellulose fibres.

Over the years, the F.I.L.A. Group has focused its attention on recycling some of the raw materials used in its production processes where technically feasible. The production of timber slats from which pencils are made requires re-using primary manufacturing rejects, such as, for example, joining below-standard size slats, or “finger joints”, or low-width timber slats for the production of canvas frames. Plastics are purchased to produce writing and drawing materials in addition to packaging materials. Focus on the recycling of plastic materials is ongoing in several recovery processes across several production phases.

The Group recognised that the main risks associated with its operations were the consumption of energy resources, the uncontrolled use of natural raw materials (e.g. fuels) and an excessive consumption of energy from non-renewable sources. To mitigate such risks, action was taken to determine and monitor the levels of this consumption, also by comparing them to comparable scenarios across the various companies within the Group.

The Group companies have pursued projects aimed at improving their energy efficiency, for example, by reducing lighting electricity consumption, combustion inefficiencies and compressed air losses.

Although there are no significant gas emissions arising from the production processes and there are no internal systems in order to self-generate electricity, in such a global and current context, the Group believes it is important to monitor greenhouse gas emissions and any other emissions to determine positive choices to curb its own carbon footprint. In its activities, the Group has identified as the main risk the use of a fuel mix having a high impact on greenhouse gases and management inefficiencies in the periodic monitoring of purchases and consumption.

The Group identified the excessive use of water in the production process as one of the main risks of water consumption in our operations. To mitigate this risk, actions were taken to improve our estimates of water consumption, monitoring its consumption over time as well as bench-marking comparable scenarios across the different companies within the Group.

The other environmental issues for the Group are waste management, investments in environmental protection and compliance with environmental regulations.

The waste produced by the Group is mainly solid and marginally liquid. Regardless of its type, the waste itself is both non-hazardous and hazardous, and must therefore be managed and treated according to specific regulations.

In terms of categories of solid wastes (hazardous/special and non-hazardous wastes) and in terms of geographic regions, these are homogeneous across the various entities worldwide, with the prevalence of non-hazardous wastes. The Group pursues a number of projects in the area of waste monitoring and reduction, including waste process evaluation.

The protection of the environment as well as compliance with environmental standards require a dedicated management approach and ad hoc investments, sometimes of a significant nature. Specifically, the capex investments in the production plants have not only the objective of improving their economic efficiency but also that of "Environmental Policy", understood as the protection of the environment and energy saving.

For the F.I.L.A. Group, compliance with applicable standards, including environmental standards, is paramount. The Group believes that the internal control system to ensure environmental compliance must be capable of mitigating any risks of non-compliance as well as the lack of and/or incomplete knowledge of the applicable environmental standards and rules across every site where the Group operates.

Personnel

The F.I.L.A. Group at the end of 2021 had 9,823 employees (8,070 at December 31, 2020), of which over 99% on full-time contracts. The workforce is 48% female and who represent over 78% of part-time contracts.

The increase of 1,753 was mainly in Asia and, particularly at the Indian company DOMS Industries Pvt Ltd which expanded its workforce to deal with the business's full operations recovery.

Two tables breaking down the F.I.L.A. Group workforce at December 31, 2021 and December 31, 2020 respectively by region and category are presented below:

	Europe	North America	Central - South America	Asia	Rest of the World	Total
December 31, 2020	**1,115**	**594**	**1,503**	**4,830**	**28**	**8,070**
December 31, 2021	**1,118**	**582**	**1,412**	**6,685**	**26**	**9,823**
Change	**3**	**(12)**	**(91)**	**1,855**	**(2)**	**1,753**

Globally, the majority of F.I.L.A. Group personnel are located in Asia (with over 68.1% of Group personnel at the end of 2021), followed by Central and South America (14.4%), Europe (11.4%), North America and the Rest of the World. The majority of the workforce in fact is based in the countries in which the main production facilities are located (India, China and Mexico).

PERSONNEL - FULL TIME EQUIVALENT

	Manager	White-collar	Blue-collar	Total
December 31, 2020	**248**	**1,976**	**5,846**	**8,070**
Increase	21	544	6,435	7,000
Decrease	32	459	4,756	5,247
Career advancement	12	(2)	(10)	-
December 31, 2021	**249**	**2,059**	**7,515**	**9,823**
Change	**1**	**83**	**1,669**	**1,753**

The 2021 average workforce of the F.I.L.A. Group was 8,947, decreasing 124 on December 31, 2020:

	Europe	North America	Central/South America	Asia	Rest of the World	Total
Managers	114	74	18	32	4	242
White-collar	417	141	499	995	13	2,066
Blue-collar	568	441	1,192	4,554	9	6,764
Total at December 31, 2020	**1,098**	**656**	**1,710**	**5,581**	**26**	**9,071**
Managers	122	70	21	32	4	249
White-collar	411	122	477	996	13	2,018
Blue-collar	584	397	960	4,730	11	6,681
Total at December 31, 2021	**1,117**	**588**	**1,459**	**5,758**	**27**	**8,947**
Change	**19**	**(68)**	**(252)**	**177**	**2**	**(124)**

The bonuses received by F.I.L.A. Group Managers in the year were as follows:

BENEFITS AND OTHER INCENTIVES FOR MANAGERS

Euro thousands	December 2021	December 2020	Nature
Bonus	3,777	2,230	Perfomance bonus
Total	**3,777**	**2,230**	

In 2021, as in previous years, F.I.L.A. Group personnel undertook training and upskilling courses, particularly in the administrative areas in order to maintain appropriate professional standards, in line with the “Group policy”.

Corporate Governance

For further information on corporate governance, reference should be made to the Corporate Governance and Ownership Structure Report, prepared in accordance with Article 123-*bis* of the Consolidated Finance Act (TUF), approved by the Board of Directors of the Parent, together with the Directors' Report made available by the Parent at the registered office of the Parent, as well as on the Group website (www.filagroup.it - "Governance" section).

The disclosure pursuant to paragraphs 1 and 2 of Article 123-*bis* of Legislative Decree No. 58/1998 is contained in the "Corporate Governance and Ownership Structure Report" and the "Remuneration Report", prepared in accordance with Article 123-ter of Legislative Decree No. 58/1998. Both reports, approved by the Board of Directors, are published in accordance with law on the group website www.filagroup.it

Disclosures pursuant to Articles 70 and 71 of the Consob regulation 11971/1999.

With effect from October 21, 2013, the Board of Directors of Space S.p.A. (now F.I.L.A. S.p.A.), in relation to the provisions of Articles 70, paragraph 8 and 71 and paragraph 1-bis of Consob Regulation No. 11971/1999 and subsequent amendments, opted for the exemption from publication of disclosure documents established under the above-stated Consob regulation in the case of significant mergers, spin-offs, share capital increases through the transfer of assets in kind, acquisitions and sales.

The following table outlines the total fees recognised to members of the Board of Directors and the Board of Statutory Auditors for offices held at F.I.L.A. S.p.A., in addition to remuneration of any kind, in the case of "performance bonuses and one-off remuneration" received in 2021:

Euro thousands	Fees for office held	Fees for committees participation	Other remuneration (Bonus)
Directors	1,983	68	990
Statutory auditors	100	-	-
Total amount	**2,083**	**68**	**990**

For further information, reference should be made to the Remuneration Report published on the website of the Group www.filagroup.it.

The Shareholders of F.I.L.A. S.p.A. approved on February 20, 2015 the appointment of KPMG S.p.A. for the years 2015-2023 for the audit as per Article 2409-ter of the Italian Civil Code and the audit of the separate financial statements of F.I.L.A. S.p.A. and the consolidated financial statements of the F.I.L.A. Group.

Reconciliation between Parent and Group Equity

Euro thousands	Equity December 31, 2020	Changes in equity	Profit for 2021	Equity December 31, 2021
F.I.L.A. S.p.A. financial statements	**277,998**	**(3,692)**	**17,002**	**291,308**
Consolidation effect of the financial statements of subsidiaries	69,865	11,736	21,011	102,612
Translation reserve	(39,856)	18,352		(21,504)
F.I.L.A. group consolidated financial statements	**308,007**	**26,395**	**38,014**	**372,416**
Equity attributable to non-controlling interests	23,268	1,031	1,411	25,710
Consolidated financial statements	**331,275**	**27,427**	**39,425**	**398,127**

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Dear F.I.L.A. S.p.A. Shareholders,

We submit for your approval the financial statements as at and for the year ended December 31, 2021, comprising the statement of financial position, the statement of comprehensive income, the statement of change in equity, the statement of cash flows and the notes thereto, with the relative attachments, which report a profit for the year of Euro 17,002,269.91 and we propose:

- to allocate Euro 659,002.08 to the legal reserve, as established in Article 2430 of the Civil Code, and to allocate Euro 4,599,859.52 to retained earnings;
- to distribute the residual "Profit for the year" of Euro 11,743,408.31 as dividends and, therefore, to distribute a dividend of Euro 0.23 for each of the 51,058,297 ordinary shares currently outstanding, while it should be noted that in the case where the total number of shares of the Parent currently outstanding should increase, the total amount of dividends will remain unchanged and the unit amount will be automatically adjusted to the new number of shares; the dividends will be issued with coupon, record and payment dates of May 23, 24 and 25, 2022 respectively.

The Board of Directors
THE CHAIRPERSON
GIOVANNI GORNO TEMPINI
(signed on the original)

CONSOLIDATED FINANCIAL STATEMENTS OF THE F.I.L.A. GROUP AND SEPARATE FINANCIAL STATEMENRS OF F.I.L.A. S.p.A. AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2021

III - Consolidated Financial Statements as at and for the year ended December 31, 2021

Consolidated Financial Statements

Statement of Financial Position

Euro thousands		December 31, 2021	December 31, 2020
Assets		**1,193,461**	**1,141,333**
Non-current assets		**642,322**	**633,145**
Intangible assets	Note 1	445,823	435,990
Property, plant and equipment	Note 2	169,653	171,489
Biological assets	Note 11	1,936	1,639
Non-current financial assets	Note 3	4,078	2,614
Equity-accounted investments	Note 4	1,481	1,102
Other equity investments	Note 5	26	31
Deferred tax assets	Note 6	19,325	20,281
Current assets		**551,139**	**508,187**
Current financial assets	Note 3	3,536	622
Current tax assets	Note 7	8,991	9,882
Inventories	Note 8	271,269	254,649
Trade receivables and other assets	Note 9	121,357	115,929
Cash and cash equivalents	Note 10	145,985	127,105
Liabilities and equity		**1,193,461**	**1,141,333**
Equity	Note 12	**398,127**	**331,275**
Share capital		46,986	46,967
Negative reserve for treasury shares in portfolio		(488)	-
Reserves		109,135	74,817
Retained earnings		178,769	177,616
Profit for the year		38,014	8,607
Equity attributable to the owners of the parent		**372,416**	**308,007**
Equity attributable to non-controlling interests		**25,710**	**23,268**
Non-current liabilities		**573,714**	**577,561**
Non-current financial liabilities	Note 13	481,205	476,432
Financial instruments	Note 17	9,858	18,767
Employee benefits	Note 14	9,560	13,965
Provisions for risks and charges	Note 15	1,047	935
Deferred tax liabilities	Note 16	71,839	67,423
Other liabilities	Note 19	206	38
Current liabilities		**221,620**	**232,497**
Current financial liabilities	Note 13	95,711	126,052
Current provisions for risks and charges	Note 15	1,270	928
Current tax liabilities	Note 18	9,209	4,974
Trade payables and other liabilities	Note 19	115,430	100,542

The notes from pages 99 to 154 are an integral part of these consolidated financial statements

Statement of Comprehensive Income

Euro thousands		December 31, 2021	December 31, 2020
Revenue	Note 20	653,278	607,382
Income	Note 21	6,823	8,967
Total revenue		**660,101**	**616,349**
Raw materials, consumables, supplies and goods	Note 22	(305,048)	(293,027)
Services and use of third party assets	Note 23	(100,820)	(103,557)
Other costs	Note 24	(5,318)	(7,154)
Change in raw materials, semi-finished products, work in progress and finished goods	Note 22	5,176	12,789
Personnel expense	Note 25	(134,165)	(130,350)
Amortisation and depreciation	Note 26	(40,789)	(42,646)
Impairment losses on trade receivables and other assets	Note 27	(568)	(1,833)
Other impairment losses	Note 28	(22)	(1,053)
Total operating costs		**(581,554)**	**(566,830)**
Operating profit		**78,547**	**49,518**
Financial income	Note 29	6,051	2,348
Financial expense	Note 30	(30,436)	(37,850)
Share of profit of equity-accounted investments	Note 32	294	271
Net financial expense		**(24,091)**	**(35,231)**
Pre-tax profit		**54,456**	**14,287**
Income taxes		(14,513)	(7,353)
Deferred taxes		(519)	1,188
Total taxes	Note 33	**(15,031)**	**(6,165)**
Profit from continuing operations		**39,425**	**8,122**
Profit for the year		**39,425**	**8,122**
Attributable to:			
Non-controlling interests		**1,411**	**(485)**
Owners of the parent		**38,014**	**8,607**
Other comprehensive income (expense) which may be reclassified subsequently to Profit and Loss		**29,876**	**(32,358)**
Exchange gains (losses)		19,764	(26,349)
Hedging reserve		10,112	(6,009)
Other comprehensive income (expense) which may not be reclassified subsequently to Profit and Loss		**5,360**	**(1,086)**
Actuarial gains (losses)		6,736	(1,415)
Taxes		(1,375)	329
Other comprehensive income (expense), net of tax effect		**35,236**	**(33,444)**
Comprehensive income (expense)		**74,661**	**(25,321)**
Attributable to:			
Non-controlling interests		**2,858**	**(3,032)**
Owners of the parent		**71,803**	**(22,289)**
Earnings per share:			
	basic	*0.75*	*0.17*
	diluted	*0.73*	*0.17*

The notes from pages 99 to 154 are an integral part of these consolidated financial statements

Statement of Changes in Equity

Statement of Changes in Equity

Euro thousands	Share capital	Negative reserve for treasury shares in portfolio	Legal reserve	Share premium reserve	Actuarial reserve	Other reserves	Translation reserve	Retained earnings	Profit attributable to the owners of the parent	Equity attributable to the owners of the parent	Capital and reserves att. to non-controlling interests	Profit attributable to non-controlling interests	Equity attributable to non-controlling interests	Total equity
December 31, 2019	**46,876**	**-**	**7,765**	**153,608**	**(4,214)**	**(34,423)**	**(16,057)**	**153,616**	**24,000**	**331,171**	**24,075**	**2,105**	**26,180**	**357,351**
Profit for the year									8,607	8,607		(485)	(485)	8,122
Other comprehensive income (expense)					(1,089)	(6,009)	(23,799)			(30,897)	(2,547)		(2,547)	(33,444)
Other changes	91			865	-	(1,830)	-			(874)	389		389	(485)
Profit for the year recognised directly in equity	**91**	**-**	**-**	**865**	**(1,089)**	**(7,839)**	**(23,799)**	**-**	**8,607**	**(23,164)**	**(2,158)**	**(485)**	**(2,643)**	**(25,807)**
Allocation of the 2019 profit			566			(566)		24,000	(24,000)	-	2,105	(2,105)	-	-
Dividends										-	(269)		(269)	(269)
December 31, 2020	**46,967**	**-**	**8,331**	**154,473**	**(5,303)**	**(42,828)**	**(39,856)**	**177,616**	**8,607**	**308,007**	**23,753**	**(485)**	**23,268**	**331,275**
Profit for the year									38,014	38,014		1,411	1,411	39,425
Other comprehensive income (expense)					5,325	10,112	18,352			33,789	1,447		1,447	35,236
Other changes	18	(488)		173		356		(1,335)		(1,276)	47		47	(1,229)
Profit for the year recognised directly in equity	**18**	**(488)**	**-**	**173**	**5,325**	**10,468**	**18,352**	**(1,335)**	**38,014**	**70,528**	**1,494**	**1,411**	**2,905**	**73,433**
Allocation of the 2020 profit			406			(406)		8,607	(8,607)	(0)	(485)	485	-	(0)
Dividends								(6,119)		(6,119)	(463)		(463)	(6,582)
December 31, 2021	**46,986**	**(488)**	**8,737**	**154,646**	**22**	**(32,766)**	**(21,504)**	**178,769**	**38,014**	**372,416**	**24,299**	**1,411**	**25,710**	**398,127**

Note:

For information on the changes in equity, reference should be made to Note 12.

The notes from pages 99 to 154 are an integral part of these consolidated financial statements.

Statement of Cash Flows

Euro thousands	December 31, 2021	December 31, 2020
Profit for the year	**39,425**	**8,122**
Non-monetary and other adjustments:	**82,463**	**88,675**
Amortisation and depreciation of intangible assets and property, plant and equipment	29,626	31,672
Amortisation and depreciation of right-of-use assets	11,163	10,974
Net impairment losses on intangible assets and property, plant and equipment	22	1,054
Impairment gains/losses on trade receivables and write-downs of inventories	(131)	2,067
Accruals for post-employment and other employees benefits	2,326	1,128
Exchange losses on foreign currency trade receivables and payables	387	961
Net gains on the sale of intangible assets and property, plant and equipment	(52)	(577)
Net financial expense	24,386	35,502
Net gains on equity investments	(294)	(271)
Taxes	15,031	6,165
Addition for:	**(5,911)**	**(15,244)**
Income taxes paid	(9,109)	(8,393)
Net unrealised exchange gains/losses on foreign currency assets and liabilities	3,882	(5,886)
Net realised exchange gains/losses on foreign currency assets and liabilities	(683)	(965)
Cash flows from operating activities before changes in net working capital	**115,977**	**81,554**
Changes in net working capital:	**3,165**	**(7,166)**
Change in inventories	(4,477)	(12,835)
Change in trade receivables and other assets	(1,934)	10,404
Change in trade payables and other liabilities	10,543	(1,962)
Change in other assets and liabilities	600	(1,343)
Change in post-employment and other employee benefits	(1,567)	(1,430)
Net cash flows from operating activities	**119,142**	**74,388**
Net increase/decrease in intangible assets	(2,491)	(1,817)
Net increase/decrease in property, plant and equipment	(9,508)	(8,358)
Net increase/decrease in right-of-use assets	(6,225)	(12,207)
Net increase/decrease in equity investments measured at cost	-	(43,600)
Net increase/decrease in other financial assets	(2,501)	134
Interest collected	159	560
Net cash flows from (used in) investing activities	**(20,567)**	**(65,288)**
Change in equity	(7,022)	(222)
Financial expense	(18,689)	(21,485)
Financial expense paid *IFRS 16*	(5,541)	(5,991)
Net increase/decrease in loans and borrowings and other financial liabilities	(42,645)	42,866
Net increase/decrease in lease liabilities *IFRS 16*	(3,449)	4,277
Net cash flows from (used in) financing activities	**(77,346)**	**19,466**
Exchange gains/losses	19,764	(26,349)
Other non-monetary changes	(20,073)	28,529
Net cash flows for the year	**20,920**	**30,726**
Opening cash and cash equivalents net of current account overdrafts	116,306	85,580
Closing cash and cash equivalents net of current account overdrafts	**137,226**	**116,306**

1) *Cash and cash equivalents at December 31, 2021 totalled Euro 145,985 thousand; current account overdrafts amounted to Euro 8,759 thousand net of relative interest.*

2) *Cash and cash equivalents at December 31, 2020 totalled Euro 127,105 thousand; current account overdrafts amounted to Euro 10,799 thousand net of relative interest.*

3) *The cash flows are presented using the indirect method. In order to provide a more complete and accurate presentation of the individual cash flows, the effects of non-monetary items were eliminated (including the translation of statement of financial position items in currencies other than the Euro), where significant. These effects were aggregated and included in the caption "Other non-monetary changes".*

Euro thousands	**December 31, 2021**	**December 31, 2020**
Opening cash and cash equivalents	**116,306**	**85,579**
Cash and cash equivalents	127,105	100,191
Current account overdrafts	(10,799)	(14,612)
Closing cash and cash equivalents	**137,226**	**116,306**
Cash and cash equivalents	145,985	127,105
Current account overdrafts	(8,759)	(10,799)

The notes from pages 99 to 154 are an integral part of these consolidated financial statements

Statement of financial position with indication of related party transactions pursuant to CONSOB resolution No. 15519 of July 27, 2006

Euro thousands		December 31, 2021	*of which:* Related Parties	December 31, 2020	*of which:* Related Parties
Assets		**1,193,461**	**-**	**1,141,333**	**-**
Non-current assets		**642,322**	**-**	**633,145**	**-**
Intangible assets	Note 1	445,823		435,990	
Property, plant and equipment	Note 2	169,653		171,489	
Biological assets	Note 11	1,936		1,639	
Non-current financial assets	Note 3	4,078		2,614	
Equity-accounted investees	Note 4	1,481		1,102	
Other equity investments	Note 5	26		31	
Deferred tax assets	Note 6	19,325		20,281	
Current assets		**551,139**	**-**	**508,187**	**-**
Current financial assets	Note 3	3,536		622	
Current tax assets	Note 7	8,991		9,882	
Inventories	Note 8	271,269		254,649	
Trade receivables and other assets	Note 9	121,357		115,929	
Cash and cash equivalents	Note 10	145,985		127,105	
Liabilities and equity		**1,193,461**	**574**	**1,141,333**	**484**
Equity	Note 12	**398,127**	**-**	**331,275**	**-**
Share capital		46,986		46,967	
Negative reserve for treasury shares in portfolio		(488)		-	
Reserves		109,135		74,817	
Retained earnings		178,769		177,616	
Profit for the year		38,014		8,607	
Equity attributable to the owners of the parent		**372,416**		**308,007**	
Equity attributable to non-controlling interests		**25,710**		**23,268**	
Non-current liabilities		**573,714**	**-**	**577,561**	**-**
Non-current financial liabilities	Note 13	481,205		476,432	
Financial instruments	Note 17	9,858		18,767	
Employee benefits	Note 14	9,560		13,965	
Provisions for risks and charges	Note 15	1,047		935	
Deferred tax liabilities	Note 16	71,839		67,423	
Other liabilities	Note 19	206		38	
Current liabilities		**221,620**	**574**	**232,497**	**484**
Current financial liabilities	Note 13	95,711		126,052	
Current provisions for risks and charges	Note 15	1,270		928	
Current tax liabilities	Note 18	9,209		4,974	
Trade payables and other liabilities	Note 19	115,430	574	100,542	484

The notes from pages 99 to 154 are an integral part of these consolidated financial statements

Statement of Comprehensive Income with indication of related party transactions pursuant to CONSOB resolution No. 15519 of July 27, 2006

Euro thousands		December 31, 2021	*of which:* Related Parties	*of which:* Non-recurring expenses	December 31, 2020	*of which:* Related Parties	*of which:* Non-recurring expenses
Revenue	Note 20	653,278		(192)	607,382		(784)
Income	Note 21	6,823			8,967		1,812
Total revenue		**660,101**		**(192)**	**616,349**		**1,028**
Raw materials, consumables, supplies and goods	Note 22	(305,048)	(1,938)	(636)	(293,027)	(1,814)	(4,288)
Services and use of third party assets	Note 23	(100,820)	(362)	(2,164)	(103,557)	(366)	(8,875)
Other costs	Note 24	(5,318)		(101)	(7,154)		98
Change in raw materials, semi-finished products, work in progress and finished goods	Note 22	5,176			12,789		
Personnel expense	Note 25	(134,165)		(1,012)	(130,350)		(2,147)
Amortisation and depreciation	Note 26	(40,789)			(42,646)		
Impairment losses on trade receivables and other assets	Note 27	(568)			(1,833)		
Other impairment losses	Note 28	(22)			(1,053)		
Total operating costs		**(581,554)**	**(2,300)**	**(3,913)**	**(566,830)**	**(2,180)**	**(15,212)**
Operating profit		**78,547**	**(2,300)**	**(4,105)**	**49,518**	**(2,180)**	**(14,184)**
Financial income	Note 29	6,051		19	2,348		(200)
Financial expense	Note 30	(30,436)			(37,850)		
Share of profit of equity-accounted investees	Note 32	294			271		
Net financial expense		**(24,091)**	**-**	**19**	**(35,231)**	**-**	**(200)**
Pre-tax profit		**54,456**	**(2,300)**	**(4,086)**	**14,287**	**(2,180)**	**(14,384)**
Income taxes		(14,513)		700	(7,353)		2,126
Deferred taxes		(519)			1,188		
Total taxes	Note 32	**(15,031)**	**-**	**700**	**(6,165)**	**-**	**2,126**
Profit from continuing operations		**39,425**	**(2,300)**	**(3,386)**	**8,122**	**(2,180)**	**(12,258)**
Profit (loss) from discontinued operations		**-**			**-**		
Profit for the year		**39,425**	**(2,300)**	**(3,386)**	**8,122**	**(2,180)**	**(12,258)**
Attributable to:							
Non-controlling interests		**1,411**		**(49)**	**(485)**		**(574)**
Owners of the parent		**38,014**		**(3,337)**	**8,607**		**(11,684)**
Other comprehensive income (expense) which may be reclassified subsequently to profit or loss		**29,876**			**(32,358)**		
Exchange gains (losses)		19,764			(26,349)		
Hedging reserve		10,112			(6,009)		
Other comprehensive income (expense) which may not be reclassified subsequently to profit or loss		**5,360**			**(1,086)**		
Actuarial gains (losses)		6,736			(1,415)		
Taxes		(1,375)			329		
Other comprehensive income (expense), net of tax effect		**35,236**			**(33,444)**		
Comprehensive income (expense)		**74,661**			**(25,321)**		
Attributable to:							
Non-controlling interests		**2,858**		**(49)**	**(3,032)**		**(574)**
Owners of the parent		**71,803**		**(3,337)**	**(22,289)**		**(11,684)**
Earnings per share:							
basic		*0.75*			*0.17*		
diluted		*0.73*			*0.17*		

The notes from pages 99 to 154 are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements of the F.I.L.A. Group

Introduction

The F.I.L.A. Group operates in the creativity tools market, producing and marketing colouring, design, modelling, writing and painting objects, such as pencils, crayons, modelling clay, chalk, oil colours, acrylics, watercolours, paints and paper for the fine arts, school and leisure.

The Parent F.I.L.A. S.p.A., Fabbrica Italiana Lapis ed Affini (hereafter "the Parent") is a company limited by shares with registered office in Pero (Italy), Via XXV Aprile, 5. The ordinary shares of the Parent were admitted for trading on the EXM - Euronext Milan (former MTA) STAR segment, organised and managed by Borsa Italiana S.p.A. on November 12, 2015.

The consolidated financial statements of the F.I.L.A. Group have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union. They include the financial statements of F.I.L.A. S.p.A. and its subsidiaries. For the subsidiaries the financial statements are reported upon in specific financial reporting packages, for the purposes of the consolidated financial statements of the Group, in order to comply with the IFRS.

These consolidated financial statements are presented in Euro, as the functional currency in which the Group operates and comprise the Statement of Financial Position, in which assets and liabilities are classified as current and non-current, the Statement of Comprehensive Income, the Statement of Cash Flows, prepared using the indirect method, the Statement of Changes in Equity, the Notes thereto and are accompanied by the Directors' Report. All amounts reported in the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and in the Notes are expressed in thousands of Euro, except where otherwise stated and approximate to the nearest whole unit.

It should be noted that due to the rounding of figures used in the tables shown below, the values of the horizontal and/or vertical sums of the captions that make up the tables may not correspond with respect to the subtotals and totals of the tables.

With reference to Consob Resolution No. 15519 of July 27, 2006 in relation to the format of the Financial Statements, significant related party transactions and the income components from non-recurring items or transactions are indicated separately.

F.I.L.A. S.p.A., the parent, is in turn controlled by Pencil S.p.A., with registered office in Milan, which prepares the consolidated financial statements for the larger group of companies comprising the F.I.L.A. Group. These consolidated financial statements are available at the Milan Companies Registration Office.

The publication of the F.I.L.A. Group's consolidated financial statements as at and for the year ended December 31, 2021, carried out in accordance with European Commission Delegated Regulation No. 2019/815, as amended, is authorised by the resolution of the Board of Directors of March 22, 2022, following the relative approval.

The Chairperson of the Board, the Chief Executive Officer and the Executive Director have broad powers to make any formal, non-substantive additions or amendments to the consolidated financial statements, the separate financial statements, the directors' report and other documents related to the draft financial statements, to be submitted to the shareholders' meeting of F.I.L.A. S.p.A. on April 27, 2022.

European Single Electronic Format (ESEF)

Directive 2013/50/EU amended the rules governing the annual financial report of listed issuers by providing that, as from January 1, 2020, the set of documents making up the annual financial report must be prepared in a single electronic communication format.

The European Commission adopted the aforementioned technical standards with Delegated Regulation 1029/815 (published in EU Official Journal No. 143 on May 29, 2019), which imposed the requirement to prepare annual financial reports:

- In XHTML format;
- "marking" certain information in the consolidated financial statements with the Inline XBRL specification.

The scope of first-time adoption (annual periods beginning on January 1, 2020) is limited to the following statements: statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows.

In view of the difficulties that companies have had to face due to the crisis resulting from the pandemic, the entry into force of the regulation has been extended by one year. Extension transposed into Italian law with the law converting Law Decree No. 183/2020 ("Milleproroghe Decree"), published in the Official Gazette and which provided (Article 3, paragraph 11-*sexies*) that "the provisions of Delegated Regulation No. 2018/815/EU shall apply to the financial reports relating to the financial years started as from January 1, 2021".

As of December 31, 2021, the Company has fulfilled the obligations described and required above.

Basis of preparation and accounting standards

The consolidated financial statements of F.I.L.A. Group and the separate financial statements of F.I.L.A. S.p.A. as at and for the year ended December 31, 2021, prepared by the Board of Directors of F.I.L.A. S.p.A., were drawn up in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. The IFRS were applied consistently for all reporting periods presented in this document. For the consolidated financial statements of the F.I.L.A. Group, the first year of application of IFRS was 2006, while for the separate financial statements of F.I.L.A. S.p.A. the first year of application of IFRS was 2007.

These financial statements are prepared under the historical cost convention, modified where applicable for the measurement of certain financial instruments or for the application of the acquisition method under IFRS 3, as well as on a going concern assumption basis.

Standards, amendments and interpretations applicable after January 1, 2021

Reform of Interest Rate Benchmarks - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

These are additions to what was already issued in 2019. The amendments referred to in Phase 2 of the project mainly concern the effects of changes to contractual cash flows or hedging relationships deriving from the replacement of one rate with another alternative reference rate (replacement issue) and assist companies in applying IFRS when changes are made to contractual cash flows or hedging relationships due to interest rate reforms and in providing useful information to users of the financial statements. The IASB Board's goal was to include some practical expedients and some facilitations in order to limit the accounting impacts of the reform of the IBORs used as interest rate benchmarks.

Extension of the temporary extension from the application of IFRS 9 (Amendments to IFRS 4)

This amendment supports companies in the implementation of the new IFRS 17 standard, and makes it easier to display their financial performance. In June 2020, the IASB Board amended IFRS 17, delaying its effective date by two years. Accordingly, an amendment to IFRS 4 was necessary to extend the temporary exemption from the application of IFRS 9 from January 1, 2021 (the previous effective date of IFRS 17) to January 1, 2023. The amendment to IFRS 4 does not have a specific effective date as it only refers to the extension of a temporary exemption that was already present in IFRS 4. The EU endorsing regulation states that the amendments to IFRS 4 are to be applied from financial statements for years beginning on or after January 1, 2021.

Amendment to IFRS 16 - Covid-19-related rent concessions

The amendment to IFRS 16 extends the optional and temporary operating support associated with Covid-19 for lessees in connection with leases with suspended payments and with payments originally due prior to and including June 30, 2021, to leases with suspended payments and with payments originally due prior to and including June 30, 2022.

The practical expedient allows the lessee not to consider any concessions on rent payments received from January 1, 2020 and resulting from the effects of Covid-19 as a modification of the original contract. Therefore, these concessions can be accounted for as positive variable fees without going through a contractual amendment.

In order for this exemption to apply, all of the following conditions must be met:

- the change in lease payments due results in a revision of the lease consideration that is substantially equal to or less than the lease consideration immediately preceding the change;
- any reduction in lease payments due relates only to payments originally due prior to and including June 30, 2022 (e.g., a royalty concession would meet this condition if it results in a reduction in lease payments due prior to and including June 30, 2022 and an increase in lease payments due beyond June 30, 2022); and
- there is no material change in the other terms and conditions of the lease.

With reference to the standards and interpretations that came into force on January 1, 2021, there is no material impact on the measurement of the Group's assets, liabilities, costs and revenue.

Standards, amendments and interpretations endorsed by the EU, not yet mandatory and not adopted early by the Group.

Annual Improvements to IFRS Standards 2018–2020

The amendment contains changes, primarily of a technical and editorial nature, to the accounting standards designed to resolve non-urgent issues related to inconsistencies or unclear terminology identified in the International Financial Reporting Standards. Effective date is January 1, 2022 and early application is permitted for amendments to IFRS 1 and IFRS 9, while amendments to IAS 41 must be applied prospectively. It should be noted that the amendment to IFRS 16 has not been endorsed by the European Union as the amendment refers to an illustrative example that is not an integral part of the Standard.

The principal changes relate to:

- *IFRS 1 First-time Adoption of IFRSs - Subsidiary as First-time Adopter* - A subsidiary that applies IFRS standards for the first time after its parent may apply paragraph D16(a) of IFRS 1 and measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements that have been determined on the basis of the parent's date of transition to IFRSs. The above exemption can also be applied by associates and joint ventures that apply IFRSs for the first time after their investor.
- *IFRS 9 Financial Instruments - Fees included in the "10% test" for the purposes of derecognition of financial liabilities* - The amendment to IFRS 9 clarifies that the fees to be considered in the above 10% test are only the fees paid or received to or by the borrower and the lender and the fees paid or received by the borrower or the lender on the other party's behalf.
- *Illustrative Examples of IFRS 16 Leases - Lease Incentives* - The accounting treatment in the lessee's financial statements of a sum received from the lessor for leasehold improvement costs was removed from Illustrative Example 13 accompanying IFRS 16 as the conclusion of the example was not supported by an adequate explanation.
- *IAS 41 Agriculture - Taxation in Fair Value Measurements* - The IASB Board clarifies that tax-related cash flows need not be excluded in the fair value measurement of biological assets.

Amendment to IAS 16 - *Property, Plant and Equipment: Proceeds before Intended Use*

With the amendments to IAS 16, the IASB Board clarified that income from the sale of goods produced by an asset during the period before the date on which the asset is in the location and condition necessary for it to operate in the manner intended by management should be recognized in profit/(loss) for the period. As a result of the above amendment, it will no longer be permissible to recognize as a direct reduction to the cost of the asset the proceeds from the sale of goods produced before the asset is available for use. The amendments to IAS 16 are effective for financial statements for annual periods beginning on or after January 1, 2022, but earlier application is permitted.

Amendment to IAS 37 - *Onerous Contracts: Cost of Fulfilling a Contract*

With the amendments to IAS 37, the IASB Board has clarified that the costs necessary for the performance of a contract include all the costs directly related to the contract and therefore include both incremental costs (i.e. costs that would not have been incurred in the absence of the contract) and a share of the other costs which, although not incremental, are directly related to the contract. The IASB Board, moreover, confirmed that, before recognizing a provision for onerous contract, the entity must recognize any impairment losses on non-current assets and clarified that impairment losses must be determined with reference not only to assets fully dedicated to the contract, but also to other assets that are partially used to fulfil the contract. The amendments to IAS 37 are effective for financial statements for annual periods beginning on or after January 1, 2022, but earlier application is permitted.

Amendments to IFRS 3 - *Reference to the Conceptual Framework*

The objective was to (i) complete the update of the references to the Conceptual Framework for Financial Reporting included in the accounting standard; (ii) provide clarifications on the conditions for the recognition, at the acquisition date, of provisions, contingent liabilities and tax liabilities (levies) assumed as part of a business combination; (iii) clarify the fact that contingent assets may not be recognised as part of a business combination. The amendments to IFRS 3 must be applied prospectively from the financial statements of annual periods beginning on or after January 1, 2022. Early application is permitted subject to all other changes to references to the new Conceptual Framework published in March 2018.

IFRS 17 - *Insurance Contracts*

In May 2017, the IASB published IFRS 17 Insurance Contracts which replaces IFRS 4, issued in 2014. The objective of the standard is to improve investors' understanding of the exposure to risk, earnings and the financial position of insurers, requiring that all insurance contracts are recorded on a uniform basis, overcoming the problems created within IFRS 4.
The standard is applicable from January 1, 2023, however early application is permitted.

With reference to the standards and interpretations which are not yet mandatory, their adoption is not expected to have a material impact on the measurement of the Group's assets, liabilities, costs and revenue.

Accounting standards, amendments and interpretations not yet endorsed by the EU and applicable after January 1, 2021

Amendment to IFRS 14 - *Regulatory Deferral Accounts*

The approval process is suspended pending the new accounting standard on "rate-regulated activities".

Amendment to IAS 1 - Presentation of Financial Statements – *Classification of liabilities as current or non-current*

The IASB has clarified how to classify payables and other liabilities among current and non-current liabilities. These amendments will be applied retrospectively from January 1, 2023. Early application is permitted.

The IASB is currently working on a project to modify the requirements of the document published in 2020 and to defer its entry into force to January 1, 2024. The Exposure Draft was released on November 19, 2021.

Amendment to IFRS 10 and IAS 28 - *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*

The document was published in September 2014 in order to resolve the current conflict between IAS 28 and IFRS 10 relating to the measurement of the gain or loss from the sale or transfer of a non-monetary asset to a joint venture or associate in exchange for a share of the capital of this latter. The effective date of the IASB document and the related approval process have been suspended until the IASB project on the equity method has been completed.

Amendment to IAS 1 and IFRS Practice Statement 2 - *Disclosure of Accounting policies*

The main changes to IAS 1 include: (i) requiring companies to apply the concept of "materiality" also to the information on accounting standards included in the financial statements; (ii) clarifying that accounting standards that relate to transactions, events or conditions that are not material are themselves not material and, as such, need not be included in the financial statements; (iii) clarifying that not all accounting standards that relate to material transactions, other events or conditions are themselves material to a company's financial statements. The amendment will be effective on January 1, 2023.

Amendment to IAS 8 - *Definition of Accounting Estimates*

The amendment introduces a new definition of "Accounting Estimate," clarifying that these are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendment will be effective on January 1, 2023 and early application is permitted. The amendments will apply prospectively to changes in accounting estimates and changes in accounting policies that occur at or after the beginning of the first annual reporting period in which the company applies the amendments.

Amendment to IAS 12 - ***Deferred tax related to assets and liabilities arising from a single transaction***

The purpose of the amendments is to improve comparability and provide financial statement users with more relevant information about the tax impacts of leases and decommissioning obligations. The amendment will be effective on January 1, 2023 and early application is permitted.

Amendment to IFRS 17 - ***Initial Application of IFRS 17 and IFRS 9- Comparative Information***

The amendment is intended to help entities avoid temporary accounting mismatches between financial assets and liabilities arising from insurance contracts as a result of the application of the new accounting standard IFRS 17 and thus improve the usefulness of comparative information for users of financial statements. The amendment will be effective on January 1, 2023.

Basis of consolidation

Subsidiaries

The subsidiaries, reported in "Attachment 1 - List of companies included in the consolidation scope and other equity investments", are companies in which the Group, as per IFRS 10, holds control or rather has exposure, or rights, to variable returns from its involvement with the investee, and at the same time has the ability to use its power over the investee to affect the amount of the investor's returns.

The subsidiaries are consolidated line-by-line from the acquisition date, or rather the date in which the Group acquires control and until such control is relinquished. The carrying amount of the subsidiaries is eliminated against the share of equity held, net of the share of the profit or loss for the year. Non-controlling interests in equity and the profit or loss for the year are recorded separately in the statement of financial position and statement of comprehensive income.

In the event of loss of control, the Group eliminates the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity relating to the subsidiaries. Any gain or loss resulting from the loss of control is recognized profit/(loss) for the year. Any investment retained in the former subsidiary is measured at fair value at the date of loss of control.

Equity-accounted investees

Associates are entities in which the Group exercises a significant influence on the financial and operating policies, although not having direct or joint control. Significant influence is the power to participate in the financial and operating policy decisions of an investee, however not exercising control or joint control.

Joint Ventures are entities in which the Group exercises, with one or more parties, joint control of their economic activities based on a contractual agreement. Joint control assumes that the strategic, financial and operating decisions are taken unanimously by the parties that exercise control.

Investments in associates and joint ventures are carried at cost using the equity method. Based on this method, equity investments are initially recognised at cost, subsequently adjusted according to the changes in the value of the share of the Group in the equity of the associate. The Group's share in the profit or loss of associates and joint ventures is recorded in a separate statement of comprehensive income account from the date in which significant influence is exercised and until such ceases to be exercised. Where necessary, the accounting policies of associates and joint ventures are modified in line with the accounting policies adopted by the Group.

Business combinations

Business combinations are recognised using the acquisition method, based on which the identifiable assets, liabilities, and contingent liabilities of the company acquired, which are in compliance with the requirements of IFRS 3, are recognised at their fair value at the acquisition date.

Deferred taxes are recorded on adjustments made to carrying amounts in line with present values.

The application of the acquisition method due to its complexity provides for a first phase which provisionally determines the fair values of the assets, liabilities and contingent liabilities acquired, to permit a recording of the transactions in the consolidated financial statements in the year in which the business combination occurred. The initial recognition is completed and adjusted within 12 months of the acquisition date. Amendments to initial payments which derive from events or circumstances subsequent to the acquisition date are recognised in profit or loss.

Goodwill is recognised as the difference between:

a) the sum of:

- the payment transferred;
- the non-controlling interest, measured aggregation by aggregation or at Fair Value (full goodwill) or the share of the net identifiable assets attributable to non-controlling interests;
- In a business combination achieved in stages, the fair value of the interest previously held in the acquiree, recognising any resulting gain or loss in profit or loss; and

b) the carrying amount of the identifiable assets acquired and liabilities assumed.

The costs related to the business combination are not part of the payment transferred and are therefore recognised in profit or loss for the year.

If the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the excess is immediately recognised in profit or loss. Goodwill is periodically reviewed to verify its recoverability through comparison with the greater of fair value less costs to sell and value in use, based on the future cash flows generated by the underlying investment.

For the sake of congruity, the goodwill acquired in a business combination is allocated, at the acquisition date, to the Group's cash-generating units, or to the group of cash-generating units which should benefit from the synergies of the business combination, independently of the fact that other assets or liabilities of the Group are allocated to this unit or group of units. Each unit or Group of units to which goodwill is allocated represents the smallest identifiable group of assets generating cash flows that are largely independent of the cash flows generated by other assets or groups of assets.

Is not greater than the operating segments identified based on IFRS 8 Operating segments.

When the goodwill constitutes part of a cash generating unit and part of the internal activities of this unit are sold, the goodwill associated with the activity sold is included in the carrying amount of the activity to determine the gain or loss deriving from the sale. The goodwill sold in these circumstances is measured on the basis of the relative amounts of the assets sold and of the portion of the unit maintained.

When the sale relates to a subsidiary, the difference between the sales price and the net assets plus the accumulated translation differences and the residual goodwill is recognised in profit or loss.

On first-time adoption of IFRS, the Group chose not to apply IFRS 3 retrospectively for acquisitions carried out prior to the transition date to IFRS; consequently, the goodwill resulting from the acquisitions prior to this date was maintained at the previous amount determined in accordance with Italian GAAP and is periodically tested for impairment.

In the event of purchase and sale of non-controlling interests, the difference between the acquisition cost, as determined above and the share of equity acquired from third parties or sold is directly recognised as a decrease/increase in consolidated equity.

Infragroup transactions

In preparing the consolidated financial statements, infragroup transactions, in addition to unrealised infragroup revenue and costs, are eliminated.

Unrealised gains arising from transactions with equity-accounted investees are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, to the extent that there is no evidence of impairment.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each Group entity at the exchange rate at the date of the transaction. The monetary accounts in foreign currencies at the reporting date are translated into the functional currency using the exchange rate at the same date. The non-monetary accounts measured at fair value in foreign currencies are translated using the exchange rate when the fair value was determined. The exchange differences are generally recognised in profit or loss. The non-monetary items measured at historical cost in foreign currencies are translated using the exchange rate at the transaction date.

Exchange differences arising from the translation of financial liabilities designated as hedges of the net investment in a foreign operation, to the extent that the hedge is effective and cash flow hedges to the extent that the hedge is effective, are recognised in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and Fair Value adjustments deriving from their acquisition, are translated into Euro utilising the exchange rate at the reporting date. The revenue and costs of foreign operations are translated into Euro using the average exchange rate for the year. The exchange differences are recorded under other comprehensive income and included in the translation reserve, except for exchange differences attributable to non-controlling interests.

The exchange rates adopted for the translation of local currencies into Euro are as follows:

EXCHANGE RATES		
	Average Exchange Rates December 31, 2021	**Closing Exchange Rates December 31, 2021**
Argentinean Peso	112.333	116.362
Australian Dollar	1.575	1.562
Brazilian Real	6.381	6.310
Canadian Dollar	1.484	1.439
Swiss Franc	1.081	1.033
Chilean Peso	897.630	964.350
Renminbi Yuan	7.634	7.195
Euro	1.000	1.000
Pound	0.860	0.840
Indonesian Rupiah	16,928.510	16,100.420
Shekel	3.824	3.516
Indian Rupee	87.486	84.229
Mexican Peso	23.990	23.144
Polish Zloty	4.564	4.597
Russian Ruble	87.232	85.300
Swedish Krona	10.145	10.250
Singapore Dollar	1.590	1.528
Turkish Lira	10.467	15.234
US Dollar	1.184	1.133
South Africa Rand	17.480	18.063

Source: Banca d'Italia

Basis of preparation

Intangible assets

An intangible asset is a clearly identifiable non-monetary asset without physical substance, subject to control and capable of generating future economic benefits. They are recognised at acquisition cost where acquired separately and are capitalised at fair value at the acquisition date where acquired through business combinations.
The interest expense on loans required for the purchase and the development of intangible assets, which would not have been incurred if the investment had not been made, is not capitalised.

Intangible Assets with Indefinite Useful Lives

Intangible assets with indefinite useful lives mainly consist of assets which do not have limitations in terms of useful life as per contractual, legal, economic and competitive conditions. This category includes only "goodwill". Goodwill is represented by the excess of the purchase cost incurred compared to the net fair value at the acquisition date of assets and liabilities or business units. The goodwill relating to equity-accounted investees is included in the carrying amount of the equity investments.
This is not subject to amortisation but an impairment test is carried out at least annually on the carrying amount. This test is carried out with reference to the "cash generating unit" to which the goodwill is allocated. Any reduction in value of the goodwill is recorded where the recoverable amount of the goodwill is lower than the carrying amount; the carrying amount is the higher between the fair value of a cash generating unit, less costs to sell, and the value in use, represented by the present value of the estimated cash flows of the cash generating units.
The principal assumptions adopted in the determination of the value in use of the "cash generating units", or rather the present value of the estimated future cash flows which are expected to derive from the continuing use of the activities, relates to the discount rate and the growth rate.
In particular, the F.I.L.A. Group used discount rates which it considers correctly expresses the market valuations, at the date of the estimate, of the time value of money and the specific risks related to the individual cash generating units.
The operating cash flow forecasts derive from the most recent budgets and long-term plans prepared by the F.I.L.A. Group.
The cash flow forecasts refer to current business conditions, therefore they do not include cash flows related to future investments.
The forecasts are based on reasonableness and consistency relating to future general expenses, financial conditions, as well as macro-economic assumptions, with particular reference to increases in product prices, which take into account expected inflation rates.

In the event of an impairment loss, the carrying amount of goodwill may not be restated.

Reference should be made to Note 1 to the separate and consolidated financial statements of the Company and the Group for further information on the indicators used for the impairment test at December 31, 2021.

Intangible assets with finite useful lives

Intangible assets with finite useful lives are amortised on a straight-line basis over their useful life to take account of the residual possibility of use. Amortisation commences when the asset is available for use.

The amortisation policies adopted by the Group provide for:

- Trademarks: based on the useful life;
- Concessions, Licenses and Patents: based on the duration of the right under concession or license and based on the duration of the patent;
- Other intangible assets: 3 years.

Amortisation methods, useful lives, and residual amounts are reviewed at each year-end and modified as necessary.

Research and development costs

Research and development costs are recognised in profit or loss in the year they are incurred, with the exception of development costs recorded under "Intangible assets", when they satisfy the following conditions:

- The project is clearly identified and the related costs are reliably identifiable and measurable;
- The technical feasibility of the project is demonstrated;
- The intention to complete the project and sell the assets generated from the project is demonstrated;
- A potential market exists or, in the case of internal use, the use of the intangible asset is demonstrated for the production of the intangible assets generated by the project;
- The technical and financial resources necessary for the completion of the project are available;
- The intangible asset will generate probable future economic benefits.

Amortisation of development costs recorded under intangible assets begins from the date in which the outcome of the project is commercialised. Amortisation is calculated, on a straight-line basis, over the estimated useful life of the project.

Property, plant and equipment

Property, plant and equipment are measured at purchase cost, net of accumulated depreciation and any impairment losses. The cost includes all charges directly incurred for the purchase and/or production. The interest expense on loans for the purchase and the construction of Property, Plant and Equipment, which would not have been incurred if the investment had not been made, are not capitalised but expensed in the year it is incurred. Where a caption of property, plant and equipment is composed of various components with differing useful lives, these components are recorded separately (significant components) and depreciated separately. Property, plant and equipment acquired through business combinations are recognised in the financial statements at fair value at the acquisition date.

The expense incurred for maintenance and repairs is directly charged to profit or loss in the year in which it is incurred. The costs for improvements, modernisation and transformation are recognised in the statement of financial position as an increase to the carrying amount of Property, Plant and Equipment.

The purchase price or construction cost is net of public grants which are recognised when the conditions for their granting are confirmed. At the reporting date, there are no public grants recorded as a decrease of "Property, Plant and Equipment".

The initial carrying amount of property, plant and equipment is adjusted for depreciation on a systematic basis, calculated on a straight-line basis monthly, when the asset is available and ready for use, based on its estimated useful life.

The estimated useful lives for the current and previous years are as follows:

- Buildings 25 years
- Plant and machinery 8.7 years
- Equipment 2.5 years
- Other assets:
  - Office equipment: 8.3 years
  - Furniture and EDP: 5 years
  - Transport vehicles: 5 years
  - Motor vehicles: 4 years
  - Other: 4 years

Depreciation methods, the useful lives and the residual amounts are assessed at the reporting date and adjusted where necessary.

Biological assets

Biological assets are measured at initial recognition and at each reporting date at their fair value less costs to sell. If the fair value on initial recognition cannot be reliably estimated, in accordance with IAS 41.30, the Group measures the biological asset at its cost less any accumulated depreciation and any accumulated impairment losses.

Leases

The Group has adopted IFRS 16 using the modified retrospective method.

At the commencement of the contract the Group assesses whether the contract is – or contains – a lease. The contract is, or contains a lease, where in exchange for consideration, it transfers the right to control the use of an identified asset for a period of time. In order to assess whether a contract grants the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This criterion is applicable to contracts for periods beginning on or after January 1, 2019.

The Group adopts a single recognition and measurement model for all leases, except for short-term leases and low value leases. The Group recognises the lease liabilities and the right-of-use asset representing the right to use the asset underlying the contract.

Right-of-use assets

The Group recognises right-of-use assets at the lease commencement date (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, net of accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liabilities. The cost of the right-of-use assets includes the amount of the lease liabilities recognised, the initial direct costs incurred and the lease payments made at the commencement date or before, net of any incentives received.

Right-of-use assets are depreciated on a straight-line basis from the commencement date to the end of the useful life of the right-of-use asset or at the end of the lease term, whichever is earlier.

Leases liabilities

At the lease commencement date, the Group recognises the lease liabilities measuring them at the present value of the future lease payments not yet settled at that date. The payments include the fixed payments net of any lease incentives to be received, the variable lease payments which depend on an index or a rate and the amounts expected to be paid as guarantee on the residual amount. The lease payments include also the exercise price of a purchase option where it is reasonably certain that this option will be exercised by the Group and the lease termination penalty payments, where the lease term takes account of the exercise by the Group of the termination option on the lease.

In calculating the present value of the future payments, the Group uses the incremental borrowing rate at the commencement date where the implicit interest rate cannot be readily determined. The Group's incremental borrowing rate is calculated on the basis of the interest rates obtained from various external funding sources by making certain adjustments reflecting the terms of the lease and the type of asset leased.

After the commencement date, the amount of the lease liability increases to take account of the interest on the lease liabilities and reduces to consider the payments made. In addition, the carrying amount of the lease liabilities is restated in the case of any changes to the lease or a review of the contractual terms with regards to the change in the payments; it is also restated in the event of changes in the valuation of the option to purchase the underlying asset or for changes in future payments resulting from a change in the index or rate used to determine those payments.

Where the lease liabilities are remeasured, the lessee correspondingly alters the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero, the lessee recognises the change in profit or loss.

In the statement of financial position, the Group presents right-of-use assets that do not meet the definition of investment property under “Property, plant and equipment” and lease liabilities under “Financial liabilities”.

Short-term leases and low value asset leases

The Group applies the exemption for the recognition of leases relating to low value assets such as PCs, printers, electronic equipment and contracts that have a duration of 12 months or less and do not contain purchase options (short-term leases). The short-term lease instalments and those for low value assets are recognised as costs on a straight-line basis over the lease term.

For contracts entered into before January 1, 2019, the Group determined whether the agreement was or contained a lease by verifying whether (i) performance of the agreement depended on the use of one or more specific assets; (ii) the agreement transferred the right to use the asset. In the comparative year, the Group classified as finance leases those that transferred substantially all the risks and benefits associated with ownership. In this case, assets acquired through lease were initially recognised at their fair value or, if lower, at the present value of the minimum lease payments. Future lease payments are the payments over the lease term that the lessee is required to make, excluding contingent rent. These assets were subsequently recognised in accordance with the accounting standard adopted for each asset.

Impairment losses on non-financial assets

At each reporting date, the intangible assets and property, plant and equipment are analysed to identify the existence of any indicators, either internally or externally to the Group, of impairment. Where these indicators exist, an estimate of the recoverable amount of the above-mentioned assets is made, recording any impairment losses in profit or loss. In the case of goodwill and other intangible assets with indefinite useful lives, this estimate is made annually independently of the existence of such indicators. The recoverable amount of an asset is the higher between the fair value less costs to sell and its value in use. The fair value is estimated on the basis of the values in an active market, from recent transactions or on the basis of the best information available to reflect the amount which the entity could obtain from the sale of the asset. The value in use is the present value of the expected future cash flows to be derived from an asset. In defining the value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the current market assessment of the time value of money, and the specific risks of the asset.

For an asset that does not generate sufficient independent cash flows, the realisable value is determined in relation to the cash-generating unit to which the asset belongs. An impairment loss is recognised in profit or loss when the carrying amount of the asset, or of the cash-generating unit to which it is allocated, is higher than the recoverable amount.

Impairment losses on cash generating units are firstly allocated as a decrease in the carrying amount of any goodwill allocated to the cash generating unit and, thereafter, as a decrease in other assets, in proportion to their carrying amount. Impairment losses relating to goodwill may not be restated. In relation to assets other than goodwill, where the reasons for the impairment loss no longer exist, the carrying amount of the asset is reversed up to the amount at which the asset would have been recognised if no impairment had taken place and amortisation had been recorded.

Loans and financial assets

Trade receivables and debt securities issued are recognised as they arise. All other financial assets and liabilities are initially recognised on the trading date, i.e. when the Group becomes a contractual party to the financial instrument.

With the exception of trade receivables without a significant financing component, financial assets are initially recognised at fair value, plus or minus, in the case of financial assets or liabilities not at FVTPL, the transaction costs directly attributable to the acquisition or issue of the financial asset. Upon initial recognition, trade receivables without a significant financing component are measured at their transaction price.

Upon initial recognition, a financial asset is classified according to how it is measured: at amortised cost, at fair value through other comprehensive income (FVOCI) for debt and equity securities, or at fair value through profit or loss (FVTPL). Financial assets are not reclassified following initial recognition unless the Group modifies the business model within which the financial assets are held. In such cases, all the affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Loans and financial assets are measured at amortised cost, taking the interest to profit or loss according to the effective interest rate method or applying a rate that results in a nil balance of the present values of the net cash flows generated by the financial instrument. Losses are recognised in profit or loss when they become apparent or when the loans and financial assets are derecognised. Loans and financial assets are tested for impairment and then recognised at their estimated realisable value (fair value) by setting aside a specific loss allowance deducted directly from the carrying amount of such assets. Loans and financial assets are impaired when there is objective evidence of a probable default and on the basis of past experience and historical data based on expected credit losses. When, in subsequent periods, the reasons for the impairment no longer exist, the carrying amount of the asset is reinstated up to the amount deriving from the application of the amortised cost as if no impairment loss had been recognised.

Other non-current equity instruments are measured at cost.

Changes in fair value and any gains or losses on disposal of an equity investment are taken to other comprehensive income and never pass through profit or loss. Since this election is irrevocable and may be made on an investment-by-investment basis, any exceptions upon initial recognition will be disclosed in the notes to the caption. All equity instruments must be measured at fair value. The fair value of securities traded in active markets is determined by reference to the exchange prices recorded at the end of trading at the reporting date.

The fair value of investments for which no active market exists is determined on the basis of the price in recent transactions between independent parties of essentially similar instruments or the use of other valuation techniques such as methods based on income or an analysis of discounted cash flows. However, in certain limited circumstances, cost may represent an adequate estimate of fair value if, for example, the most recent information available to assess fair value is insufficient, or if there is a wide range of possible fair values. Cost is never the best estimate of fair value for investments in listed equity instruments. Financial assets designated at fair value through profit or loss upon initial recognition are measured with reference to their market value at the reporting date. The value of non-quoted instruments is determined through generally accepted financial valuation techniques based on market data. Gains or losses deriving from the fair value measurement of assets classified in this category are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents principally include cash, bank deposits on demand and other highly liquid short-term investments (convertible into liquidity within ninety days). These are recorded at their nominal value.

For the purposes of the classification of financial instruments according to the criteria set out in IFRS 9, as required by IFRS 7, cash and cash equivalents have been classified as financial assets at amortised cost for credit risk purposes. Current account overdrafts are classified under "Current Financial Liabilities".

Inventories

Inventories of raw materials, semi-finished products and finished goods are measured at the lower of purchase or production price, including related charges, determined in accordance with the weighted average cost method, and the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs to sell.

Obsolete and slow-moving inventories are written down in relation to their possible use or realisable value.

The purchase cost is used for direct and indirect materials, purchased and used in the production cycle. The production cost is however used for finished goods or in work in progress.

For the determination of the purchase price, consideration is taken of the actual costs incurred net of commercial discounts.

Production cost includes, in addition to the costs of the materials used, as defined above, the direct and indirect production costs allocated. The indirect costs were allocated based on the normal production capacity of the plant.

Distribution costs were excluded from purchase cost and production cost.

Provisions for risks and charges (current and non-current)

Provisions for risks and charges are recognised where the Group has a current obligation, legal or constructive, deriving from a past event and it is probable that fulfilment of the obligation will result in an outflow of resources and the amount of the obligation can be reasonably estimated.

Provisions are recorded at the amount representing the best estimate of the amount that the entity would pay to discharge the obligation or transfer it to a third party. When the time value of money is significant and the payment dates of the obligations can be reliably estimated, the provision is discounted. The rate used in the determination of the present value of the liability reflects the current market values and includes the further effects relating to the specific risk associated with each liability. The increase in the provision due to the passage of time is recognised in profit or loss under “Financial income/(expense)”.
The provisions are periodically updated to reflect the changes in the estimate of the costs, of the time period and of the discount rate; the revisions of estimates are recorded in the same profit or loss caption in which the provision was recorded, or when the liability relates to an asset, against the asset caption to which it refers.
The notes illustrate the contingent liabilities represented by: (i) possible obligations (but not probable) deriving from past events, whose existence will be confirmed only on the occurrence or otherwise of one or more uncertain future events not fully under the control of the entity; (ii) current obligations deriving from past events whose amount cannot be reliably estimated or whose fulfilment will likely not generate an outflow of resources.

Restructuring provisions are recognised where a detailed formal programme has been approved which has raised a valid expectation among third parties that the entity will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Employee benefits

All employee benefits are measured and reflected in the financial statements on an accruals basis.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions to a separate entity and will not have a legal or constructive obligation to pay further contributions. The contributions to be paid to defined contribution plans are recognised as costs in profit or loss when incurred. Contributions paid in advance are recognised under assets to the extent the advance will determine a reduction in future payments or a reimbursement.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The net obligation of the Group deriving from defined benefit plans is calculated separately for each plan estimating the amount of the future benefit which the employees matured in exchange for the services provided in the current and previous years; this benefit is discounted to calculate the present value, while any costs relating to past services not recorded in the financial statements and the fair value of any plan assets is deducted from liabilities. The discount rate is the return, at the reporting date, of the primary obligations whose maturity date approximates the terms of the obligations of the Group and which are expressed in the same currency in which it is expected the benefits will be paid. The calculation is made by an independent actuary using the projected credit unit method. Where the calculation generates a benefit for the Group, the asset recognised is limited to the total, net of all costs relating to past service not recognised and the present value of all economic benefits available in the form of refunds from the plan or curtailments in future contributions to the plan. Where improvements are made to the plan benefits, the portion of increased benefits relating to past service is recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately, the cost is recognised immediately in the statement of comprehensive income.

The Group records all actuarial gains and losses from a defined benefit plan directly and immediately under other comprehensive income.

In relation to Post-Employment Benefits, following the amendments to Law No. 296 of December 27, 2006 and subsequent Decrees and Regulations ("Pension Reform") issued in the first months of 2007, the Parent F.I.L.A. S.p.A. adopted the following accounting treatment:

- The Post-Employment Benefits, accrued to December 31, 2006 are considered a defined benefit plan as per IAS 19. The benefits guaranteed to employees, in the form of Post-Employment Benefits, paid on the termination of employment, are recognised in the period the right vests;
- The Post-Employment Benefits accruing from January 1, 2007 are considered a defined contribution plan and therefore the contributions accrued in the period were fully recognised as a cost and recorded as a liability in the caption "Post-Employment Benefits", after deduction of any contributions already paid.

Other long-term employee benefits

The net obligation of the Group for long-term employee benefits, other than those deriving from pension plans, corresponds to the amount of the future benefits which employees accrued for service in current and previous years. This benefit is discounted, while the Fair Value of any assets is deducted from the liabilities. The discount rate is the return, at the reporting date, on the primary obligations whose maturity date approximates the terms of the obligations of the Group. The obligation is calculated using the projected unit credit method. Any actuarial gains or losses are recorded in the statement of financial in the year in which they arise.

Short-term employee benefits

Short-term employee benefits are recognised as undiscounted expenses when the services that generate them are provided.

The Group records a liability for the amount that it expects will be paid in the presence of a present obligation, legal or constructive, as a consequence of past events and for which the obligation can be reliably estimated.

Financial liabilities

Financial liabilities are initially recognised at fair value, which essentially coincides with the sum received, less directly attributable transaction costs. Management determines the classification of financial liabilities according to the criteria laid down in IFRS 9 and cited in IFRS 7 on initial recognition.

Subsequent to initial recognition, these liabilities are measured at amortised cost by applying the effective interest rate method, i.e. applying a rate that results in the sum of the present value of the net cash flows generated by the financial instrument as equal to zero. Nominal value is used as an approximation of amortised cost for instruments maturing within twelve months.

When there is a change in the expected cash flows, the value of the liabilities is recalculated to reflect this change, based on the present value of the new expected cash flows and on the internal yield initially determined.

A financial liability is derecognised from the financial statements when the underlying liability is settled or cancelled.

Financial instruments

Financial instruments are initially recognised at fair value and, subsequent to initial recognition, are measured on the basis of their classification, as per IFRS 9.

IFRS 9 classifies financial assets into three principal categories: at amortised cost, at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL). According to the Standard, classification is usually based on the entity's business model for the financial assets and the contractual cash flow characteristics of each financial asset.

IFRS 9 essentially maintains the provisions of IAS 39 for the classification and measurement of financial liabilities.

Derivatives are classified in the category "Hedging derivatives" if they satisfy the requisites for the application of so-called hedge accounting, otherwise, although in place in order to manage exposure to risk, they are recognised as "Non-hedging derivatives".

In accordance with IFRS 9, the F.I.L.A. Group has elected to continue to apply the hedge accounting method and requirements set out in the standard previously in force, IAS 39, and thus to determine the hedge effectiveness of the derivative financial instrument. In particular, financial instruments are only accounted for under the hedge accounting methods adopted by the Group when the relationship between the derivative and the hedged item is formally documented and the hedge is highly effective (effectiveness test).

The effectiveness of hedges is documented both at the beginning of the transaction and periodically (at least at the annual or interim reporting dates).

When the hedging derivatives cover the risk of change in the fair value of the instruments subject to the hedge (fair value hedge), the derivatives are recorded at fair value with the effects recorded through profit or loss.

When the derivatives hedge the risk of changes in the cash flows of the hedged instrument (cash flow hedge), the effective part of the changes in the fair value of the derivatives is recognised in the statement of comprehensive income and presented in the hedging reserve. The ineffective part of the changes in the fair value of the derivative instrument is immediately recognised in profit or loss.

Trade payables and other liabilities

Trade payables and other liabilities are initially recognised at fair value, normally equal to the nominal amount, net of discounts, returns or invoice adjustments, and are subsequently measured at amortised cost. When there is a change in the cash flows and it is possible to estimate them reliably, the liabilities are recalculated to reflect this change, based on the present value of the cash flows and on the internal rate of return initially determined.

Current, deferred and other taxes

Income taxes for the year includes current and deferred taxes recognised in profit or loss, with the exception of those on business combinations or amounts recorded directly under equity or under other items of comprehensive income.

Income taxes include all the taxes calculated on the taxable income of the Group Companies applying the tax rates in force at the reporting date.

Other taxes not related to income, such as taxes on property and capital gains, are included under other operating costs (“Services”, “Use of third party assets” and “Other costs”). The liabilities related to indirect taxes are classified under “Other Liabilities”.

The Group has determined that interest and penalties relating to income taxes, including the accounting treatments to be applied to income taxes of an uncertain nature, are accounted for in accordance with IAS 37 Provisions, contingent liabilities and contingent assets as they do not meet the definition of income taxes.

Current taxes include the estimated amount of income taxes due or receivable, calculated on the taxable income or tax loss for the year, as well as any adjustments to previous years' taxes. The amount of taxes due or receivable, determined on the basis of the tax rates in force or substantially in force at the reporting date, also includes the best estimate of the amount to be paid or received, if any, which is subject to factors of uncertainty. Current taxes also include any taxes relating to dividends.

Deferred tax assets and liabilities are classified respectively to non-current assets and liabilities.

Deferred tax assets and liabilities are determined in accordance with the global assets/liability method and are calculated on the basis of the temporary differences arising between the carrying amounts of the assets and liabilities and the corresponding amounts recognised for tax purposes, taking into account the tax rate under current tax legislation for the years in which the differences will reverse, with the exception of goodwill at the initial recognition date and those differences deriving from investments in subsidiaries which are not expected to be reversed in the foreseeable future, and on the tax losses to be carried forward.

“Deferred Tax Assets” are classified under non-current assets and are recognised only when there is a high probability of future taxable profit to recover these assets.

The valuation of deferred taxes reflects the tax effects arising from the manner in which the Group expects to recover or extinguish the carrying amount of assets and liabilities at year-end.

Deferred tax assets and liabilities are only offset when certain criteria are met.

Treasury Shares

Treasury shares are recognised as a deduction from equity. The original cost of the treasury shares and the revenue deriving from any subsequent sale are recognised as equity movements.

Revenue and costs

Revenue recognition

The revenue and income are recorded, as per IFRS 15, net of returns, discounts, rebates and premiums as well as direct taxes related to the sale of products and services. In particular, revenue is measured taking into account the consideration specified in the contract with the customer and is recognised when control of the good or service is transferred. As it concerns the sale of goods, revenue is recognised at a point in time, i.e. when control of the goods is transferred to the buyer, which generally coincides with their physical delivery.

Recognition of costs

Costs are recognised when relating to goods and services acquired or consumed in the year or when there is no future utility.

The costs directly attributable to share capital transactions are recorded as a direct reduction of equity.

Commercial costs relating to the acquisition of new customers are expensed when incurred.

Financial income and expense

Financial income includes interest income on liquidity invested, dividends received and income from the sale of available-for-sale financial assets. Interest income is recorded in profit or loss on an accruals basis using the effective interest method. Dividend income is recorded when the right of the Group to receive the payment is established which, in the case of listed securities, corresponds to the coupon date.

Financial income include interest on loans, discounting of provisions, dividends distributed on redeemable preference shares, changes in the fair value of financial assets measured at fair value through profit or loss and impairment losses on financial assets. Finance expense is recorded in profit or loss utilising the effective interest method. Exchange gains and losses are shown on a net basis.

Dividends

Dividends to be paid to shareholders are recognised on the date of the shareholders' resolution.

Earnings per share

The basic earnings/(loss) per share are calculated by dividing the Group's profit or loss by the weighted average shares outstanding during the year.
In order to calculate the diluted earnings/(loss) per share, the average weighted number of shares outstanding is adjusted assuming the conversion of all shares with potential dilutive effect.
The profit or loss for the year is also adjusted to account for the effects of the conversion, net of taxes.
The diluted earnings/(loss) per share are calculated by dividing the Group's profit or loss for the year by the weighted average number of ordinary shares outstanding during the year and those potentially arising from the conversion of all potential ordinary shares with dilutive effect.

Share-based payment arrangements

2019-2021 Performance Shares Plan

In accordance with IFRS 2 - Share-based payments, the key data regarding the "2019-2021 Performance Shares Plan" approved by the shareholders of F.I.L.A. S.p.A. in their meeting of April 18, 2019 in replacement of the 2017-2019 Performance Shares Plan closed in advance and based on the free awarding of shares of the parent F.I.L.A. S.p.A to managers and senior executives of the F.I.L.A. Group, is presented below.
The "2019-2021 Performance Shares Plan" represents a medium/long-term incentive system based on the free assignment of company shares and subject to the achievement of specific performance objectives, in addition to continued employment with the Group. In particular, the free assignment of shares is linked (i) partly to the achievement of the performance objectives calculated for all beneficiaries of the "2019-2021 Performance Shares Plan" with reference to the scope of the F.I.L.A. Group, and (ii) partly to the achievement of certain individual or organisational strategic objectives defined specifically for each beneficiary of the "2019-2021 Performance Shares Plan" by reason of the role and position held.

The total maximum number of shares to be assigned to beneficiaries of the "2019-2021 Performance Shares Plan" was established at 789,320. It is stipulated that these shares derive from (i) a share capital increase to be executed through the use, in accordance with Article 2349 of the Italian Civil Code, of profits or retained earnings and/or (ii) treasury shares from purchases made in accordance with Article 2357 and 2357-ter of the Italian Civil Code. Against a total maximum 789,320 ordinary shares of F.I.L.A. S.p.A. to be granted to beneficiaries where achieving the maximum performance objectives set out under the Plan, the Board of Directors, on conclusion of the three-year vesting period (i.e. December 31, 2021) shall establish the effective number of shares to be assigned to the beneficiaries of the Plan, which shall be made available to each, according to the terms and methods established by the Plan and, in particular, not beyond 60 calendar days from approval of the financial statements at December 31, 2021.

For equity-settled share-based payment transactions, the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. Where the entity cannot estimate reliably the fair value of the goods or services received, it shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

The F.I.L.A. Group calculated the fair value of the benefit received against options on shares granted referring to the fair value of the options granted, calculated on the grant date and using the binomial options pricing model.

In calculating the fair value at the grant date of the share-based payment, the following parameters are used:

Expected share price at the grant date: Euro 5.48
Risk free interest rate (based on iBoxx Euro Sovereign): 0.20%;
Expected volatility (expressed as average weighted volatility): 26.4%;
Duration of the option: 3 years;
Expected dividends: 0.50% per year.

The share price of Euro 5.48 was updated in the year following the updates to the expected fair value at the grant date with a previous expected initial grant price of Euro 13.22.

The expected volatility is estimated according to the historical average price volatility of the shares over the three years since the grant date.

Fair value measurement

For measuring the fair value of an asset or a liability, the Group as far as possible refers to observable market data. The fair values are broken down into hierarchical levels based on the input data utilised for measurement, as outlined below.

Level 1: unadjusted asset or liability prices on an active market;

Level 2: inputs other than prices listed at the previous point, which are directly observable (prices) or indirectly (derived from the prices) on the market;

Level 3: inputs which are not based on observable market data.

Where the input data utilised to calculate the fair value of an asset or a liability may be classified to differing fair value hierarchy levels, the entire measurement is included in the lowest hierarchy level of the input which is significant for the entire measurement.

The Group records the transfers between the various fair value hierarchy levels at the end of the period in which the transfer took place.

Use of estimates

The preparation of the consolidated financial statements requires the directors to apply accounting policies and methods that, in some circumstances, are based on judgements and estimates based on experience and assumptions which are from time to time considered reasonable and realistic based on the relative circumstances. The application of these estimates and assumptions impact the carrying amount of the assets and liabilities and of the costs and revenue and the disclosure on contingent assets and liabilities at the reporting date. Actual results may differ from these estimates.

The captions which require greater judgement by the Directors in the preparation of the estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the combined financial figures are briefly described below.

Measurement of trade receivables: trade receivables are adjusted by the loss allowance, taking into account the effective recoverable amount. The calculation of the impairment losses requires the directors to make judgements based on the documentation and the information available relating to the solvency of the customers, and from market and historical experience.

Measurement of goodwill and intangible assets with indefinite useful life: in accordance with the accounting standards applied by the Group, goodwill and intangible assets with indefinite useful lives are subject to impairment testing at least annually in order to verify whether a reduction in value has taken place. This assessment requires the directors to make judgements based on the information available within the Group and from the market, as well as from historical experience; this depends in addition on factors which may change over time, affecting the judgements and estimates made by directors. In addition, when it is determined that there may be a potential impairment loss, the Group determines this through using the most appropriate technical valuation methods available.

Risk provisions: the identification of the existence of a present obligation (legal or constructive) in some circumstances may be difficult to determine. The directors evaluate these factors case-by-case, together with the estimate of the amount of the economic resources required to fulfil the obligation. When the directors consider that a liability is only possible, the risks are disclosed in the notes under the section on commitments and risks, without any provision.

Measurement of closing inventories: inventories of products which are obsolete or slow moving are periodically subject to impairment testing and written down where the recoverable amount is lower than the carrying amount. The write-downs are made based on assumptions and estimates of management deriving from experience and historical results.

Pension plans and other post-employment benefits: the companies of the Group participate in pension plans and other post-employment benefits in various countries; in particular in Italy, Germany, the United States, France, Canada and Mexico. Management uses multiple statistical assumptions and valuation techniques with the objective of anticipating future events for the calculation of the charges, liabilities and assets relating to these plans. The assumptions relate to the discount rate, the expected return of the plan assets and the rate of future salary increases. In addition, the actuarial consultants of the Group use subjective factors, for example mortality and employee turnover rates.

The transition to IFRS 16 introduces some elements of professional judgment that entail the use of assumptions and estimates with regard to the lease term and the definition of the incremental borrowing rate.

The calculation of deferred tax assets is supported by a recoverability plan prepared on the basis of assumptions which the directors consider reasonable.

Segment reporting

In terms of segment reporting, the F.I.L.A. Group has adopted IFRS 8.
IFRS 8 requires an entity to base segment reporting on internal reporting, which is regularly reviewed by the entity's chief operating decision maker to allocate resources to the various segments and assess performance.
Geographical segments are the primary basis of analysis and of decision-making by the F.I.L.A. Group's management, therefore fully in line with the internal reporting prepared for these purposes.
In particular, the Group's business is divided into five business segments, each of which is composed of various geographical segments, i.e. (i) Europe, (ii) North America (USA and Canada), (iii) Central and South America, (iv) Asia and (v) the Rest of the World, which includes South Africa and Australia. Each of the five business segments designs, markets, purchases, manufactures and sells products under known consumer brands in demand amongst end users and used in schools, homes and workplaces. Product designs are adapted to end users' preferences in each geographical segment.

The group's products are similar in terms of quality and production, target market, margins, sales network and customers, even with reference to the different brands which the group markets. Accordingly, there is no diversification by segments in consideration of the substantial uniformity of the risks and benefits relating to the products produced by the F.I.L.A. Group.
The accounting policies applied to segment reporting are in line with those used for the preparation of the consolidated financial statements.

Business Segment Reporting of the F.I.L.A. Group aggregates companies by geographical segment on the basis of the *"entity location"*.

For disclosure on the association between the geographical segments and F.I.L.A. group companies, reference should be made to the attachments to this report in the "List of companies included in the consolidation scope and other equity investments" section.
The segment reporting required in accordance with IFRS 8 is presented below.

Business Segments – Statement of financial position

The group's key statement of financial position figures broken down by geographical segment at December 31, 2021 and December 31, 2020, are reported below:

December 31, 2021 *Euro thousands*	**Europe**	**North America**	**Central - South America**	**Asia**	**Rest of the World**	**Consolidation**	**F.I.L.A. Group**
Intangible Assets	139,998	223,177	994	20,444	-	61,210	445,823
Property, plant & equipment	63,669	47,032	20,699	37,974	279	-	169,653
Biological Assets	-	-	-	1,936	-	-	1,936
Total non-current assets	**203,667**	**270,209**	**21,693**	**60,354**	**279**	**61,210**	**617,412**
of which Infragroup	*(76)*	*-*			*-*		
Inventories	100,215	110,488	32,856	30,177	1,889	(4,356)	271,269
Trade receivables and Other assets	74,632	37,885	35,333	15,566	1,241	(43,300)	121,357
Trade payables and Other liabilities	(77,457)	(40,093)	(15,536)	(22,269)	(2,922)	42,847	(115,430)
Other Current Assets and Liabilities	(1,704)	1,458	118	(89)	(1)	-	(218)
Net Working Capital	**95,685**	**109,738**	**52,771**	**23,386**	**207**	**(4,808)**	**276,979**
of which Infragroup	*(10,678)*	*1,848*	*3,604*	*(2,175)*	*2,592*		
Net Financial Debt	**(183,813)**	**(207,080)**	**(37,911)**	**(5,385)**	**(3,213)**	**149**	**(437,253)**
of which Infragroup	*(1,330)*	*(5,127)*	*2,633*	*266*	*3,708*		

December 31, 2020 *Euro thousands*	**Europe**	**North America**	**Central - South America**	**Asia**	**Rest of the World**	**Consolidation**	**F.I.L.A. Group**
Intangible Assets	140,829	211,481	1,032	20,751	-	61,897	435,990
Property, plant & equipment	65,009	48,403	21,558	36,030	489	-	171,489
Biological Assets	-	-	-	1,639	-	-	1,639
Total non-current assets	**205,838**	**259,884**	**22,590**	**58,420**	**489**	**61,897**	**609,118**
of which Infragroup	*(76)*	*-*			*-*		
Inventories	84,282	110,946	36,790	25,555	1,965	(4,889)	254,649
Trade Receivables and other assets	79,310	30,280	36,411	13,845	1,331	(45,248)	115,929
Trade payables and other liabilities	(73,702)	(36,657)	(14,494)	(16,751)	(3,685)	44,747	(100,542)
Other Current Assets and Liabilities	2,151	2,299	382	76	-	-	4,908
Net Working Capital	**92,041**	**106,868**	**59,089**	**22,725**	**(389)**	**(5,390)**	**274,944**
of which Infragroup	*(11,661)*	*1,915*	*2,676*	*(1,425)*	*3,104*		
Net Financial Debt	**(208,813)**	**(231,068)**	**(41,077)**	**(8,777)**	**(2,481)**	**(1,240)**	**(493,456)**
of which Infragroup	*140*						

Business Segments –Statement of comprehensive income

The group's key statement of comprehensive income figures broken down by geographical segment for the year ended December 31, 2021 and December 31, 2020, are reported below:

December 31, 2021 *Euro thousands*	Europe	North America	Central - South America	Asia	Rest of the World	Consolidation	F.I.L.A. Group
Revenue	325,770	309,259	71,099	95,153	3,965	(151,968)	653,278
of which Infragroup	*(88,734)*	*(10,734)*	*(25,251)*	*(27,243)*	*(5)*		
Gross operating profit (loss)	50,395	53,697	6,600	9,276	(10)	(31)	119,927
Operating profit (loss)	32,638	41,172	3,150	1,831	(207)	(37)	78,547
Net financial income (expense)	6,232	(9,030)	(5,851)	(998)	(64)	(14,380)	(24,091)
of which Infragroup	*(14,172)*	*(1,116)*	*748*	*67*	*93*		
Profit (loss) for the year	32,314	23,692	(2,517)	730	(273)	(14,521)	39,425
Profit (loss) attributable to Non-controlling interests	1,000	433	-	(22)	-	-	1,411
Profit (loss) attributable to the owners of the Parent	31,315	23,260	(2,517)	751	(273)	(14,521)	38,014

December 31, 2020 *Euro thousands*	Europe	North America	Central - South America	Asia	Rest of the World	Consolidation	F.I.L.A. Group
Revenue	297,426	322,177	61,105	85,927	3,369	(162,622)	607,382
of which Infragroup	*(84,940)*	*(12,546)*	*(30,762)*	*(34,217)*	*(158)*		
Gross operating profit (loss)	36,426	45,704	4,423	10,445	(368)	(1,579)	95,051
Operating profit (loss)	18,525	29,632	946	2,721	(1,076)	(1,230)	49,518
Net financial income (expense)	(11,077)	(13,188)	(7,127)	1,673	116	(5,628)	(35,231)
of which Infragroup	*1,611*	*(5,372)*	*156*	*(2,464)*	*99*		
Profit (loss) for the year	7,757	9,838	(5,898)	3,941	(1,035)	(6,481)	8,122
Profit (loss) attributable to Non-controlling interests	314	248	-	(1,044)	(3)	-	(485)
Profit (loss) attributable to the owners of the Parent	7,445	9,590	(5,898)	4,985	(1,032)	(6,481)	8,607

Business Segments – Other Information

The "Other information", i.e. the group companies' property, plant and equipment and intangible assets broken down by geographical segment for the year ended December 31, 2021 and December 31, 2020, is reported below:

December 31, 2021 *Euro thousands*	Europe	North America	Central - South America	Asia	Rest of the World	F.I.L.A. Group
Intangible assets	2,487	-	-	4	-	2,491
Property, plant and equipment	3,218	1,785	907	3,625	25	9,561
Right-of-use assets	3,966	106	436	1,742	(24)	6,225
Net investments	**9,671**	**1,891**	**1,343**	**5,371**	**1**	**18,277**

December 31, 2020 *Euro thousands*	Europe	North America	Central - South America	Asia	Rest of the World	F.I.L.A. Group
Intangible assets	1,766	17	-	34	-	1,817
Property, plant and equipment	2,162	2,395	822	3,380	174	8,932
Right-of-use assets	2,226	8,950	1,332	(627)	326	12,207
Net investments	**6,154**	**11,362**	**2,154**	**2,787**	**500**	**22,956**

Note 1 - Intangible Assets

“Intangible Assets” at December 31, 2021 amount to Euro 445,823 thousand (Euro 435,990 thousand at December 31, 2020) and are comprised for Euro 168,401 thousand of intangible assets with indefinite useful lives – goodwill (“Note 1.B - Goodwill”) and for Euro 277,422 thousand of intangible assets with finite useful lives (“Note 1.D – Intangible Assets with finite useful lives”).

The changes of the year were as follows:

Note 1.A - INTANGIBLE ASSETS

Euro thousands	Goodwill	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other	Assets under development	Total
Historical cost						
December 31, 2019	**147,761**	**200**	**145,823**	**187,618**	**1,927**	**483,329**
Increases	**21,232**	**-**	**12,624**	**11,657**	**281**	**45,794**
Increase (Investments)	-	-	72	821,000	924	1,817
Transfers from assets under development	-	-	176	467	(643)	-
Change in consolidation scope	21,232	-	12,376	10,369	-	43,977
Decreases	**(6,090)**	**-**	**(8,840)**	**(14,507)**	**-**	**(29,437)**
Decreases (Disinvestments)	-	-	(489)	(331)	-	(820)
Net exchange losses	(6,090)	-	(8,351)	(14,176)	-	(28,617)
December 31, 2020	**162,903**	**200**	**149,607**	**184,768**	**2,208**	**499,686**
Increases	5,498	**-**	**6,869**	**13,894**	**1,308**	**27,569**
Increase (Investments)	-	-	61	525	1,905	2,491
Transfers from assets under development	-	-	15	582	(597)	-
Net exchange gains	5,498	-	6,793	12,787	-	25,078
Decreases	**-**	**-**	**-**	**(903)**	**-**	**(903)**
Decreases (Disinvestments)	-	-	-	(743)	-	(743)
Reclassifications	-	-	-	(160)	-	(160)
December 31, 2021	**168,401**	**200**	**156,477**	**197,759**	**3,516**	**526,353**

Euro thousands	Goodwill	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other	Assets under development	Total
Accumulated amortisation						
December 31, 2019	**-**	**(168)**	**(30,428)**	**(22,123)**	**-**	**(52,719)**
Increases	**-**	**(8)**	**(5,081)**	**(10,222)**	**-**	**(15,311)**
Amortisation	-	(8)	(5,081)	(10,222)	-	(15,311)
Decreases	**-**	**-**	**2,330**	**2,003**	**-**	**4,334**
Disinvestments	-	-	489	331	-	820
Net exchange losses	-	-	1,841	1,672	-	3,514
December 31, 2020	**-**	**(177)**	**(33,179)**	**(30,340)**	**-**	**(63,696)**
Increases	**-**	**(7)**	**(6,491)**	**(11,115)**	**-**	**(17,612)**
Amortisation	-	(7)	(5,071)	(9,331)	-	(14,409)
Net exchange gains	-	-	(1,420)	(1,784)	-	(3,203)
Decreases	**-**	**-**	**-**	**778**	**-**	**778**
Disinvestments	-	-	-	743	-	743
Reclassifications	-	-	-	35	-	35
December 31, 2021	**-**	**(183)**	**(39,670)**	**(40,677)**	**-**	**(80,530)**
Carrying amount at December 31, 2019	**147,761**	**31**	**115,394**	**165,496**	**1,927**	**430,609**
Carrying amount at December 31, 2020	**162,903**	**23**	**116,428**	**154,428**	**2,208**	**435,990**
Carrying amount at December 31, 2021	**168,401**	**16**	**116,807**	**157,083**	**3,516**	**445,823**
Change	**5,498**	**(7)**	**379**	**2,655**	**1,308**	**9,833**

Intangible Assets with Indefinite Useful Lives

Intangible Assets with Indefinite Useful Lives are comprised entirely of goodwill for a total amount of Euro 168,401 thousand (Euro 162,903 thousand at December 31, 2020). The movement compared to December 31, 2020 was entirely due to exchange gains of Euro 5,498 thousand, mainly relating to the strengthening against the Euro of the US Dollar for Euro 5,334 thousand, of the main currencies of the Central-South America area for Euro 156 thousand and of the Indian Rupee for Euro 8 thousand.

Goodwill is not amortised but subject to an impairment test at least annually and whenever facts or circumstances arise which may indicate the risk of an impairment loss.

In accordance with the provisions of IAS 36, goodwill is allocated to the various cash generating units (CGU's) and at least on an annual basis subject to recoverability analysis through an impairment test. The cash generating units relate to the operating segments, on a geographical basis, in line with the minimum level at which goodwill is monitored for internal management purposes.

The CGU's to which goodwill is allocated are as follows:

NOTE 1.B GOODWILL BY CASH GENERATING UNIT

Euro thousands	December 31, 2021	December 31, 2020	Change	Exchange Rate Difference	Impairment Losses
North America (2)	98,549	93,215	5,334	5,334	-
DOMS Industries Pvt Ltd (India)	33,269	33,261	8	8	-
Canson Group (4)	17,015	17,015	-	-	-
Fila Arches	5,473	5,473	-	-	-
Daler - Rowney Lukas Group (5)	5,922	5,922	-	-	-
Dixon Group - Central / South America (1)	1,924	1,768	156	156	-
Industria Maimeri S.p.A. (Italy)	1,695	1,695	-	-	-
St. Cuthberts Holding (UK) (6)	1,323	1,323	-	-	-
Fila Hellas (Greece)	1,932	1,932	-	-	-
Lyra Group (3)	1,217	1,217	-	-	-
FILA SA (South Africa)	83	83	-	-	-
Total	**168,401**	**162,903**	**5,498**	**5,498**	**-**

(1) - Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico); F.I.L.A. Chile Ltda (Chile); FILA Argentina S.A. (Argentina).

(2) - Dixon Ticonderoga Company (U.S.A.); Dixon Canadian Holding Inc. (Canada); Brideshore srl (Dominican Republic), North America CGU share; Dixon Ticonderoga ART ULC; Princeton Hong Kong (U.S.A).

(3) - Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG (Germany); FILA Nordic AB (Sweden); PT. Lyra Akrelux (Indonesia); Daler Rowney GmbH (Germany); Lukas-Nerchau GmbH (Germany); Nerchauer Malfarben GmbH (Germany).

(4) - Canson SAS (France); Lodi 12 SAS (France); Canson Brasil I.P.E. LTDA (Brazil); Canson Australia PTY LTD (Australia); Canson Qingdao Ltd. (China); Fila Iberia S.L. (Spain); Fila Yixing (China), Canson Italy (Italy).

(5) - Renoir Topco Ltd (United Kingdom); Renoir Midco Ltd (United Kingdom); Renoir Bidco Ltd (United Kingdom); FILA Benelux SA (Belgium); Daler Rowney Ltd (United Kingdom); Brideshore srl (Dominican Republic), Daler CGU.

(6) - St. Cuthberts Holding (United Kingdom); St. Cuthberts Mill (United Kingdom).

The allocation of goodwill was made considering individual CGU's or Groups of CGU's based on potential synergies and similar operating strategies on the various markets.

The annual impairment test undertaken by the Group has the objective to compare the carrying amount of the cash-generating units to which the goodwill was allocated with the relative recoverable amount. This latter is determined as the higher of the fair value less costs to sell and the value in use estimated by discounting cash flows.

The F.I.L.A. Group identifies the recoverable amount as the value in use of the cash generating units, identified (as per IAS 36) as the present value of projected cash flows, discounted at a separate rate for each geographical segment and reflecting the specific risks of the individual CGUs at the measurement date.

The assumptions utilised for the purposes of the impairment test are as follows:

The expected cash flows used to determine the "Value in use" were developed on the basis of the Group's 2022 Budget approved on February 11, 2022 and the 2022-2026 Business Plan approved by the Board of Directors on March 16, 2022, whereas the individual business plans were submitted for approval by the Boards of Directors of the individual Group companies.
In particular, the cash flows were determined taking the assumptions from the budget and applying the growth rate identified for each CGU in line with the long-term assumptions relating to the growth rate of the sector and the specific risk of the country in which each CGU operates. The process to calculate the “Value in use” centres on measurement assumptions influenced by market performances, which in view of the specific social-economic conditions are difficult to predict and tend towards instability, in addition to the assumptions underlying the expected synergies, as reflected in the business plan. The “Terminal Value” was calculated applying the perpetual yield method.

As of 2019, the effects of the entry into force of IFRS 16 on Impairment Tests was also taken into account. In particular, the Right-of-Use assets were included within the CGU being valued, gross of the related Lease Liability, and the Value in Use was determined excluding the related lease payments and using an updated discount rate, which reflects the financial leverage attributable to the lease contracts.
The discount rate (W.A.C.C.) is the weighted average cost of risk capital and borrowing cost considering the tax effects generated by the financial leverage.

The table below outlines the main assumptions for the impairment test. The discount rate is different from December 31, 2020 to reflect the changed market conditions at December 31, 2021, as commented upon below:

IMPAIRMENT TEST GOODWILL - VALUE IN USE CALCULATION ASSUMPTIONS

Euro thousands	Discount Rate (W.A.C.C.)*	Growth Rate (g rate)*	Cash flow horizon	Terminal Value Calculation Method
DOMS Industries Pvt Ltd (India)	11.9%	4.0%	5 years	Perpetuity growth rate
Canson Group (France)	7.1%	1.9%	5 years	Perpetuity growth rate
Daler-Rowney Lukas Group (UK)	7.9%	1.9%	5 years	Perpetuity growth rate
North America	8.4%	2.2%	5 years	Perpetuity growth rate
Dixon Group - Central / South America	11.3%	4.0%	5 years	Perpetuity growth rate
Industria Maimeri S.p.A. (Italy)	7.9%	1.5%	5 years	Perpetuity growth rate
St. Cuthberts Holding (UK)	7.9%	1.9%	5 years	Perpetuity growth rate
Lyra Group	6.7%	1.9%	5 years	Perpetuity growth rate
Fila Hellas	10.7%	1.5%	5 years	Perpetuity growth rate
Fila Arches	7.1%	1.9%	5 years	Perpetuity growth rate
FILA SA (South Africa)	12.4%	4.0%	5 years	Perpetuity growth rate

** Source: Bloomberg*

The main changes to the discount rate used for the impairment test on the previous year were:

- DOMS Industries Pvt Ltd (India) – The W.A.C.C. is 11.9% (11.3% at December 31, 2020), with the change on the previous year principally due to a decrease in the risk-free rate and an increase in the borrowing costs;
- Dixon Group - Central/South America - the discount rate is 11.3% (10.4% at December 31, 2020). The change is due to an increase in the risk free rate and an increase in the cost of capital (Ke);
- North America - The W.A.C.C. used is 8.4% (7.7% at December 31, 2020). The change from the previous year is primarily due to an increase in the risk free rate and an increase in the borrowing costs;
- Canson Group (France) and Fila Arches- The W.A.C.C. is 7.1% (6.7% at December 31, 2020). The change on the previous year is mainly due to an increase in the borrowing costs and the cost of capital (Ke), partially offset by reduction in the risk free rate;
- Daler-Rowney Lukas Group and St. Cuthberts (United Kingdom) - The discount rate is 7.9% (7.3% at December 31, 2020). The increase is substantially attributable to the increase in the risk free rate and the borrowing costs;
- Industria Maimeri S.p.A. (Italy) – the discount rate is 7.9% (8.0% at December 31, 2020). The decrease from the previous year is primarily attributable to a decrease in the borrowing costs and the cost of capital (Ke);
- Lyra Group (Germany) – the discount rate used was 6.7% (6.4% at December 31, 2020). The change on the previous year is due to an increase in the borrowing costs, partially offset in the reduction of the beta levered component;
- FILA SA (South Africa) – the W.A.C.C. is 12.4% (12.8% at December 31, 2020). The change on 2020 is due to the reduction in the cost of capital (Ke) and of the borrowing costs;
- Fila Hellas - the W.A.C.C. is 10.7% (10.4% at December 31, 2020). The change on the previous

year is due to the increase in the borrowing costs.

Particular importance was given to the impairment tests on the goodwill allocated to the North America cash generating unit of Euro 98,549 thousand (Euro 93,215 thousand at December 31, 2020), DOMS Industries Pvt Ltd of Euro 33,269 thousand (Euro 33,261 thousand at December 31, 2020) and Canson Group of Euro 17,015 thousand (Euro 17,015 thousand at December 31, 2020). The goodwill of the above CGUs accounts for 88.4% of the Group's intangible assets with indefinite useful lives of Euro 168,401 thousand. The impairment tests performed indicated headroom of approximately Euro 389 million for the North America CGU (49%), of Euro 40 million for the Doms Industries Pvt Ltd CGU (India) (31%) and of Euro 168 million for the Canson CGU (68%).

The DCF (Discounted Cash Flow) method applied to the carrying amount of the above CGUs confirms their carrying amount.

In completion of the analyses, the following activities were undertaken:
A sensitivity analysis to verify the recoverability of goodwill against possible changes in the basic assumptions used to calculate discounted cash flows (the "Growth Rate" and the "WACC", which would lead to an impairment loss, and identifying the minimum value of the "Growth Rate", maintaining the "WACC" fixed, and identifying the maximum value of the "WACC", maintaining the "Growth Rate" fixed):

SENSITIVITY ANALYSIS - Variable Growth Rate

	Discount Rate (W.A.C.C.)	Growth Rate (g rate)
DOMS Industries Pvt Ltd (India)	11.9%	0.3%
Canson Group (France)	7.1%	(19.1%)
Daler-Rowney Lukas Group (UK)	7.9%	(3.5%)
North America	8.4%	(9.1%)
Dixon Group - Central / South America	11.3%	(2.9%)
Industria Maimeri S.p.A. (Italy)	7.9%	(8.5%)
St. Cuthberts Holding (UK)	7.9%	(4.4%)
Lyra Group	6.7%	(34.1%)
Fila Hellas	10.7%	(116.0%)
FILA SA (South Africa)	12.4%	(137.9%)
Fila Arches	7.1%	(9.5%)

SENSITIVITY ANALYSIS - Variable W.A.C.C.

	Discount Rate (W.A.C.C.)	Growth Rate (g rate)
DOMS Industries Pvt Ltd (India)	14.7%	4.0%
Canson Group (France)	18.5%	1.9%
Daler-Rowney Lukas Group (UK)	11.9%	1.9%
North America	14.5%	2.2%
Dixon Group - Central / South America	15.8%	4.0%
Industria Maimeri S.p.A. (Italy)	14.3%	1.5%
St. Cuthberts Holding (UK)	12.4%	1.9%
Lyra Group	23.6%	1.9%
Fila Hellas	32.1%	1.5%
FILA SA (South Africa)	34.6%	4.0%
Fila Arches	14.3%	1.9%

- The testing of the recoverability of goodwill against possible increases and decreases of 0.5 percent in the "Growth Rate" and "WACC";
- The comparison between the value in use of the CGU for 2021 and 2020 with the analysis of the variations;
- Reasonableness test between the overall value in use at Group level and the stock market capitalisation.
- Analysis of the impairment result in response to changes in gross operating profit over the explicit time horizon.

In addition, account was taken of what was highlighted by ESMA, which in October 2021 published the Public Statement "*European common enforcement priorities for 2021 financial statements*", on the sensitivity analysis for significant changes in *key operational and financial assumptions* due to Covid-19.

The above-mentioned analysis confirmed the full recoverability of the goodwill analysed and the reasonableness of the assumptions used.

The cash flows and assumptions used for the Impairment Test were approved by the Board of Directors on March 16, 2022.

Intangible assets with finite useful lives

The changes at December 31, 2021 of "Intangible Assets with Finite Useful Lives" are reported below:

Note 1.D - INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

Euro thousands	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other	Assets under development	Total
Historical cost					
December 31, 2019	**200**	**145,823**	**187,618**	**1,927**	**335,568**
Increases	**-**	**12,624**	**11,657**	**281**	**24,562**
Investments	-	72	821	924	1,817
Transfers from assets under development	-	176	467	(643)	-
Change in consolidation scope	-	12,376	10,369	-	22,745
Decreases	**-**	**(8,840)**	**(14,507)**	**-**	**(23,347)**
Disinvestments	-	(489)	(331)	-	(820)
Net exchange losses	-	(8,351)	(14,176)	-	(22,527)
December 31, 2020	**200**	**149,607**	**184,768**	**2,208**	**336,783**
Increases	**-**	**6,869**	**13,894**	**1,308**	**22,071**
Investments	-	61	525	1,905	2,491
Transfers from assets under development	-	15	582	(597)	-
Net exchange gains	-	6,793	12,787	-	19,580
Decreases	**-**	**-**	**(903)**	**-**	**(903)**
Disinvestments	-	-	(743)	-	(743)
Reclassifications	-	-	(160)	-	(160)
December 31, 2021	**200**	**156,477**	**197,759**	**3,516**	**357,952**

Euro thousands	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other	Assets under development	Total
Accumulated amortisation					
December 31, 2019	**(168)**	**(30,428)**	**(22,123)**	**-**	**(52,719)**
Increases	**(8)**	**(5,081)**	**(10,222)**	**-**	**(15,311)**
Amortisation	(8)	(5,081)	(10,222)	-	(15,311)
Decreases	**-**	**2,330**	**2,003**	**-**	**4,334**
Disinvestments	-	489	331	-	820
Net exchange losses	-	1,841	1,672	-	3,514
December 31, 2020	**(177)**	**(33,179)**	**(30,340)**	**-**	**(63,696)**
Increases	**(7)**	**(6,491)**	**(11,115)**	**-**	**(17,577)**
Amortisation	(7)	(5,071)	(9,331)	-	(14,409)
Net exchange gains	-	(1,420)	(1,784)	-	(3,203)
Decreases	**-**	**-**	**778**	**-**	**778**
Reclassifications	-	-	35	-	35
Disinvestments	-	-	743	-	743
December 31, 2021	**(183)**	**(39,670)**	**(40,677)**	**-**	**(80,350)**
Carrying amount at December 31, 2019	**31**	**115,394**	**165,496**	**1,927**	**282,848**
Carrying amount at December 31, 2020	**23**	**116,428**	**154,428**	**2,208**	**273,087**
Carrying amount at December 31, 2021	**16**	**116,807**	**157,083**	**3,516**	**277,422**
Change	**(7)**	**379**	**2,655**	**1,308**	**4,335**

"Industrial Patents and Intellectual Property Rights" amount to Euro 16 thousand at December 31, 2021 (Euro 23 thousand at December 31, 2020).
The average residual useful life of the "Industrial Patents and Intellectual Property Rights", recorded in the financial statements at December 31, 2021, is 5 years.

"Concessions, Licences, Trademarks and Similar Rights" amount to Euro 116,807 thousand at December 31, 2021 (Euro 116,428 thousand at December 31, 2020).
The carrying amount increased on December 31, 2020 by Euro 379 thousand, mainly due to exchange gains for Euro 5,373 thousand, increases in investments for Euro 61 thousand and the entry into service of assets under development for Euro 15 thousand, partially offset by amortisation of the year of Euro 5,071 thousand. In addition, a significant amount of the amortisation relates to the "Business combinations" undertaken in 2018 and concerning the brands held by the Pacon Group (Euro 31,903 thousand) and with regards to that undertaken in 2016 and relating to the brands held by the English Group Daler Rowney (Euro 40,223 thousand) and by the Canson Group (Euro 32,400 thousand).
The other historical trademarks subject to amortisation refer principally to "*Lapimex*" held by F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and the "*Lyra*" brands held by Lyra KG (Germany) and *"DOMS"* held by DOMS Industries Pvt Ltd (India).
The average useful life of the "Concessions, Licenses, Trademarks and Similar Rights", recorded in the financial statements of December 31, 2021, is 30 years. Trademarks are amortised on the basis of their useful lives and tested for impairment to below their recoverable amount when there are signs that they may have become impaired.

"Other" amount to Euro 157,083 thousand at December 31, 2021 (Euro 154,428 thousand at December 31, 2020). The change on the previous year of Euro 2,655 thousand is mainly due to (i) exchange gains of Euro 11,003 thousand, (ii) the entry into service of assets under development for Euro 582 thousand and net investments of Euro 525 thousand, which mainly involved the implementation and roll-out of ERP to certain Group companies, (iii) decreases due to amortisation of Euro 9,331 thousand referring in particular to the "Development Technology" recognised by the companies of the Daler-Rowney Lukas Group (Euro 30,532 thousand), the Canson Group (Euro 1,500 thousand) and St. Cuthberts Holding (Euro 2,462 thousand), identified as strategic assets through the "Purchase Price Allocation" within the business combinations undertaken in 2016 and the amount of the "Customer Relationship" determined by the "Purchase Price Allocation" as part of the business combination resulting in the acquisition of the Pacon Group. The average useful life of "Other", recorded in the financial assets at December 31, 2021, is 30 years.

"Assets under development" totalled Euro 3,516 thousand (Euro 2,208 thousand at December 31, 2020), entirely concerning F.I.L.A. S.p.A. and relating to investments for the installation of the ERP (Enterprise Resource Planning) system not activated during the year.

With regards to intangible assets with finite useful lives, no impairment indicators were identified during the year.

Note 2 - Property, Plant and Equipment

“Property, Plant and Equipment” at December 31, 2021 amounts to Euro 169,653 thousand (Euro 171,489 thousand at December 31, 2020), comprising for Euro 94,941 thousand Property, Plant and Equipment (“Note 2.A - Property, Plant and Equipment”) and for Euro 74,712 thousand Right-of-Use assets (“Note 2.B - Right-of-Use assets”).

The changes of the year are shown below:

Note 2.A - PROPERTY, PLANT AND EQUIPMENT

Euro thousands	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
Historical cost							
December 31, 2019	**13,442**	**63,359**	**135,575**	**20,202**	**9,862**	**4,441**	**246,881**
Increases	**112**	**3,815**	**8,909**	**2,959**	**698**	**(2,949)**	**13,544**
Investments	112	2,154	4,425	665	675	1,155	9,186
Transfers from assets under construction	-	525	3,507	1,575	-	(5,607)	-
Reclassifications	-	-	(719)	719	-	-	-
Change in consolidation scope	-	1,136	1,634	-	10	1,503	4,283
Other	-	-	62	-	13	-	75
Decreases	**(641)**	**(2,070)**	**(8,665)**	**(2,148)**	**(1,211)**	**(392)**	**(15,128)**
Disinvestments	-	(84)	(1,893)	(1,532)	(428)	-	(3,937)
Impairment losses	-	(8)	(159)	(14)	(10)	-	(191)
Net exchange losses	(641)	(1,978)	(6,613)	(602)	(773)	(392)	(11,000)
December 31, 2020	**12,913**	**65,103**	**135,819**	**21,014**	**9,349**	**1,099**	**245,297**
Increases	**498**	**2,111**	**11,703**	**1,116**	**1,460**	**1,548**	**18,436**
Investments	-	703	4,592	1,014	977	2,372	9,658
Transfers from assets under construction	-	21	694	158	-	(873)	-
Reclassifications	-	-	823	(664)	4	-	164
Net exchange gains	498	1,387	5,536	608	439	49	8,517
Other	-	-	58	-	40	-	98
Decreases	**-**	**-**	**(442)**	**(142)**	**(37)**	**-**	**(621)**
Disinvestments	-	-	(423)	(139)	(37)	-	(599)
Impairment losses	-	-	(19)	(3)	-	-	(22)
December 31, 2021	**13,411**	**67,215**	**147,081**	**21,988**	**10,772**	**2,646**	**263,113**

Euro thousands	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
Accumulated depreciation							
December 31, 2019	-	(34,633)	(83,050)	(15,855)	(7,703)	-	(141,241)
Increases	-	**(2,421)**	**(11,502)**	**(1,727)**	**(764)**	-	**(16,414)**
Depreciation	-	(2,424)	(11,452)	(1,724)	(761)	-	16,361
Reclassifications	-	3	-	(3)	-	-	-
Impairment losses	-	-	-	-	6	-	6
Other	-	-	(50)	-	(9)	-	(59)
Decreases	-	**666**	**5,475**	**1,906**	**933**	-	**8,980**
Disinvestments	-	56	1,751	1,540	336	-	3,683
Net exchange losses	-	610	3,724	366	597	-	5,297
December 31, 2020	-	(36,389)	(89,076)	(15,675)	(7,535)	-	(148,675)
Increases	-	**(3,079)**	**(13,946)**	**(1,838)**	**(1,135)**	-	**(19,998)**
Depreciation	-	(2,615)	(10,263)	(1,624)	(715)	-	(15,217)
Reclassifications	-	-	(125)	90	(4)	-	(40)
Net exchange gains	-	(464)	(3,490)	(304)	(378)	-	(4,635)
Other	-	-	(68)	-	(38)	-	(106)
Decreases	-	-	**347**	**127**	**28**	-	**502**
Disinvestments	-	-	347	127	28	-	502
December 31, 2021	-	(39,467)	(102,674)	(17,387)	(8,644)	-	(168,172)
Carrying amount at December 31, 2019	13,442	28,726	52,524	4,348	2,159	4,441	105,640
Carrying amount at December 31, 2020	12,913	28,715	46,743	5,339	1,813	1,099	96,622
Carrying amount at December 31, 2021	13,411	27,748	44,406	4,601	2,128	2,646	94,941
Change	498	(967)	(2,337)	(738)	315	1,547	(1,681)

"Land" at December 31, 2021 amounts to Euro 13,411 thousand (Euro 12,913 thousand at December 31, 2020) and includes the land relating to the buildings and production facilities owned by the company F.I.L.A. S.p.A. (Rufina Scopeti – Italy), by the subsidiary Lyra KG (Germany), the subsidiary DOMS Industries Pvt Ltd (India), the subsidiary Daler Rowney Ltd (UK) and the subsidiary Canson SAS (France). The increase in the year of Euro 498 thousand is due to exchange gains of Euro 498 thousand.

"Buildings" at December 31, 2021 amount to Euro 27,748 thousand (Euro 28,715 thousand at December 31, 2020) and principally concern the buildings of the Group's production facilities. The decrease on December 31, 2020 was Euro 967 thousand. Net investments totalled Euro 703 thousand and mainly concerned the US subsidiary Dixon Ticonderoga Company (Euro 369 thousand), the Indian subsidiary DOMS Industries PVT Ltd (Euro 202 thousand), the parent F.I.L.A. S.p.A. (Euro 51 thousand), the UK subsidiary St. Cuthberts Mill Limited Paper (Euro 48 thousand), and relate to the expansion plan for the storage and production sites, while capitalisations of assets under construction totalled Euro 21 thousand.

Depreciation of Euro 2,615 thousand particularly concerns Canson SAS (France), Dixon Ticonderoga Company (U.S.A), F.I.L.A. S.p.A. and DOMS Industries Pvt Ltd (India), while exchange gains contributed Euro 923 thousand.

"Plant and Machinery" amount to Euro 44,406 thousand (Euro 46,743 thousand at December 31, 2020).

Compared to the previous year, this caption decreased Euro 2,337 thousand. The main changes in this category concern net investments of Euro 4,516 thousand, mainly by DOMS Industries Pvt Ltd (India) for Euro 2,368 thousand, Dixon Ticonderoga Company (U.S.A.) for Euro 893 thousand and by Daler Rowney Ltd (United Kingdom) for Euro 423 thousand. In addition, assets under construction of Euro 694 thousand were capitalised and exchange gains totalled Euro 2,046 thousand. These increases were offset by depreciation of Euro 10,263 thousand.

"Industrial and Commercial Equipment" amounted to Euro 4,601 thousand at December 31, 2021 (Euro 5,339 thousand at December 31, 2020). The decrease of Euro 738 thousand is mainly due to depreciation in the year of Euro 1,624 thousand, partially offset by net investments of Euro 1,002 thousand, mainly by Dixon Ticonderoga Company (U.S.A.) for Euro 395 thousand, F.I.L.A. S.p.A. for Euro 256 thousand, Fila Nordic (Scandinavia) for Euro 123 thousand and Daler Rowney Ltd (United Kingdom) for Euro 85 thousand. In addition, assets under construction of Euro 158 thousand were reclassified and exchange gains totalled Euro 304 thousand.

"Other Assets" amount to Euro 2,128 thousand at December 31, 2021 (Euro 1,813 thousand at December 31, 2020) and include furniture and office equipment, EDP and motor vehicles. The change in the year of Euro 315 thousand is mainly due to net investments of Euro 968 thousand, mainly by DOMS Industries Pvt Ltd (India) for Euro 589 thousand and F.I.L.A. S.p.A. (Italy) for Euro 174 thousand, in addition to exchange gains of Euro 61 thousand; increases offset by depreciation in the year of Euro 715 thousand.

"Assets under construction" include internal constructions undertaken by the individual companies of the Group which are not yet up and running. The carrying amount at December 31, 2021 amounts to Euro 2,646 thousand, increasing on the previous year by Euro 1,547 thousand, due to investments in the year of Euro 2,372 thousand, mainly by Canson SAS (France) for Euro 1,018 thousand and Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for Euro 637 thousand, DOMS Industries Pvt Ltd (India) for Euro 268 thousand, Fila Arches (France) for Euro 252 thousand and F.I.L.A. S.p.A. (Italy) for Euro 150 thousand offset by the decrease from the transfer of assets, mainly by the French subsidiary Canson SAS for Euro 504 thousand, Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for Euro 151 thousand, the Chinese subsidiary Fila Dixon (Kunshan) for Euro 139 thousand and by F.I.L.A. S.p.A. for Euro 80 thousand.

There is no property, plant and equipment subject to restrictions.

Note 11 - Biological Assets

"Biological Assets" amounted to Euro 1,936 thousand at December 31, 2021 (Euro 1,639 thousand at December 31, 2020) and exclusively includes the fair value of the tree plantation of the Chinese company Xinjiang F.I.L.A.-Dixon Plantation Company Ltd. in accordance with "IAS 41 - Biological Assets". The amount of the plantation at December 31, 2020 was allocated to "Inventories".

Right-of-Use assets

The changes of the year are shown below:

Nota 2.A RIGHT-OF-USE ASSETS

Euro thousands	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
Historical cost							
December 31, 2019	-	86,006	952	417	3,506	-	90,881
Increases	-	12,189	184	84	758	-	13,215
Investments	-	12,189	184	84	758	-	13,215
Decreases	-	(9,078)	(788)	(44)	(690)	-	(10,601)
Disinvestments	-	(1,159)	(611)	(34)	(485)	-	(2,289)
Impairment losses	-	(869)	-	-	-	-	(869)
Net exchange losses	-	(7,050)	(177)	(10)	(205)	-	(7,443)
December 31, 2020	-	89,118	348	456	3,573	-	(93,495)
Increases	-	10,651	423	1,266	1,012	-	13,353
Investments	-	4,364	407	1,247	982	-	7,000
Net exchange gains	-	6,287	16	19	30	-	6,353
Decreases	-	(2,275)	(73)	(193)	(430)	-	(2,971)
Disinvestments	-	(2,275)	(73)	(193)	(430)	-	(2,971)
December 31, 2021	-	97,494	698	1,530	4,155	-	103,877

Euro thousands	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
Accumulated depreciation							
December 31, 2019	-	(8,775)	(487)	(73)	(1,173)	-	(10,508)
Increases	-	(9,735)	(102)	(137)	(1,000)	-	(10,974)
Depreciation	-	(9,735)	(102)	(137)	(1,000)	-	(10,974)
Decreases	-	1,749	453	27	625	-	2,854
Disinvestments	-	432	329	24	496	-	1,281
Net exchange losses	-	1,097	124	3	129	-	1,353
Other	-	220	-	-	-	-	220
December 31, 2020	-	(16,761)	(136)	(183)	(1,548)	-	(18,628)
Increases	-	(11,273)	(186)	(342)	(933)	-	(12,733)
Depreciation	-	(9,737)	(181)	(325)	(920)	-	(11,163)
Net exchange gains	-	(1,536)	(5)	(17)	(13)	-	(1,570)
Decreases	-	1,500	73	193	430	-	2,196
Disinvestments	-	1,500	73	193	430	-	2,196
December 31, 2021	-	(26,535)	(248)	(333)	(2,049)	-	(29,165)
Carrying amount at December 31, 2019	-	77,231	465	344	2,333	-	80,373
Carrying amount at December 31, 2020	-	72,357	212	273	2,025	-	74,867
Carrying amount at December 31, 2021	-	70,960	450	1,197	2,105	-	74,712
Change	-	(1,397)	238	924	80	-	(155)

The Group adopted IFRS 16 Leases from January 1, 2019 and recognised in the statement of financial position the right-of-use assets and the lease liabilities, with the exception of short-term contracts (less than 12 months) or low value leases (less than Euro 5 thousand), for which the Group applied the recognition and measurement exemptions under IFRS 16.

"Buildings" at December 31, 2021 amounted to Euro 70,960 thousand (Euro 72,357 thousand at

December 31, 2020), decreasing Euro 1,397 thousand on the previous year. The decrease is mainly due to depreciation in the year of Euro 9,737 thousand, partially offset by net investments of Euro 3,589 thousand, mainly by the subsidiary Fila Nordic (Scandinavia) for Euro 2,125 thousand and the subsidiary DOMS Industries PVT Ltd (India) of Euro 1,615 thousand and exchange gains of Euro 4,751 thousand.

"Plant and Machinery" amounted to Euro 450 thousand at December 31, 2021 (Euro 212 thousand at December 31, 2020). The increase of Euro 238 thousand is mainly due to net investments of Euro 407 thousand, mainly by F.I.L.A. S.p.A. (Euro 248 thousand), the Swedish subsidiary Fila Nordic (Euro 160 thousand) and exchange gains of Euro 11 thousand, partially offset by depreciation in the year of Euro 181 thousand.

"Industrial and Commercial Equipment" amounted to Euro 1,197 thousand at December 31, 2021 (Euro 273 thousand at December 31, 2020). The increase of Euro 924 thousand is mainly due to net investments of Euro 1,247 thousand, principally concerning the subsidiary Daler Rowney Ltd (United Kingdom) for Euro 1,147 thousand, offset by depreciation in the year of Euro 325 thousand.

"Other Assets" referred mainly to vehicles at December 31, 2021 and amounted to Euro 2,105 thousand (Euro 2,025 thousand at December 31, 2020). Compared to the previous year, this caption increased by Euro 80 thousand, comprising net investments of Euro 982 thousand, mainly by F.I.L.A. S.p.A. for Euro 434 thousand, by the subsidiary Fila Iberia (Spain) for Euro 200 thousand, by the subsidiary Lyra KG (Germany) for Euro 157 thousand, and net exchange gains of Euro 17 thousand, offset by depreciation of Euro 920 thousand.

Note 3 – Financial assets

"Financial assets" amount to Euro 7,614 thousand at December 31, 2021 (Euro 3,236 thousand at December 31, 2020).

Note 3.A - FINANCIAL ASSETS						
Euro thousands	Financial Instruments measured through Profit and Loss: Interests	Financial Instruments measured through Profit and Loss	Financial Investments Held to Maturity	Loans and Financial assets	Other financial assets	Total
December 31, 2020	**-**	**-**	**375**	**145**	**2,716**	**3,236**
non-current portion	-	-	-	68	2,546	2,614
current portion	-	-	375	77	170	622
December 31, 2021	**1**	**3,058**	**-**	**79**	**4,476**	**7,614**
non-current portion	-	-	-	-	4,078	4,078
current portion	1	3,058	-	79	398	3,536
Change	**1**	**3,058**	**(375)**	**(66)**	**1,760**	**4,378**
non-current portion	-	-	-	(68)	1,532	1,464
current portion	1	3,058	(375)	2	228	2,914

Financial Instruments measured through P&L

This account amounts to Euro 3,058 thousand and relates to banking products of a financial nature held by the Chinese subsidiary Fila Dixon Stationery Kunshan.

Loans and financial assets

These amount to Euro 79 thousand and concern receivables of a financial nature due from third parties and recognised by F.I.L.A. S.p.A.

Other financial assets

"Other Financial Assets" totalled Euro 4,476 thousand (Euro 2,716 thousand at December 31, 2020), increasing Euro 1,760 thousand. They principally concern the deposits paid for guarantee purposes on goods and service supply contracts of the various Group companies, including in particular DOMS Industries Pvt Ltd (Euro 1,391 thousand), the American subsidiary Dixon Ticonderoga Company (Euro 579 thousand) and the Mexican subsidiary Gruppo F.I.L.A.-Dixon, S.A. de C.V. (Euro 318 thousand). The increase in this caption refers primarily to Daler Rowney Ltd (United Kingdom) for Euro 1,534 thousand relating to financial assets underlying part of the indemnity plans to be paid to staff.

"Loans and financial assets" and "Other financial assets" are stated at amortised cost in accordance with IFRS 9.

Note 4 – Equity-accounted investments

Note 4.A EQUITY-ACCOUNTED INVESTMENTS

Euro thousands	**Inv. in associates**
December 31, 2019	**947**
Increases	**271**
Changes in equity investments	271
Decreases	**(116)**
Net exchange losses	(116)
December 31, 2020	**1,102**
Increases	**379**
Investments	2
Changes in equity investments	294
Net exchange gains	83
Decreases	**-**
December 31, 2021	**1,481**
Change	**379**

Equity-accounted investments amount to Euro 1,481 thousand (Euro 1,102 thousand at December 31, 2020).

The increase of the year relates to the two investments in associates held by DOMS Industries Pvt Ltd (India). At December 31, 2021, the carrying amount of the investments was adjusted in line with the share of Equity held in the associates.

There was also an increase in equity investments due to the incorporation of two new Indian companies:

- Inxon Pens & Stationary Private Limited;
- Fixy Adhesives Private Limited.

Net exchange losses were recognised of Euro 83 thousand.

Note 5 - Other equity investments

“Other equity investments”, amounting to Euro 26 thousand, relate to F.I.L.A. S.p.A.’s Euro 23 thousand investment in Maimeri S.r.l. corresponding to 1% of the quota capital, and in the consortiums Conai, Energia Elettrica Zona Mugello and Energia Elettrica Milano by F.I.L.A. S.p.A. at December 31, 2021.

Note 6 – Deferred tax assets

"Deferred tax assets" amount to Euro 19,325 thousand at December 31, 2021 (Euro 20,281 thousand at December 31, 2020).

The changes in "Deferred tax assets" are illustrated in the table below with indication of the opening balance, changes of the year and the closing balance at December 31, 2021:

Note 6.A - CHANGES IN DEFERRED TAX ASSETS

Euro thousands	
December 31, 2019	**18,391**
Increase	4,350
Utilisation	(1,976)
Change in consolidation scope	164
Net exchange losses	(902)
Increase recognised in equity	254
December 31, 2020	**20,281**
Increase	4,226
Utilisation	(4,428)
Reclassifications	(420)
Net exchange gains	728
Decrease recognised in equity	(1,062)
December 31, 2021	**19,325**
Change	**(956)**

Increases for the year were mainly due to the elimination of inventory margins for an amount of Euro 1,199 thousand, by the Parent, F.I.L.A. S.p.A., for an amount of Euro 1,461 thousand, mainly due to the increase in deferred tax assets calculated on the ACE tax deduction, by the Mexican subsidiary, Grupo F.I.L.A.-Dixon, SA de C.V., for Euro 558 thousand, and by the American subsidiary, Dixon Ticonderoga Company, for Euro 478 thousand, in addition to provisions for the tax effects of right-of-use assets amounting to Euro 461 thousand.

Deferred tax assets recognised in an equity reserve relate to the change in the actuarial reserve.

The following table breaks down the balance of deferred tax assets by nature at year-end:

NOTE 6.B - BREAKDOWN OF DEFERRED TAX ASSETS

	Statement of Financial Position		Profit and loss		Equity		Reclassifications	
Euro thousands	2021	2020	2021	2020	2021	2020	2021	2020
Deferred tax assets relating to:								
Intangible Assets	-	100	(100)	3	-	-	-	-
Property, Plant and Equipment	364	684	(320)	307	-	-	-	-
Other Provision	1,229	1,006	223	(31)	-	-	-	-
Trade Receivables and Other Assets	1,479	1,175	304	(113)	-	-	-	-
Inventories	2,999	3,347	(348)	2,035	-	-	-	-
Personnel	3,312	3,283	1,091	1,130	(1,062)	254	-	-
Exchange difference recognised in "Translation Reserve"	-	-	(728)	619	728	(902)	-	-
Other	-	-	-	(3,766)	-	-	-	-
Prior year tax losses	1,814	1,969	267	848	-	-	(420)	-
Deferred deductible costs	5,415	4,813	602	653	-	-	-	-
ACE	2,713	3,906	(1,193)	691	-	-	-	-
Total deferred tax assets	**19,325**	**20,281**	**(202)**	**2,374**	**(334)**	**(648)**	**(420)**	**-**

Deferred tax assets recognised at the reporting date concerned the benefits of probable realisation on the basis of management estimates of future taxable income.

Note 7 - Current tax assets

At December 31, 2021, tax assets, relating to income tax, amounted overall to Euro 8,991 thousand (Euro 9,882 thousand at December 31, 2020), mainly concerning Dixon Ticonderoga Co. (USA) for Euro 6,764 thousand, the parent F.I.L.A. S.p.A. for Euro 923 thousand and Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for Euro 598 thousand.

Note 8 - Inventories

Inventories at December 31, 2021 amount to Euro 271,269 thousand (Euro 254,649 thousand at December 31, 2020).

Note 8.A - INVENTORIES

Euro thousands	Raw materials, consumables and supplies	Work in progress and semi-finished products	Finished goods	Total
December 31, 2020	**58,304**	**25,642**	**170,703**	**254,649**
December 31, 2021	**64,314**	**27,845**	**179,110**	**271,269**
Change	**6,010**	**2,203**	**8,407**	**16,620**

They increased by Euro 16,620 thousand, mainly due to exchange gains of Euro 13,290

thousand. Stock increased by Euro 4,477 thousand, mainly concerning the French subsidiary Canson

S.A.S. (Euro 6,975 thousand), the UK subsidiary Daler Rowney Ltd (Euro 5,731 thousand) and the Indian subsidiary DOMS Industries PVT Lts (Euro 2,813 thousand), offset by a significant reduction in the stock of the US subsidiary Dixon Ticonderoga USA (Euro 10,193 thousand) and of the Mexican subsidiary Gruppo F.I.L.A.-Dixon, S.A. de C.V. (Euro 3,321 thousand).
Inventories are presented net of the allowance for inventory write-down for raw materials (Euro 1,524 thousand), work-in-progress (Euro 580 thousand) and finished goods (Euro 3,324 thousand).

The provisions refer to obsolete or slow-moving materials for which it is not considered possible to recover their value through sale.

Note 8.B- CHANGE IN THE ALLOWANCE FOR INVENTORY WRITE-DOWN

Euro thousands	Raw materials, consumables and supplies	Work in progress and semi-finished products	Finished goods	Total
December 31, 2019	**1,621**	**437**	**4,367**	**6,425**
Accruals	373	269	668	1,310
Utilisation	(585)	(252)	(238)	(1,075)
Exchange gains (losses)	(41)	(53)	(163)	(256)
Other	-	-	(251)	(251)
December 31, 2020	**1,368**	**401**	**4,383**	**6,152**
Accruals	326	333	68	727
Utilisation	(148)	(157)	(854)	(1,159)
Release	(29)	-	(239)	(268)
Exchange gains (losses)	7	3	(34)	(24)
December 31, 2021	**1,524**	**580**	**3,324**	**5,428**
Change	**156**	**179**	**(1,059)**	**(723)**

Note 9 – Trade receivables and other assets

Trade receivables and other assets amount to Euro 121,357 thousand at December 31, 2021 (Euro 115,929 thousand at December 31, 2020):

Note 9.A - TRADE RECEIVABLES AND OTHER ASSETS

Euro thousands	December 31,2021	December 31,2020	Change
Trade receivables	107,574	102,155	5,419
Tax assets	3,811	2,420	1,391
Other	5,121	7,470	(2,349)
Prepayments and accrued income	4,851	3,884	967
Total	**121,357**	**115,929**	**5,428**

Trade receivables increased on December 31, 2020 by Euro 5,419 thousand, which net of exchange gains of Euro 3,801 thousand, is due mainly to Dixon Ticonderoga Company (U.S.A.) for Euro 9,041 thousand following the increase in turnover, partially offset by the decrease recorded by the subsidiary Grupo F.I.L.A.-Dixon,-S.A. de C.V. (Mexico) for Euro 4,209 thousand and by the parent F.I.L.A. S.p.A. for Euro 1,503 thousand.

Trade receivables broken down by geographical segment are illustrated below:

TRADE RECEIVABLES BY GEOGRAPHICAL SEGMENT

Euro thousands	December 31,2021	December 31,2020	Change
Europe	35,187	38,024	(2,837)
North America	30,972	22,095	8,877
Central - South America	31,976	33,526	(1,550)
Asia	7,157	6,727	430
Other	2,283	1,783	500
Total	**107,574**	**102,155**	**5,419**

The changes in the loss allowance to cover doubtful positions are illustrated in the table below:

Note 9.B - CHANGES IN THE LOSS ALLOWANCE

Euro thousands	
December 31, 2019	**5,945**
Accruals	2,084
Utilisation	(966)
Release	(383)
Net exchange loss	(550)
Other changes	(493)
December 31, 2020	**5,637**
Accruals	502
Utilisation	(844)
Release	(143)
Net exchange gains	175
December 31, 2021	**5,327**
Change	**(310)**

The Group measures the loss allowance at an amount reflecting the lifetime expected credit losses of the asset. In order to establish whether the credit risk concerning a financial asset has increased significantly after initial recognition in order to assess expected credit losses, the Group considers reasonable and demonstrable information which is pertinent and available without excessive cost or burden. Quantitative and qualitative information and analysis, based on historical Group experience, to assess the asset - in addition to information indicative of expected developments - is included. The allowance was utilised for Euro 844 thousand, mainly due to the Parent F.I.L.A. S.p.A. (Euro 498 thousand), the US subsidiary Dixon Ticonderoga Company (Euro 225 thousand) and the German subsidiary Lyra KG (Euro 58 thousand).

The movement in the loss allowance is mainly due to lower impairment losses on trade receivables, as a result of the reduced amount of disputes with customers, in addition to the greater certainty on customer collections compared to the previous year.

"Tax assets" totalled Euro 3,811 thousand at December 31, 2021 (Euro 2,420 thousand at December 31, 2020) and include VAT assets (Euro 2,519 thousand) and other tax assets for local taxes other than direct income taxes (Euro 1,291 thousand). The increase on the previous year is mainly due to the parent F.I.L.A. S.p.A (Euro 415 thousand), the Indian subsidiary DOMS Industries PVT Ltd (Euro 333 thousand) and the Russian subsidiary Fila Stationary O.O.O. (Euro 163 thousand).

"Other Assets" amount to Euro 5,121 thousand at December 31, 2021 (Euro 7,470 thousand at December 31, 2020) and mainly concern advances paid to suppliers (Euro 2,860 thousand), principally concerning the Indian subsidiary, receivables from employees (Euro 345 thousand), and from social security institutions (Euro 19 thousand). The carrying amount of "Other assets" represents the fair value

at the reporting date.
All of the above assets are due within 12 months.

Note 10 - Cash and cash equivalents

“Cash and cash equivalents” at December 31, 2021 amount to Euro 145,985 thousand (Euro 127,105 thousand at December 31, 2020):

Note 10 - CASH AND CASH EQUIVALENTS

Euro thousands	Bank and postal deposits	Cash in hand and other cash equivalents	Total
December 31, 2020	**126,991**	**114**	**127,105**
December 31, 2021	**145,881**	**104**	**145,985**
Change	**18,890**	**(10)**	**18,880**

"Bank and postal deposits" consist of temporary liquid funds generated within the treasury management and mainly relating to ordinary current accounts of F.I.L.A. S.p.A. for Euro 54,641 thousand and current accounts of the subsidiaries for Euro 91,240 thousand, in particular: Dixon Ticonderoga Company (U.S.A.) for Euro 39,083 thousand, F.I.L.A. Iberia S.L. (Spain) for Euro 8,797 thousand, Daler Rowney Ltd (United Kingdom) for Euro 5,716 thousand, DOMS Industries PVT Ltd (India) for Euro 4,018 thousand.

“Cash in hand and other cash equivalents” amount to Euro 104 thousand, of which Euro 7 thousand relates to the Parent F.I.L.A. S.p.A and Euro 97 thousand to the various subsidiaries.

Bank and postal deposits are remunerated at rates indexed to inter-bank rates such as Libor and Euribor. There are no bank and postal deposits subject to restrictions.
Reference should be made to the “Statement of Financial Position” section for comments relating to the Net Financial Debt of the F.I.L.A. Group.

Net Financial Debt

The F.I.L.A. Group "Net Financial Debt" at December 31, 2021 was Euro 437,253 thousand, down Euro 56,203 thousand on December 31, 2020. This decrease was partly due to the financial liabilities arising from the application of IFRS 16, included in other current and non-current financial liabilities.

	Euro thousands	December 31, 2021	December 31, 2020	Change 2021 - 2020
A	Cash	104	114	(10)
B	Cash equivalents	145,880	126,991	18,889
C	Other current financial assets	3,536	622	2,914
D	**Liquidity (A + B + C)**	**149,520**	**127,727**	**21,793**
E	Current bank loans and borrowings	(45,196)	(88,138)	42,962
F	Current portion of non-current bank loans and borrowings	(50,515)	(37,913)	(12,602)
G	**Current financial debt (E + F)**	**(95,711)**	**(126,052)**	**30,341**
H	**Net current financial debt (G - D)**	**53,810**	**1,676**	**52,134**
I	Non-current bank loans and borrowings	(491,062)	(495,199)	4,137
J	Bonds issued	-	-	-
K	Trade payables and other non current liabilities	-	-	-
L	**Non-current financial debt (I + J + K)**	**(491,062)**	**(495,199)**	**4,137**
M	**Net financial debt (H + L)**	**(437,253)**	**(493,522)**	**56,269**
N	**Long term loans issued**	**-**	**68**	**(68)**
O	**Net financial debt (M + N) - F.I.L.A. Group**	**(437,253)**	**(493,456)**	**56,203**

Reference should be made to the "Statement of Financial Position" section for comments relating to the Net Financial Debt of the F.I.L.A. Group.

Note 12 - Share Capital and Equity

Share capital

The subscribed and fully paid-up share capital at December 31, 2021 of the Parent F.I.L.A. S.p.A. comprises 51,058,297 shares, as follows:

- 42,976,441 ordinary shares, without nominal value;
- 8,081,856 class B shares, without nominal value, which attribute 3 votes exercisable at the Shareholders' Meeting (ordinary and extraordinary) of F.I.L.A. S.p.A..

The breakdown of the share capital of F.I.L.A. S.p.A. is illustrated below:

Share capital composition - December 31, 2021	No. of shares	% of share capital	Euro	Listing
Ordinary shares	42,976,411	84.17%	39,548,544	EXM - Euronext STAR
Class B shares (multiple votes)	8,081,856	15.83%	7,437,229	Unquoted Shares

According to the available information, published by Consob and updated at December 31, 2021, the main shareholders of the Parent were:

Shareholders	Ordinary shares	%
Pencil S.p.A.	13,694,563	31.87%
Market investors *	29,281,878	68.13%
Total	**42,976,441**	

Shareholders	Ordinary shares	Class B shares	Total	Voting rights
Pencil S.p.A.	13,694,563	8,081,856	21,776,419	56.44%
Market investors *	29,281,878		29,281,878	43.56%
Total	**42,976,441**	**8,081,856**	**51,058,297**	

**includes 51,500 treasury shares*

Each ordinary share attributes voting rights without limitations.

Each class B share attributes three votes, in accordance with Article 127-*sexies* of Legislative Decree No. 58/1998.

Negative reserve for Treasury Shares in portfolio

The parent, in the period between March 23 and March 25, 2021, repurchased treasury shares as per the Shareholders' Meeting authorisation of April 22, 2020 and the subsequent Board of Directors' resolution of March 16, 2021. On December 31, 2021, the Group held 51,500 treasury shares (0.10% of the Share capital), for a total amount of Euro 488 thousand.

Legal reserve

At December 31, 2021 this caption amounted to Euro 8,737 thousand. The increase of Euro 406 thousand as per the Shareholders' resolution of April 27, 2021, is reported, which allocated a portion of the profit for the year to the legal reserve in accordance with Article 2430 of the Civil Code.

Share premium reserve

The reserve at December 31, 2021 amounts to Euro 154,646 thousand (Euro 154,473 thousand at December 31, 2020). The increase of Euro 173 thousand relates to the price difference between the nominal value and the assignment price of the "Warrant" shares assigned to the management of the US subsidiary Dixon Ticonderoga Company U.S.A.

Actuarial Reserve

Following the application of IAS 19, the actuarial reserve is positive for Euro 22 thousand, increasing by Euro 5,325 thousand limited to the portion attributable to of the F.I.L.A. Group and includes Euro 242 thousand recognised by the French subsidiary Canson SAS as per the "IAS19-IFRIC Agenda Decision" published in May 2021.

Other reserves

At December 31, 2021, "Others reserves" is negative for Euro 32,766 thousand, increasing Euro 10,062 thousand on December 31, 2020. The changes concern the following events:

- The hedging reserve for financial instruments (IRS) entered into by F.I.L.A. S.p.A., Dixon Ticonderoga Company (U.S.A.) and Canson SAS (France); at December 31, 2021 the reserve was negative for Euro 9,858 thousand, Euro 10,112 thousand lower than December 31, 2020 (negative for Euro 18,767 thousand) due to the adjustment of the financial instruments, offset by a decrease due to exchange losses of Euro 1,203 thousand. This adjustment of financial instruments relates for Euro 7,941 thousand to the fair value adjustment of the derivative of the subsidiary Dixon Ticonderoga Company (U.S.A.), for Euro 2,113 thousand to the fair value adjustment of the derivative of F.I.L.A. S.p.A. and for Euro 58 thousand to the fair value adjustment of the derivative of Canson SAS (France). For further information, reference should be made to Note 17 – Financial Instruments;
- "Share-Based Premium" reserve of Euro 2,103 thousand, increasing Euro 789 thousand (Euro 1,314 thousand at December 31, 2020) due to the portion for the period of the medium-/long-term incentive plan set up for F.I.L.A. Group management. The accounting treatment applied is in line with the accounting standards which establish that for equity-settled share-based payments, the fair value at the grant date of the share options granted to employees is recorded under personnel expense, with a corresponding increase in equity under "Other reserves and

retained earnings", over the period in which the employees will obtain the unconditional right to the incentives. The amount recorded as cost is adjusted to reflect the effective number of incentives (options) for which the conditions have vested and the achievement of "non-market" conditions, in order that the final cost recorded is based on the number of incentives which will vest. Similarly, in the initial estimate of the fair value of the options assigned, consideration is taken of the non-vesting conditions. The changes to market value subsequent to the grant date will not produce any financial statement effect.

Translation reserve

The reserve refers to the exchange differences relating to the translation of the financial statements of subsidiaries prepared in local currencies and converted into Euro as the consolidation currency.
The changes in the "Translation Reserve" in 2021 are illustrated below (limited to the equity attributable to the owners of the parent):

TRANSLATION RESERVE

Euro thousands	
December 31, 2020	**(39,856)**
Changes	
Difference between the average rate for the year and the closing rate	17,570
Difference between the historical rate and the closing rate	782
December 31, 2021	**(21,504)**
Change	**18,352**

Retained earnings

The reserve totalled Euro 178,769 thousand and increased on the previous year-end by Euro 1,153 thousand, relating to the allocation of the 2020 profit of Euro 8,607 thousand and to the distribution of the dividends allocated by the Shareholders of the Parent F.I.L.A. S.p.A. at their meeting of April 27, 2021.
We highlight in addition the restriction on the distribution of a portion of retained earnings related to the revaluation of the investment held in the company DOMS Industries Pvt Ltd (India) (Euro 15,052 thousand), in accordance with Article 6, paragraph 1, letter a) of Legislative Decree No. 38 of February 28, 2015, following the purchase of the controlling interest.
Retained earnings also include the change resulting from the application of IAS 8 by F.I.L.A. Chile Ltda, amounting to Euro 1,335 thousand.

Equity attributable to Non-Controlling Interests

Equity attributable to non-controlling interests increased Euro 2,442 thousand, principally due to:

- Share capital increase of the Russian subsidiary FILA Stationary O.O.O. for Euro 47 thousand;
- Profit for the year attributable to non-controlling interests of Euro 1,411 thousand;
- Distribution of dividends to non-controlling interests of Euro 463 thousand;
- Exchange losses of Euro 1.412 thousand;
- Actuarial reserve attributable to non-controlling interests of Euro 35 thousand;

The following table provides details of the restated equity balance at January 1, 2021 based on the application of IAS 8 recorded in the Chilean subsidiary F.I.L.A. Chile Ltda for Euro 1,335 thousand, relating to inventories, and in the French subsidiary Canson SAS for Euro 242 thousand, relating to employee benefits:

Euro thousands	Share capital	Reserves	Retained earnings	Profit for the year	Equity attributable to the owners of the parent	Equity attributable to non-controlling interests	Total Equity
Balance at January 1, 2021	46,967	74,817	177,616	8,607	308,007	23,268	331,275
Correction effect		242	(1,335)		(1,093)		(1,093)
Restated Balance at January 1, 2021	**46,967**	**75,059**	**176,281**	**8,607**	**306,914**	**23,268**	**330,182**

With reference to the "Statement of Changes in Equity", the caption "Reserves" includes the "Legal reserve", the "Share premium reserve", the "Actuarial reserve", "Other reserves" and the "Translation reserve".

Basic and diluted earnings per share

The basic earnings per share are calculated by dividing the Group’s profit for the year by the weighted average number of ordinary shares outstanding during the year, excluding any treasury shares.

The diluted earnings/(loss) per share is calculated by dividing the Group’s profit for the year by the weighted average number of ordinary shares outstanding during the year and those potentially arising from the conversion of all potential ordinary shares with dilutive effect.

The basic and diluted earnings per share are reported in the Statement of Comprehensive Income, to which reference should be made.

Earnings/(Loss) of the year attributable to holders of ordinary shares (basic)	**2021**	**2020**
Earnings/(Loss) of the year, attributable to shareholders (i) - €,000	38,014	8,608
Earnings/(Loss) adjusted of the year, attributable to shareholders (ii) - €,000	42,536	23,075

Average weighted number of ordinary shares (basic)	**2021**	**2020**
Average ordinary shares of the year	51,053,797	51,017,548
Treasury shares effect in portfolio	(51,500)	-
Average weighted number of ordinary shares (basic) at December 31 (iii)	**51,002,297**	**51,017,548**

Earnings/(Loss) of the year per share (basic)	**0.75**	**0.17**
Earnings/(Loss) adjusted of the year per share (basic)	**0.83**	**0.45**

Average weighted number of ordinary shares (diluted)	**2021**	**2020**
Average ordinary shares of the year	51,053,797	51,017,548
Treasury shares effect in portfolio	(51,500)	-
Potential shares	1,073,763	1,092,012
Average weighted number of ordinary shares (diluted) at December 31 (iii)	**52,076,060**	**52,109,560**

Earnings/(Loss) of the year per share (diluted)	**0.73**	**0.17**
Earnings/(Loss) adjusted of the year per share (diluted)	**0.82**	**0.44**

Reconciliation between the Equity of the Parent and Consolidated Equity

The table below illustrates the reconciliation between the equity of the Parent F.I.L.A. S.p.A. and the consolidated equity and the reconciliation between the profit for the year of the Parent F.I.L.A. S.p.A. and the profit for the year shown in the consolidated financial statements:

Reconciliation at December 31, 2021 between Parent's Equity and F.I.L.A. Group Equity

Euro thousands

F.I.L.A. S.p.A equity	**291,308**
Elimination of infragroup profits and other consolidation entries	(3,321)
Consolidation effect FILA Art and Craft (Israel)	721
Consolidation effect Dixon Ticonderoga group	74,357
Consolidation effect Lyra group	3,022
Consolidation effect FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey)	(2,688)
Consolidation effect FILA Stationary O.O.O. (Russia)	(992)
Consolidation effect FILA Hellas (Greece)	1,296
Consolidation effect Industria Maimeri S.p.A. (Italy)	(1,475)
Consolidation effect FILA S.A. (South Africa)	(2,007)
Consolidation effect Fila Polska Sp. Z.o.o (Poland)	1,302
Consolidation effect DOMS Industries Pvt Ltd (India)	19,523
Consolidation effect Daler & Rowney Lukas Group	(8,955)
Consolidation effect St. Cuthberts Holding (England)	923
Consolidation effect FILA Iberia S.L. (Spain)	9,153
Consolidation effect Canson Group	9,033
Consolidation effect FILA Art Product AG (Switzerland)	483
Consolidation effect Pacon Group	6,715
Consolidation effect Fila Arches	(271)
Total equity	**398,127**
Consolidation effects attributable to non-controlling interests	25,710
F.I.L.A. group equity	**372,416**

Reconciliation at December 31, 2021 between Parent's Profit and F.I.L.A. Group Profit

Euro thousands

F.I.L.A. S.p.A.'s profit for the year	**17,002**
Profit for the year of the subsidiaries of the Parent	**36,944**
Elimination of the effects of transactions between consolidated companies:	
Dividends	(14,444)
Net Inventory Margins	489
Adjustments to Group accounting policies	
Stock Option Plan recognised by the Parent to the Subsidiaries	(326)
FTA of IFRS 9	(4)
Daler Rowney Lukas Group - Reversal of impairment losses on equity investments in wound-up *"Dormant Entities"*	-
F.I.L.A. S.p.A. - Provision for risks and charges	(300)
F.I.L.A. S.p.A. - Impairment gains on infragroup receivables	64
Total profit for the year	**39,425**
Profit for the year attributable to non-controlling interests	1,411
Profit for the year attributable to the owners of the parent	**38,014**

Note 13 - Financial Liabilities

The balance at December 31, 2021 amounts to Euro 576,916 thousand (Euro 602,484 thousand at December 31, 2020), of which Euro 481,205 thousand non-current and Euro 95,711 thousand current. The caption refers to both non-current and current portions of bank loans and borrowings, other loans and borrowings and current account overdrafts in addition to lease liabilities as per IFRS 16.

The breakdown at December 31, 2021 is illustrated below:

Note 13.A - FINANCIAL LIABILITIES: Third parties

	Bank loans and borrowings			Other loans and borrowings			Current account overdrafts			Lease liabilities			Grand Total
Euro thousands	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	
December 31, 2020	**507,283**	**(5,248)**	**502,035**	**4,618**	**59**	**4,677**	**10,799**	**88**	**10,887**	**84,885**	**-**	**84,885**	**602,484**
non-current portion	405,674	(6,168)	**399,506**	298	(2)	**296**	-	-	**-**	76,630	-	**76,630**	**476,432**
current portion	101,609	920	**102,529**	4,320	61	**4,381**	10,799	88	**10,887**	8,255	-	**8,255**	**126,052**
December 31, 2021	**479,686**	**(2,914)**	**476,772**	**4,029**	**10**	**4,039**	**8,759**	**47**	**8,806**	**87,299**	**-**	**87,299**	**576,916**
non-current portion	406,684	(3,659)	**403,025**	154	(6)	**148**	-	-	**-**	78,032	-	**78,032**	**481,205**
current portion	73,002	745	**73,747**	3,875	16	**3,891**	8,759	47	**8,806**	9,267	-	**9,267**	**95,711**
Change	**(27,597)**	**2,334**	**(25,263)**	**(589)**	**(49)**	**(638)**	**(2,040)**	**(41)**	**(2,081)**	**2,414**	**-**	**2,414**	**(25,568)**
non-current portion	1,010	2,509	**3,519**	(144)	(4)	**(148)**	-	-	**-**	1,402	-	**1,402**	**4,773**
current portion	(28,607)	(175)	**(28,782)**	(445)	(45)	**(490)**	(2,040)	(41)	**(2,081)**	1,012	-	**1,012**	**(30,341)**

Financial liabilities - Bank loans and borrowings

With reference to "Bank loans and borrowings", the total exposure of the Group amounts to Euro 476,772 thousand, of which Euro 73,747 thousand considered as current (Euro 102,529 thousand at December 31, 2020) and Euro 403,025 thousand as non-current (Euro 399,506 thousand at December 31, 2020).

Bank interest liabilities amounting to a positive Euro 2,914 thousand (positive Euro 5,248 thousand at December 31, 2020) include a positive Euro 3,659 thousand (positive Euro 6,168 thousand at December 31, 2020) regarding the amortised cost for the non-current financial liabilities in the year of Euro 745 thousand, concerning interest expense matured on outstanding loans, mainly regarding the Parent F.I.L.A. S.p.A. and the subsidiary Dixon Ticonderoga Company (U.S.A.).

The increase in the non-current portion of Euro 3,519 thousand mainly concerns:

- Increases totalling Euro 30,000 thousand attributable to the Parent, F.I.L.A. S.p.A., following the signing of a new loan with Cassa Depositi e Prestiti falling due in May 2023 (Euro 15,000 thousand) and November 2023 (Euro 15,000 thousand);
- Decreases due to reclassifications of the short-term portion of loans of Euro 41,248 thousand, concerning the structured loans recognised by the parent F.I.L.A. S.p.A. (Euro 20,089 thousand), the US subsidiary Dixon Ticonderoga Company (Euro 19,424 thousand), the French subsidiary Canson SAS (Euro 844 thousand), the Italian subsidiary Industria Maimeri (Euro

768 thousand), in addition to Euro 123 thousand concerning the loans recognised by the Indian subsidiary DOMS Industries Pvt (Ltd);

- Net exchange losses of Euro 12,641 thousand;
- Increases due to the change in amortised cost, net of exchange effects of Euro 2,126 thousand.

Bank borrowings at December 31, 2021, amounting to Euro 479,686 thousand (Euro 507,283 thousand at December 31, 2020) mainly comprise the structured loan taken out by F.I.LA. S.p.A. and Dixon Ticonderoga Company (U.S.A.) for Euro 411,689 thousand, details of which for each facility are provided below:

Note 13.B - BANK LOANS AND BORROWINGS: BREAKDOWN

Euro thousands	**Principal F.I.L.A. S.p.A.**	**Principal Dixon Ticonderoga Company (U.S.A.)**	**Total**
Facility A	48,750	50,502	99,252
Facility A2	3,750	-	3,750
Facility B	90,000	159,044	249,044
Facility B2	8,750	-	8,750
Facility C	25,000	-	25,000
Facility C2	893	-	893
RCF	25,000	-	25,000
Total	**202,143**	**209,546**	**411,689**

** carrying amounts translated at the rate for the year*

Facility A (Euro 99,252 thousand) and Facility A2 (Euro 3,750 thousand) stipulate a residual repayment plan consisting of 6 half-yearly instalments, of which 4 instalments classified as current, as scheduled for June 6, 2022 and for December 5, 2022, Facility B (Euro 249,044 thousand) and Facility B2 (Euro 8,750 thousand) and Facility C (Euro 25,000 thousand) and Facility C2 (Euro 893 thousand) are Bullet loans, with fixed single repayment respectively on June 4, 2024 and June 4, 2023.

The Revolving Credit Facility stipulates the issue of short-term tranches of 1, 3 or 6 months, for a maximum amount of Euro 50,000 thousand, currently utilised for Euro 25,000 thousand.

The repayment plans by Facility are outlined below:

Note 13.C - BANK LOANS AND BORROWINGS: REPAYMENT PLAN

Euro thousands	Facility	Principal F.I.L.A. S.p.A.	Principal Dixon Ticonderoga Company (U.S.A.)	Total
June 6, 2022	Facility A	7,500	7,770	15,270
December 5, 2022	Facility A	11,250	11,654	22,904
Current portion		*18,750*	*19,424*	*38,174*
June 2, 2023	Facility A	30,000	31,078	61,078
Total - Facility A		**48,750**	**50,502**	**99,252**
June 6, 2022	Facility A2	536	-	536
December 5, 2022	Facility A2	803	-	803
Current portion		*1,339*	*-*	*1,339*
June 2, 2023	Facility A2	2,411	-	2,411
Total - Facility A2		**3,750**	**-**	**3,750**
Bullet Loan - June 4, 2024	Facility B	90,000	159,044	249,044
Total - Facility B		**90,000**	**159,044**	**249,044**
Bullet Loan - June 4, 2024	Facility B2	8,750	-	8,750
Total - Facility B2		**8,750**	**-**	**8,750**
Bullet Loan - June 4, 2023	Facility C	25,000	-	25,000
Total - Facility C		**25,000**	**-**	**25,000**
Bullet Loan - June 4, 2023	Facility C2	893	-	893
Total - Facility C2		**893**	**-**	**893**
Bullet Loan - June 4, 2023	RCF	(25,000)	-	(25,000)
Total - RCF		**(25,000)**	**-**	**(25,000)**
Grand Total		**202,143**	**209,546**	**411,689**

** carrying amounts translated at the rate for the year*

The loan was initially recognised at fair value, including directly associated transaction costs. The initial carrying amount was subsequently adjusted to account for repayments of principal, any impairment losses and amortisation of the difference between the repayment amount and initial carrying amount. Amortisation is calculated on the basis of the internal effective interest rate represented by the rate equal to, at the moment of initial recognition, the present value of expected cash flows and the initial carrying amount (amortised cost method). The effect in 2021 of the amortised cost method is Euro 1,968 thousand of interest (of which Euro 541 thousand concerning F.I.L.A. S.p.A. and Euro 1,517 thousand concerning Dixon Ticonderoga U.S.A.). The non-current portion, in addition to the loan, includes the fair value of the trading costs related to the derivative financial instruments of Euro 3,659 thousand.

In addition to the loan described above, bank borrowings, including Euro 67,997 thousand broken down into current (Euro 33,489 thousand) and non-current (Euro 34,508 thousand), are described below.

The main bank current account exposures of the Group companies to banks concern:

- Credit lines granted by Grupo Financiero BBVA Bancomer S.A., Banco Santander S.A., Banco Sabadell S.A. and Scotiabank Inverlat S.A., Banco Nacional de Mexico, S.A. and HSBC México, S.A. to Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for a total of Euro 23,715 thousand. During the year, the total amount decreased by Euro 10,260 thousand including Euro 1,868 thousand due to exchange losses;
- The current portion of the debt of Euro 123 thousand and the credit lines granted to DOMS Industries Pvt Ltd (India) by HDFC Bank for Euro 4,329 thousand, Axis Bank Ltd for Euro 594 thousand and by BNP Paribas for Euro 493 thousand; the exposure increased by Euro 640 thousand compared to December 31, 2020;
- Credit lines issued to Lyra KG (Germany) by Commerzbank for Euro 1,500 thousand at December 31, 2021. The company's total financial exposure decreased by Euro 1,000 thousand on December 31, 2020, principally concerning the repayment of the loan granted by Hypo Real Estate;
- The current portion of the loan contracted by Canson SAS (France) for Euro 844 thousand;
- The current portion of the loans granted to Industria Maimeri (Italy) by Banca Popolare di Milano, Intesa Sanpaolo and Unicredit for Euro 767 thousand. The exposure decreased by Euro 468 thousand on the previous year;
- Short-term loans granted to Fila Chile Ltda (Chile) by Bank BICE and Bank BCI for Euro 596 thousand;
- Short-term loans granted to Fila Art and Craft Ltd (Israel) by Bank Leumi for Euro 427 thousand;
- The current portion of the loans granted mainly to the subsidiary FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey) and the subsidiary Fila Polska Sp Z.o.o (Poland) respectively of Euro 59 thousand and Euro 40 thousand;

Non-current bank debt amounts to Euro 34,508 thousand and principally relates to the non-current portion of the loans granted to:

- F.I.L.A. S.p.A. (Italy) for Euro 30,000 thousand contracted with Cassa Depositi e Prestiti;
- Canson SAS (France) from Intesa Sanpaolo for Euro 2,761 thousand;
- Industria Maimeri S.p.A. (Italy) by Banca Unicredit for Euro 293 thousand;
- DOMS Industries Pvt Ltd (India) from HDFC Bank for Euro 112 thousand;
- The fair value of the trading costs related to the derivative financial instruments subscribed in 2018 by the parent F.I.L.A. S.p.A. of Euro 556 thousand and by the subsidiary Dixon

Ticonderoga Company (U.S.A.) of Euro 785 thousand.

The breakdown of current financial liabilities by due date is shown below:

December 31, 2021 *Euro thousands*	**Within 12 months**	**Within 1-2 years**	**Within 2-3 years**	**Within 3-4 years**	**Within 4-5 years**	**Total**
Financial liabilities						
Bank loans and borrowings[1]	82,553	125,694	130,358	146,738	234	485,578
Other loans and borrowings	3,891	135	13	-	-	4,039
Expected cash flows	**86,444**	**125,830**	**130,371**	**146,738**	**234**	**489,617**

(1) The principal portion of Financial Liabilities - Banks amounts to Euro 481,919 thousand, with an amortized cost adjustment of the medium/long-term portion of Euro 3,659 thousand. The carrying amount in the table is therefore Euro 485,578 thousand.

December 31, 2020 *Euro thousands*	**Within 12 months**	**Within 1-2 years**	**Within 2-3 years**	**Within 3-4 years**	**Within 4-5 years**	**Total**
Financial liabilities						
Bank loans and borrowings[1]	113,416	39,813	112,492	246,128	1,072	512,922
Other loans and borrowings	4,381	255	41	-	-	4,677
Expected cash flows	**117,797**	**40,068**	**112,534**	**246,128**	**1,072**	**517,599**

(1) The principal portion of Financial Liabilities - Banks amounts to Euro 506,754 thousand, with an amortized cost adjustment of the medium/long-term portion of Euro 6,168 thousand. The carrying amount in the table is therefore Euro 512,922 thousand.

Covenants

The F.I.L.A. Group is subject to commitments and covenants in relation to the debt undertaken with leading banks (UniCredit S.p.A., Banca IMI S.P.A., Mediobanca Banca di Credito Finanziario S.p.A., Banca Nazionale del Lavoro, Banco BPM S.p.A. and UniCredit Bank AG).

Covenants are verified half-yearly and annually. Specifically, the covenants are calculated taking into account the following indicators: Net Financial Debt (NFD), gross operating profit (loss) and Net Financial expense, calculated on the basis of the F.I.L.A. Group's interim and annual consolidated financial statements prepared in accordance with the IFRS.

The criteria for the calculation of the NFD and gross operating profit (loss) are established by the related loan contract.

Due to the continuance of the COVID-19 pandemic, the adoption also for 2021 of the same covenants in place for 2020 was prudently negotiated with the lending banks.

The covenants for the loan undertaken by F.I.L.A. S.p.A. and Dixon Ticonderoga Company (U.S.A.) are outlined below, applied from December 31, 2021:

Leverage Ratio at December 2021: NFD / EBITDA < 3.90

As required by Consob Communication No. DEM/6064293 of 28/07/2006, we report that the impact of non-compliance with the covenants as established by the underlying contracts essentially concerns the possibility that the lending banks may revoke the loan contract and/or declare forfeiture of the repayment conditions upon all or part of the loans.

At December 31, 2021, the F.I.L.A. Group verified compliance with the above covenants (also with regards to the contractual Leverage Ratio at December 2021 < 3.25, established before the negotiations with the banks).

Financial liabilities - Other loans and borrowings

"Financial liabilities – Other loans and borrowings" at December 31, 2021 totalled Euro 4,039 thousand (Euro 4,677 thousand at December 31, 2020), with the current portion totalling Euro 3,891 thousand (Euro 4,381 thousand at December 31, 2020).

Financial Liabilities - Current Account Overdrafts

"Current account overdrafts" amounted to Euro 8,806 thousand (Euro 10,887 thousand at December 31, 2020) and mainly concern the overdrafts of the French subsidiary Canson SAS (Euro 4,057 thousand), the Italian subsidiary Industria Maimeri S.p.A. (Euro 2,804 thousand) and the Russian subsidiary Fila Stationary O.O.O. (Euro 1,944 thousand).

Financial liabilities - Lease liabilities

Financial liabilities at December 31, 2021 include the effects deriving from the adoption by the Group of the new standard "IFRS 16" which came into force on January 1, 2019 and which led to an increase of Euro 2,414 thousand as at December 31, 2021, of which Euro 1,402 thousand as the non-current portion and Euro 1,012 thousand as the current portion.

Liabilities at fair value at December 31, 2021 and December 31, 2020 are broken down as follows by hierarchy level.

Euro thousands	December 31, 2021	Measurement model	Level 1	Level 2	Level 3
Financial Liabilities					
Bank Loans and Borrowings	476,772	*Amortised cost*			
Other Loans and Borrowigs	4,039	*Amortised cost*			
Current account overdrafts	8,806	*Amortised cost*			
Financial Instruments	9,858	*Fair value*			9,858
Trade Payables and Other Liabilities	115,430	*Amortised cost*			
Total Financial Liabilities	**614,905**		-	-	**9,858**

Euro thousands	December 31, 2020	Measurement model	Level 1	Level 2	Level 3
Financial Liabilities					
Bank Loans and Borrowings	502,035	*Amortised cost*			
Other Loans and Borrowigs	4,677	*Amortised cost*			
Current account overdrafts	10,887	*Amortised cost*			
Financial Instruments	18,767	*Fair value*			18,767
Trade Payables and Other Liabilities	100,542	*Amortised cost*			
Total Financial Liabilities	**636,908**		-	-	**18,767**

Fair value is divided into the following hierarchy levels:

- Level 1: listed prices (not adjusted) on active markets for identical assets or liabilities;
- Level 2: input data other than listed prices (included in Level 1) which are observable for assets or liabilities, both directly (as in the case of prices) and indirectly (as derived from prices);
- Level 3: input data concerning assets or liabilities which are not based on observable market data.

In accordance with the latest amendments to IAS 7, the following table shows the variations in liabilities (and any related assets) recorded in the statement of financial position, whose cash flows are or will be recorded in the statement of cash flows as cash flows from financing activities.

Euro thousands	Bank Loans Principal	Other Loans and borrowings Principal	Other Financial Expense	Financial expense TFR
	Note 13	*Note 13*	*Note 30*	*Note 14*
December 31, 2020	**(507,283)**	**(4,618)**	**3,045**	**(178)**
Cash Flows	**42,925**	**857**	**1,792**	**88**
Other changes:				
Exchange gains (losses)	(16,040)	(268)	-	-
FV Variation	-	-	-	-
Change in amortized cost	713	-	2,566	-
December 31, 2021	**(479,686)**	**(4,029)**	**4,357**	**(90)**

Note 14 - Employee Benefits

The F.I.L.A. Group companies guarantee post-employment benefits for employees, both directly and through contributions to external funds.

The means for accruing these benefits varies according to the legal, tax and economic conditions of each country in which the Group operates. These benefits are based on remuneration and years of employee service.

The benefits recognised to employees of the Parent F.I.L.A. S.p.A. concern salary-based Post-Employment Benefits, governed by Italian legislation and in particular Article 2120 of the Italian Civil Code. The amount of these benefits is in line with the contractually-established remuneration agreed between the parties on hiring.

The other Group companies, particularly Daler Rowney Ltd (United Kingdom), Canson SAS (France), DOMS Industries Pvt Ltd (India), Fila Hellas (Greece), Fila Arches (France) and Dixon Ticonderoga Company (U.S.A.), Industria Maimeri S.p.A. and Grupo F.I.L.A.-Dixon, S.A. de C.V. guarantee post-employment benefits, both through defined contribution plans and defined benefit plans.

In the case of defined contribution plans, the Group companies pay the contributions to public or private insurance institutions based on legal or contractual obligations, or on a voluntary basis. With the payment of contributions, the companies fulfil all of their obligations. The cost is accrued based on employment rendered and is recorded under personnel expense.

The defined benefit plans may be unfunded, or they may be partially or fully funded by the contributions paid by the company, and sometimes by its employees to a company or fund, legally separate from the company which provides the benefits to the employees. The plans provide for a fixed contribution by the employees and a variable contribution by the employer, necessary to at least satisfy the funding requirements established by law and regulation in the individual countries.

Finally, the Group grants employees other long-term benefits, generally issued on the reaching of a fixed number of years of service or in the case of invalidity. In this instance, the amount of the obligation recognised in the financial statements reflects the probability that the payment will be made and the duration for which it will be made. These plans are calculated on an actuarial basis, utilising the "projected unit credit" method.

The amounts at December 31, 2021 were as follows:

Note 14.A - POST-EMPLOYMENT BENEFITS AND OTHER EMPLOYEE BENEFITS

Euro thousands	Post-employment benefits	Other employee benefits	Total
December 31 , 2019	**2,204**	**9,596**	**11,800**
Benefits paid	(1,019)	(410)	(1,429)
Interest cost	37	141	178
Service cost	954	907	1,861
Actuarial (gains) losses	165	1,171	1,336
Variation due to change in consolidation scope	568	-	568
Exchange (gains) losses	(1)	(348)	(349)
December 31 , 2020	**2,908**	**11,057**	**13,965**
Benefits paid	(1,151)	(415)	(1,567)
Interest cost	2	88	90
Service cost	983	555	1,538
Actuarial (gains) losses	(205)	(6,527)	(6,733)
Exchange (gains) losses	-	346	346
Other	-	1,922	1,922
December 31 , 2021	**2,536**	**7,024**	**9,560**
Change	**(372)**	**(4,033)**	**(4,405)**

Actuarial gains in 2021 totalled Euro 6,733 thousand, and were recorded, net of the tax effect, to the statement of comprehensive income and mainly relate to the company Daler Rowney Ltd (United Kingdom) for Euro 5,359 thousand, the French subsidiary Canson SAS for Euro 881 thousand, the US subsidiary Dixon Ticonderoga Company for Euro 207 thousand and the French subsidiary Fila Arches for Euro 183 thousand.

The other changes in the year mainly concern the subsidiary Daler Rowney Ltd (United Kingdom) for Euro 1,534 thousand for the improved performance of the assets in service of the Plan against the defined benefit plans performance, both subject to actuarial valuation.

The following table outlines the amount of employee benefits, broken down by funded and unfunded by plan assets over the last two years:

EMPLOYEE BENEFIT PLANS

1. Employee benefit obligations	**December 31, 2021**	**December 31, 2020**
Present value of obligations covered by unfunded plan assets	2,536	2,908
	2,536	**2,908**
Present value of obligations covered by plan assets	56,878	12,537
Fair value of plan assets relating to the obligations	(49,854)	(1,480)
	7,024	**11,057**
Total	**9,560**	**13,965**

The financial assets at December 31, 2021 invested by the F.I.L.A. Group to cover financial liabilities arising from "Employee benefits" amount to Euro 49,854 thousand (Euro 1,480 thousand at December 31, 2020) and relate to Daler Rowney Ltd (United Kingdom) for Euro 46,324 thousand, Dixon Ticonderoga Company (U.S.A.) for Euro 1,821 thousand and Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for Euro 1,709 thousand. The financial investments have an average return of 5% on invested capital.

The table below highlights the net cost of employee benefit components recognised in profit or loss in 2021 and 2020:

2. Cost recognised in Profit and Loss	December 31, 2021	December 31, 2020
Service cost	1,538	1,861
Interest cost	90	178
Cost recognised in Profit and Loss	**1,628**	**2,039**

The principal actuarial assumptions used for the estimate of the post-employment benefits were the following:

3. Main actuarial assumptions at reporting date (average amounts)	December 31, 2021	December 31, 2020
Annual technical discount rate	1.7%	1.8%
Increase in cost of living index	2.7%	1.6%
Future salaries increase	2.0%	2.1%
Future pensions increase	1.8%	1.6%

Details of the cash flows of employee benefits at December 31, 2021 are illustrated in the table below.

Nota 14.B - EMPLOYEE BENEFITS: CASH FLOWS SCHEDULE

Nature	Amount	Cash flows schedule				
		2021	2022	2023	2024	After 2024
Italian post-employment benefits (TFR)	2,536	345	151	129	144	1,766
Employee benefits	7,024	410	110	212	519	5,774
Total	**9,560**					

** Euro thousands*

Note 15 - Provision for risks and charges

"Provision for Risks and Charges" at December 31, 2021 amount to Euro 2,317 thousand (Euro 1,863 thousand at December 31, 2020), of which Euro 1,047 thousand (Euro 935 thousand at December 31, 2020) concerning the non-current portion and Euro 1,270 thousand (Euro 928 thousand at December 31, 2020) concerning the current portion.

Note 15.A - PROVISIONS FOR RISKS AND CHARGES

Euro thousands	Provisions for legal disputes	Pension and similar provisions	Restructuring provisions	Other provisions	Total
December 31, 2020	**94**	**802**	**570**	**397**	**1,863**
non-current portion	-	791	-	144	935
current portion	94	11	570	253	928
December 31, 2021	**213**	**841**	**538**	**725**	**2,317**
non-current portion	-	826	-	221	1,047
current portion	213	15	538	504	1,270
Change	**119**	**39**	**(32)**	**328**	**454**
non-current portion	-	35	-	77	112
current portion	119	4	(32)	251	342

The change in the provisions for risks and charges at December 31, 2021 was as follows:

Note 15.B PROVISIONS FOR RISKS AND CHARGES: CHANGES

Euro thousands	Provisions for legal disputes	Pension and similar provisions	Restructuring provisions	Other provisions	Total
December 31, 2019	**485**	**796**	**952**	**843**	**3,076**
Utilisation	(280)	(117)	(277)	(415)	(1,089)
Accruals	25	44	409	(139)	339
Release	(100)	-	(483)	(84)	(667)
Discounting	-	79	-	-	79
Exchange gains (losses)	(35)	-	(33)	(28)	(96)
Other	-	-	-	220	220
December 31, 2020	**94**	**802**	**570**	**397**	**1,863**
Utilisation	-	-	(27)	(60)	(87)
Accruals	117	42	177	371	707
Release	-	-	(185)	-	(185)
Discounting	-	(2)	-	-	(2)
Exchange gains (losses)	1	-	3	17	21
Other	-	-	-	-	-
December 31, 2021	**213**	**841**	**538**	**725**	**2,317**
Change	**119**	**39**	**(32)**	**328**	**454**

Provisions for legal disputes

The provisions concern accruals made in relation to:

- Legal proceedings arising from ordinary operating activities;
- Legal proceedings concerning disputes with employees, former employees and agents.

The provisions, compared to the previous year, increased by Euro 117 thousand due to the provisions accrued by the German subsidiary Lyra KG for Euro 100 thousand and by the Brazilian subsidiary Fila Canson do Brasil Ltda (Brazil) for Euro 17 thousand.

Pension and similar provisions

The caption includes the agent supplementary indemnity provision at December 31, 2021 of the Parent F.I.L.A. S.p.A. and of the Italian subsidiary Industria Maimeri S.p.A.. The actuarial gains for 2021 totalled Euro 2 thousand. The actuarial changes in the year, net of the tax effect, are recognised directly in equity.

Restructuring provisions

For the integration and reorganisation of the Group structure following the corporate transactions of recent years, a number of companies established provisions for risks and charges concerning personnel mobility plans for a total at December 31, 2021 of Euro 538 thousand and decreased by Euro 32 thousand. The plans involve in particular the reorganisation of the North American strategic segment beginning in 2019, recording utilisations of Euro 23 thousand, mainly by the subsidiary Dixon Ticonderoga Company (U.S.A.). In addition, a new provision of Euro 177 thousand was recognised by the French subsidiary, Canson SAS, and a release of Euro 185 thousand was booked by the same French subsidiary in relation to the old reorganisation plans, now completed.

Other provisions

The provision totalled Euro 725 thousand and increased by Euro 328 thousand. The main change in the year related to the accrual of Euro 300 thousand at Group level against any damage not covered by insurance. In addition, the further movements relate to the uses of provisions for Euro 47 thousand and releases for Euro 62 thousand by the subsidiary Dixon Ticonderoga Company (U.S.A.).

Note 16 - Deferred Tax Liabilities

"Deferred Tax Liabilities" amount to Euro 71,839 thousand at December 31, 2021 (Euro 67,423 thousand at December 31, 2020).

Note 16.A CHANGES IN DEFERRED TAX LIABILITIES

Euro thousands	
December 31, 2019	**63,162**
Increase	3,257
Utilisation	(2,071)
Change in consolidation scope	7,513
Net exchange gains	(4,386)
Decrease recognised in equity	(53)
December 31, 2020	**67,423**
Increase	2,350
Utilisation	(2,034)
Net exchange losses	3,786
Increase recognised in equity	313
December 31, 2021	**71,839**
Change	**4,415**

The change on the previous year was Euro 4,415 thousand and mainly concerned exchange losses of Euro 3,786 thousand. Against the gradual amortisation and depreciation of the assets so calculated, the Parent gradually releases the related deferred taxes.

The decrease recognised in equity (Euro 313 thousand) represents the tax effect of the "Actuarial gains/losses" calculated on the "Post-employment benefits and employee benefits" and recognised, in accordance with IAS 19, as an equity reserve.

The table below shows the deferred tax liabilities by nature:

NOTE 16.B - BREAKDOWN OF DEFERRED TAX LIABILITIES

	Statement of Financial Position		Profit and loss		Equity	
Euro thousands	2021	2020	2021	2020	2021	2020
Deferred tax liabilities relating to:						
Intangible Assets	54,758	52,227	2,531	(446)	-	-
Deferred tax liabilities on inventories	717	1,161	(444)	500	-	-
Property, Plant and Equipment	12,944	12,556	388	(2,472)	-	-
Personnel - IAS 19	(68)	-	(380)	(61)	313	(53)
Dividends planned by F.I.L.A. Group - IAS 12	-	-	-	(289)	-	-
Conversion difference accounted for as "Translation Reserve"	-	-	(3,786)	3,313	3,786	(4,386)
Other	3,487	1,479	2,008	642	-	-
Total deferred tax liabilities	**71,839**	**67,423**	**316**	**1,186**	**4,099**	**(4,439)**

Note 17 - Financial instruments

"Financial instruments" at December 31, 2021 amount to Euro 9,858 thousand (Euro 18,767 thousand at December 31, 2020) and refer to the fair value of loan hedging derivatives (hedged instrument), issued in favour of Dixon Ticonderoga Company (U.S.A.) (Euro 7,723 thousand) and of F.I.L.A. S.p.A. (Euro 2,067 thousand), both for the acquisition of the Pacon Group and the refinancing of the debt agreed by F.I.L.A. S.p.A. in 2016 (in support of the M&A transactions relating to the acquisition of the Daler-Rowney Lukas Group, the Canson Group and St. Cuthberts Holding).

Canson SAS (France) also entered into a derivative to hedge borrowings (hedged instrument) agreed by the company in support of investments relating to the implementation of the Annonay logistics hub of Euro 68 thousand.

The accounting treatment adopted for the hedging instruments, based on IFRS 9, is based on hedge accounting and in particular that concerning "cash flow hedges" and involving the recognition of a financial asset or liability and an equity reserve.

Reference should be made to the "Directors' Report - Risk Management" section with regards to the nature and extent of financial instrument risk, in accordance with IFRS 7.

Note 18 - Current Tax Liabilities

"Current Tax Liabilities" total Euro 9,209 thousand at December 31, 2021 (Euro 4,974 thousand at December 31, 2020), relating mainly to US subsidiary Dixon Ticonderoga Company (Euro 5,202 thousand), the French subsidiary Canson SAS (Euro 932 thousand), the Parent F.I.L.A. S.p.A. (Euro 875 thousand), the German subsidiary Lyra KG (Euro 398 thousand) and the Chilean subsidiary F.I.L.A. Chile Ltda (Euro 306 thousand).

Note 19 - Trade payables and other liabilities

"Trade payables and other liabilities" at December 31, 2021 amount to Euro 115,430 thousand (Euro 100,542 thousand at December 31, 2020). The breakdown of "Trade payables and other liabilities" of the F.I.L.A. Group is reported below:

Note 19.A TRADE PAYABLES AND OTHER LIABILITIES

Euro thousands	December, 2021	December, 2020	Change
Trade payables	82,402	68,418	13,984
Tax liabilities	8,483	8,631	(148)
Other	23,963	22,726	1,237
Accrued expenses and deferred income	582	767	(185)
Total	**115,430**	**100,542**	**14,888**

The increase in "Trade Payables" was Euro 13,984 thousand and mainly concern the US subsidiary Dixon Ticonderoga Company for Euro 4,267 thousand, the Indian subsidiary DOMS Industries Pvt Ltd for Euro 3,741 thousand, the French subsidiary Canson SAS for Euro 2,125 thousand and the Parent F.I.L.A. S.p.A. for Euro 2,110 thousand, in addition to exchange losses of Euro 3,303 thousand.
The change is mainly due to higher purchases made to support the sales volumes.
The geographical breakdown of trade payables is shown below:

TRADE PAYABLES BY GEOGRAPHICAL SEGMENT

Euro thousands	December, 2021	December, 2020	Change
Europe	37,382	33,061	4,321
North America	27,244	21,505	5,739
Central - South America	5,331	5,353	(22)
Asia	12,316	8,319	3,997
Other	128	180	(52)
Total	**82,402**	**68,418**	**13,984**

The carrying amount of trade payables at the reporting date approximates their "fair value".
The trade payables reported above are due within 12 months.

"Tax Liabilities" to third parties amounts to Euro 8,483 thousand at December 31, 2021 (Euro 8,631 thousand at December 31, 2020), of which Euro 4,928 thousand related to VAT liabilities and Euro 3,555 thousand concerning tax liabilities other than current taxes, primarily recognized by F.I.L.A. S.p.A. (Euro 366 thousand) and relating to withholding taxes in connection with self-employed workers. The residual amount mainly concerns Dixon Ticonderoga Company U.S.A. (Euro 1,771 thousand), the Chinese subsidiary (Euro 333 thousand) and Canson SAS (Euro 331 thousand).

"Other" amounts to Euro 23,963 thousand at December 31, 2021 and principally includes:

- Employee salaries of Euro 14,780 thousand (Euro 13,103 thousand at December 31, 2020);
- Social security contributions to be paid of Euro 5,321 thousand (Euro 5,854 thousand at December 31, 2020);

- Agent commissions of Euro 381 thousand (Euro 493 thousand at December 31, 2020);
- Residual liabilities of Euro 3,481 thousand mainly concerning advances to customers (Euro 3,276 thousand at December 31, 2020).

The carrying amount of "Tax Liabilities", "Other" and "Accrued Expense and Deferred Income" at the reporting date approximate their fair value.
With reference to the other non-current liabilities, the balance at December 31, 2021 amounted to Euro 206 thousand and refers to deposits paid by customers to guarantee long-term supply contracts of the Indian company DOMS Industries Pvt Ltd.

Note 20 – Revenue

Revenue in 2021 amounted to Euro 653,278 thousand (Euro 607,382 thousand in 2020):

Note 20.A - REVENUE

Euro thousands	December 31, 2021	December 31, 2020	Change
Revenue	698,891	655,295	43,594
Adjustments to Sales	(45,612)	(47,913)	2,301
Returns on Sales	*(13,113)*	*(13,494)*	*381*
Discounts, Allowances and bonuses	*(32,499)*	*(34,419)*	*1,920*
Total	**653,278**	**607,382**	**45,896**

"Revenue" of Euro 653,278 thousand increased by Euro 45,896 thousand on the previous year.
Net of exchange losses of Euro 11,913 thousand (mainly concerning the US Dollar and to a lesser extent a number of South American currencies and the Indian Rupee), organic growth was Euro 57,809 thousand (+9.5%).

Revenue compared with the previous year by "*Strategic Segments*", broken down by *"Entity Location"* according to IFRS 15, is presented below:

December 31, 2021 *Euro Thousand*	**Europe**	**North America**	**Central - South America**	**Asia**	**Rest of the World**	**F.I.L.A. Group**
Fine Art, Hobby & Digital	91,724	95,948	7,123	9,225	2,534	206,555
Industrial	13,436	7,904	1,357	645	-	23,342
School & Office	131,877	194,671	37,368	58,039	1,425	423,381
Revenue	**237,038**	**298,524**	**45,848**	**67,909**	**3,959**	**653,278**

December 31, 2020 *Euro Thousand*	**Europe**	**North America**	**Central - South America**	**Asia**	**Rest of the World**	**F.I.L.A. Group**
Fine Art, Hobby & Digital	85,877	114,975	5,096	8,453	2,085	216,486
Industrial	10,854	6,527	642	655	-	18,678
School & Office	115,755	188,130	24,605	42,602	1,126	372,218
Revenue	**212,486**	**309,632**	**30,343**	**51,710**	**3,211**	**607,382**

Note 20.B - REVENUE BY GEOGRAPHICAL SEGMENT

Euro thousands	**December 31, 2021**	**December 31, 2020**	**Change**
Europe	237,037	212,486	24,551
North America	298,524	309,632	(11,108)
Central - South America	45,848	30,344	15,504
Asia	67,910	51,710	16,200
Other	3,959	3,210	749
Total	**653,278**	**607,382**	**45,896**

Note 21 –Income

Income relates to ordinary operations and does not include the sale of goods and provision of services, in addition to realised and unrealised exchange gains on commercial transactions.

For further details on exchange differences, reference should be made to “Note 31 - Foreign currency transactions”.

“Income” in 2021 amounted to Euro 6,823 thousand (Euro 8,967 thousand in 2020).

Note 21 - INCOME

Euro thousands	**December 31, 2021**	**December 31, 2020**	**Change**
Gains on Sale of Intangible Assets	-	3	(3)
Gains on Sale of Property, Plant and Equipment	52	574	(522)
Unrealised Exchange Gains on Commercial Transactions	2,358	2,314	44
Realised Exchange Gains on Commercial Transactions	1,699	3,759	(2,060)
Other Revenue and Income	2,713	2,317	396
Total	**6,823**	**8,967**	**(2,144)**

“Other Revenue and Income” in 2021 of Euro 2,713 thousand principally includes income from the sale of production waste by Group companies.

Note 22 - Raw Materials, Consumables, Supplies and Goods and Change in Raw Materials, Semi-Finished Products, Work in progress and Finished Goods

"Raw Materials, Consumables, Supplies and Goods" includes all purchases of raw materials, semi-finished products, transport for purchases, goods and consumables for operating activities.

"Raw Materials, Consumables, Supplies and Goods" in 2021 totalled Euro 305,048 thousand (Euro 293,027 thousand in 2020).

The relative detail is shown below:

Note 22 - RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

Euro thousands	**December 31, 2021**	**December 31, 2020**	**Change**
Raw materials, Consumables, Supplies and Goods	(250,791)	(244,493)	(6,298)
Transport costs	(24,895)	(17,926)	(6,969)
Packaging	(9,472)	(6,319)	(3,153)
Import Charges and Customs Duties	(6,784)	(11,376)	4,592
Other purchase costs	(12,952)	(13,394)	442
Maintenance Materials	(833)	(689)	(144)
Adjustments to Purchases	679	1,170	(491)
Returns on purchases	*149*	*303*	*(154)*
Discounts, rebates and rewards on purchases	*529*	*867*	*(338)*
Total	**(305,048)**	**(293,027)**	**(12,021)**

The increase in "Raw Materials, Consumables, Supplies and Goods" in 2021 was Euro 12,021 thousand. The increase is mainly due to higher revenue.

The increases in inventories at December 31, 2021 totalled Euro 5,176 thousand, of which:

- Increase in "Raw Materials, Consumables, Supplies and Goods" for Euro 2,172 thousand (increase of Euro 2,085 thousand at December 31, 2020);
- Increase in "Work-in-Progress and Semi-Finished products" of Euro 1,077 thousand (decrease of Euro 688 thousand at December 31, 2020);
- Increase in "Finished Goods" of Euro 1,927 thousand (increase of Euro 11,392 thousand at December 31, 2020).

For further details, reference should be made to the "Adjusted financial performance" section of the Directors' Report.

Note 23 - Services and Use of Third-Party Assets

"Services and Use of Third-Party Assets" amounted to Euro 100,820 thousand in 2021 (Euro 103,557 thousand in 2020).

Services are broken down as follows:

Note 23 - SERVICES AND USE OF THIRD-PARTY ASSETS			
Euro thousands	**December 31, 2021**	**December 31, 2020**	**Change**
Sundry services	(7,580)	(11,088)	3,508
Transport	(27,407)	(26,654)	(753)
Warehousing	(2,045)	(1,878)	(167)
Maintenance	(13,628)	(12,061)	(1,567)
Utilities	(9,550)	(8,714)	(836)
Consulting fees	(8,796)	(12,329)	3,533
Directors' and Statutory Auditors' Fees	(4,499)	(3,998)	(501)
Advertising, Promotions, Shows and Fairs	(4,143)	(4,793)	650
Cleaning	(855)	(1,026)	171
Bank Charges	(1,385)	(1,215)	(170)
Agents	(8,696)	(7,042)	(1,654)
Sales representatives	(2,214)	(2,529)	315
Sales Commissions	(2,285)	(2,025)	(260)
Insurance	(3,052)	(2,722)	(330)
Other Services	(2,715)	(2,620)	(95)
Rent	(1,122)	(1,607)	485
Royalties and Patents	(848)	(1,256)	408
Total	**(100,820)**	**(103,557)**	**2,737**

The decrease in "Services and Use of Third-Party Assets" on 2020 was Euro 2,737 thousand. Consultancy costs principally decreased as a result of the M&A carried out by the Parent F.I.L.A. S.p.A. and by the French subsidiary Fila Arches in the previous year. The movement is in addition due to lower costs, such as for Advertising, Promotions, Shows and Fairs and Transport.

Note 24 – Other Costs

"Other Costs" totalled Euro 5,318 thousand in 2021 (Euro 7,154 thousand in 2020).

This caption principally includes realised and unrealised exchange losses on commercial transactions. For further details on exchange differences, reference should be made to "Note 30 - Foreign currency transactions".

“Other costs” are broken down as follows:

Note 24 - OTHER COSTS

Euro thousands	December 31, 2021	December 31, 2020	Change
Unrealised Exchange Losses on Commercial Transactions	(1,837)	(2,476)	639
Realised Exchange Losses on Commercial Transactions	(2,607)	(4,557)	1,950
Other Operating Costs	(874)	(121)	(753)
Total	**(5,318)**	**(7,154)**	**1,836**

The decrease in “Other operating costs” of Euro 753 thousand in 2021 primarily relates to tax charges other than income taxes, such as municipal taxes on property.

Note 25 – Personnel Expense

“Personnel Expense” includes all costs and expenses incurred for employees.

“Personnel expense” amounted to Euro 134,165 thousand in 2021 (Euro 130,350 thousand in 2020).

These costs are broken down as follows:

Note 25 – PERSONNEL EXPENSE

Euro thousands	December 31, 2021	December 31, 2020	Change
Wages and Salaries	(101,990)	(99,784)	(206)
Social Security Charges	(26,122)	(25,364)	(758)
Employee Benefits	(555)	(907)	352
Post-Employment Benefits	(983)	(954)	(29)
Other	(4,515)	(3,341)	(1,174)
Total	**(134,165)**	**(130,350)**	**(3,815)**

“Personnel expense” increased Euro 3,815 thousand compared to 2020.

The following table reports the breakdown of the F.I.L.A. Group workforce at December 31, 2021 and December 31, 2020 by geographical segment.

	Europe	North America	Central - South America	Asia	Rest of the World	Total
December 31, 2020	1,115	594	1,503	4,830	28	8,070
December 31, 2021	1,118	582	1,412	6,685	26	9,823
Change	3	(12)	(91)	1,855	(2)	1,753

For further details, reference should be made to the Personnel section of the Directors’ Report.

Note 26 – Amortisation and Depreciation

This caption amounted to Euro 40,789 thousand in 2021 (Euro 42,646 thousand in 2020). Amortisation and depreciation in 2021 and 2020 are reported below:

Note 26 – AMORTISATION AND DEPRECIATION

Euro thousands	December 31, 2021	December 31, 2020	Change
Depreciation Property, plant and equipment	(15,217)	(16,361)	1,144
Amortisation Intangible assets	(14,409)	(15,311)	902
Depreciation Right-of-use assets	(11,163)	(10,974)	(189)
Total	**(40,789)**	**(42,646)**	**1,857**

The change in Amortisation and depreciation in 2021 is mainly due to the containment of investments in 2020 during the COVID-19 pandemic.
For further details, reference should be made to “Note 1 – Intangible Assets” and “Note 2 – Property, Plant and Equipment”.

Note 27 –Impairment Losses on Trade Receivables and Other assets

“Impairment losses on Trade Receivables and Other assets” amounted to Euro 568 thousand in 2021 (Euro 1,833 thousand in 2020):

Note 27 - IMPAIRMENT GAINS (LOSSES) ON TRADE RECEIVABLES AND OTHER ASSETS

Euro thousands	December 31, 2021	December 31, 2020	Change
Impairment gains (losses) on trade receivables and other assets	(568)	(1,833)	1,265
Total	**(568)**	**(1,833)**	**1,265**

The reduction in the caption is mainly due to lower impairment losses on trade receivables, due to the reduced amount of disputes with customers, in addition to the greater certainty on customer collections compared to the previous year.

Note 28 – Other impairment losses

Total “Other impairment losses” amount to Euro 22 thousand in 2021 (Euro 1,053 thousand in 2020):

Note 28 – OTHER IMPAIRMENT GAINS (LOSSES)			
Euro thousands	**December 31, 2021**	**December 31, 2020**	**Change**
Impairment gains (losses) on Property, Plant and Equipment	(22)	(1,053)	1,031
Total	**(22)**	**(1,053)**	**1,031**

For further details, reference should be made to “Note 2 – Property, Plant and Equipment”.

Note 29 – Financial Income

Total “Financial Income” amounted to Euro 6,051 thousand in 2021 (Euro 2,348 thousand in 2020). Financial income, together with the comment on the main changes on the previous year, was as follows:

Note 29 – FINANCIAL INCOME			
Euro thousands	**December 31, 2021**	**December 31, 2020**	**Change**
Interest income on Bank Deposits	144	114	30
Other Financial Income	169	248	(80)
Unrealised Exchange Gains on Financial Transactions	5,129	1,516	3,613
Realised Exchange Gains on Financial Transactions	610	470	140
Total	**6,051**	**2,348**	**3,703**

The change concerns the “Unrealised Exchange Gains on Financial Transactions” and “Realised Exchange Gains on Financial Transactions” captions.

Note 30 – Financial Expense

“Financial Expense” in 2021 amounted to Euro 30,436 thousand (Euro 37,850 thousand in 2020). Financial expense, together with the main changes on the previous year, was as follows:

Note 30 - FINANCIAL EXPENSE			
Euro thousands	**December 31, 2021**	**December 31, 2020**	**Change**
Interest on current account Overdrafts	(96)	(145)	49
Interest on Bank Loans and borrowings	(17,940)	(20,883)	2,943
Interest on Other loans and borrowings	(349)	(152)	(197)
Other Financial Expense	(4,357)	(3,035)	(1,322)
Unrealised Exchange Losses on Financial Transactions	(1,768)	(7,241)	5,473
Realised Exchange Losses on Financial Transactions	(385)	(636)	251
Lease interest expense - *Right of Use*	(5,541)	(5,758)	217
Total	**(30,436)**	**(37,850)**	**7,414**

The decrease in "Financial expense" of Euro 7,414 thousand in 2021, net of exchange differences, mainly relates to decreased "Interest expense on bank loans and borrowings" incurred by the US subsidiary Dixon Ticonderoga Co. The portion of amortised cost accrued in 2021 was Euro 2,566 thousand and mainly matured on the new loan contracted by F.I.L.A. S.p.A. and Dixon Ticonderoga Company (U.S.A.) at December 31, 2021 (Euro 1,968 thousand).

For further details concerning these issues, reference should be made to "Note 13 - Financial Liabilities".

Note 31 – Foreign Currency Transactions

Exchange differences on financial and commercial transactions in foreign currencies in 2021 are reported below:

Note 31 - FOREIGN CURRENCY TRANSACTIONS

Euro thousands	December 31, 2021	December 31, 2020	Change
Unrealised Exchange Gains on Commercial Transactions	2,358	2,314	44
Realised Exchange Gains on Commercial Transactions	1,699	3,758	(2,059)
Unrealised Exchange Losses on Commercial Transactions	(1,837)	(2,476)	639
Realised Exchange Losses on Commercial Transactions	(2,607)	(4,557)	1,950
Net exchange gains (losses) on commercial transactions	**(387)**	**(961)**	**574**
Unrealised Exchange Gains on Financial Transactions	5,128	1,517	3,611
Realised Exchange Gains on Financial Transactions	610	470	140
Unrealised Exchange Losses on Financial Transactions	(1,768)	(7,241)	5,473
Realised Exchange Losses on Financial Transactions	(385)	(636)	251
Net exchange gains (losses) on financial transactions	**3,585**	**(5,890)**	**9,475**
Net exchange gains (losses)	**3,198**	**(6,851)**	**10,050**

Exchange differences in 2021 mainly arose from exchange rate fluctuations against the euro, in addition to the change in the year of assets and liabilities in foreign currencies, following commercial and financial transactions.

Note 32 – Share of profit of Equity-Accounted Investees

The "Share of profit of equity-accounted investees" of Euro 294 thousand (Euro 271 thousand in 2020) relates to the adjustment of the investments in associates held by DOMS Industries Pvt Ltd (India), consolidated under the equity method.

Note 33 –Taxes

This overall in 2021 amounted to Euro 15,031 thousand (Euro 6,165 thousand in 2020) and comprised current taxes of Euro 14,513 thousand (Euro 7,353 thousand in 2020) and a net deferred tax charge of Euro 519 thousand (income of Euro 1,188 thousand in 2020).

Note 33.A – Current Taxes

The relative detail is shown below:

Note 33.A - CURRENT TAXES

Euro thousands	December 31, 2021	December 31, 2020	Change
Current taxes Italy	(1,398)	33	(1,432)
Current taxes Abroad	(13,115)	(7,386)	(5,728)
Total	**(14,513)**	**(7,353)**	**(7,160)**

Italian current taxes concern F.I.L.A. S.p.A., Industria Maimeri S.p.A and Canson Italy S.r.l..

The breakdown of foreign current taxes is illustrated below:

Note 33.A.1 - FOREIGN INCOME TAXES

Euro thousands	December 31, 2021	December 31, 2020	Change
FILA (Italy)	(245)	(122)	(123)
Dixon Ticonderoga Company (U.S.A.)	(6,360)	(3,131)	(3,228)
Dixon (China)	-	(177)	177
Dixon Canadian Holding Inc.	1	13	(11)
Dixon (Mexico)	(306)	(154)	(152)
FILA (Chile)	(150)	(65)	(85)
Lyra KG (Germany)	(381)	(210)	(171)
Lyra Verwaltungs (Germany)	-	(1)	1
Fila Nordic (Scandinavia)	(186)	(131)	(54)
Lyra Akrelux (Indonesia)	(49)	(45)	(4)
DOMS Industries PVT Ltd (India)	(79)	27	(106)
FILA Hellas (Greece)	(188)	(136)	(52)
FILA (South Africa)	(1)	-	(1)
Fila Dixon (Kunshan)	(40)	(814)	775
FILA Benelux	(293)	(247)	(46)
Daler Rowney Ltd (UK)	(711)	(513)	(198)
Brideshore srl (Dominican Republic)	(35)	(38)	3
FILA (Poland)	(108)	(101)	(7)
FILA (Yixing)	(236)	(218)	(17)
St.Cuthberts Mill Limited Paper (UK)	(61)	(117)	55
FILA Iberia	(1,614)	(1,354)	(260)
Canson Bresil (Brazil)	(99)	-	(99)
Canson SAS (France)	(1,145)	905	(2,050)
Canson Qingdao (China)	-	(5)	4
FILA Art Products AG	(51)	(26)	(25)
Fila Art and Craft Ltd	(85)	(66)	(19)
Dixon Ticonderoga Art ULC	(433)	(562)	129
Princeton Hong Kong	(28)	(98)	70
Fila Arches	(232)	-	(232)
Total	**(13,115)**	**(7,386)**	**(5,728)**

The foreign income taxes also include the tax charge relating to F.I.L.A S.p.A. (Euro 245 thousand), mainly concerning the tax representation of the German subsidiary Lyra KG (Euro 241 thousand).

Nota 33.B – Deferred Taxes

The relative detail is shown below:

Note 33.B - DEFERRED TAXES

Euro thousands	December 31, 2021	December 31, 2020	Change
Deferred tax liabilities	(317)	(1,186)	869
Deferred tax assets	(663)	1,574	(2,237)
Deferred tax assets on Right-of-use assets	461	800	(339)
Total	**(519)**	**1,188**	**(1,707)**

The table below shows the overall tax for the year.

Note 33.C - TOTAL TAXES OF THE YEAR

Euro thousands	2021	Effective tax rate	2020	Effective tax rate
Pre-Tax profit of the year for the F.I.L.A. Group	54,456		14,287	
Profit of the year of the F.I.L.A. Group not subject to Current Taxes	976		1,195	
Consolidation Effect of the F.I.L.A. Group - Before Current Taxes	(566)		6,857	
Theoretical Tax Base	54,866		22,340	
Total current income taxes	**(14,513)**	**26.5%**	**(7,353)**	**32.9%**
Deferred Tax Income on Temporary Differences	(202)		(1,186)	
Deferred Tax Expense on Temporary Differences	(317)		2,374	
Total deferred taxes	**(519)**	**0.9%**	**1,188**	**(5.3%)**
Total taxes	**(15,031)**	**27.4%**	**(6,165)**	**27.6%**

"Current income taxes" of Euro 14,513 thousand represent an average effective tax rate for the F.I.L.A. Group of 26.5%, decreasing 6.40% on the previous year.

Total income taxes increased as a result of the higher pre-tax profit.

Subsequent events

- On January 12, 2022, the liquidation of the Italian subsidiary Canson Italy S.r.l. began;

- On January 14, 2022, the German subsidiaries Lukas-Nerchau GmbH and Nerchauer-Malfarben GmbH were merged into Daler Rowney GmbH;

- On February 8, 2022, the UK subsidiary Daler Rowney Ltd fully acquired the UK company Creative Art Products Limited, specialised in the schools segment, for a total amount of GBP 1 million;

- Impacts of events related to the conflict in Ukraine
  As widely publicised, on February 24, 2022 Russia launched a military operation in the east of Ukraine, resulting in the current conflict, which is significantly broadening in scope.
  F.I.L.A. Group management consider that the economic and financial impacts from the conflict between Russia and Ukraine on its Russian commercial subsidiary FILA Stationary O.O.O will not be significant at Group level, as the turnover of the subsidiary accounts for approx. 0.2% at Group level and the Russian company has demonstrated financial independence in running its operations, confirming its estimates for 2022. The net trade exposure of the Russian subsidiary amounts to Euro 4,289 thousand at December 31, 2021.
  At the same time, the parent F.I.L.A. S.p.A. at December 31, 2021 has not indicated impairment test difficulties with investees and the recoverability of the financial and commercial positions with FILA Stationary O.O.O.. The investment held by F.I.L.A. S.p.A. in FILA Stationary O.O.O. amount to Euro 945 thousand. The net trade exposure of the subsidiaries towards the Russian subsidiary amounts to Euro 382 thousand, while the net financial debt amounts to Euro 1,518 thousand.
  There are no companies of the F.I.L.A. Group in Ukraine at December 31, 2021.
  At Group level, the effects and the criticalities generated by the general inflation of raw and ancillary materials for production are being monitored, assessing the possibility of identifying alternative procurement sources where needed or undertaking adequate compensatory measures. Moreover, the vertical integration of the Group should enable these pressures to be mitigated.

  On the basis of the information available, the potential effects deriving from the conflict in Ukraine, in line with the application of the International Financial Reporting Standards (IAS 10), have been considered a "Non Adjusting" event. With reference to the valuations made for the purposes of the financial statements (recoverability of intangible assets, recoverability of deferred tax assets, fair value of financial instruments, liabilities for employee defined benefits etc.), the Directors consider that, given the information currently available, these factors of uncertainty are already included in the main sensitivity analyses provided with reference to the main financial statement captions subject to estimates. With particular reference to the uncertainties related to the developing conflict, it may not be excluded however that, should the crisis extend at an international level, the general economic consequences and specific consequences for the Group could be more severe than that envisaged at present, requiring a new estimate to be made, with a negative impact on the financial statement captions subject to estimate and in terms of the scenarios considered for the sensitivity analysis at December 31, 2021.

Commitments and guarantees

Commitments

In 2021, commercial supplier commitments maturing in 2022 totalled Euro 40 thousand and concern F.I.L.A. Iberia S.L. (Spain).

Guarantees

There are “share security” guarantees put in place on June 4, 2018 for the following companies:

- Renoir Topco Ltd;
- Renoir Bidco Ltd;
- Daler-Rowney Ltd;
- Grupo F.I.L.A. – Dixon, S.A. de C.V.;
- Canson SAS;
- Johann Froescheis Lyra-Bleistift-Fabrik GmbH & Co. KG;
- F.I.L.A. Iberia S.L.;
- Dixon Ticonderoga Art ULC.

The guarantees provided by F.I.L.A. S.p.A. are as follows:

- Bank surety issued in favour of Banco BPM S.p.A. on medium-term loan granted to Industria Maimeri S.p.A. (Italy) for Euro 1,000 thousand;

- Bank surety issued in favour of Unicredit S.p.A. granted to Dixon Ticonderoga Co. (USA) for USD 22 million.
- Bank sureties in favour of third parties:
  - in guarantee of the Pero offices lease contract for Euro 88 thousand;
  - to the Ministry for Economic Development for promotional activities for Euro 311 thousand.
- Bank sureties issued in favour of Banca Nazionale del Lavoro S.p.A. on credit lines granted to:
  - FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey) for TRY 3,000 thousand;
  - Canson Brasil I.P.E. Ltda (Brazil) for BRK 2,200 thousand;
  - Dixon Ticonderoga Co. (USA) for USD 20,000 thousand;
  - DOMS Industries Pvt Ltd (India) for INR 400 million.
- Patronage letters provided on opening of credit granted to Industria Maimeri S.p.A. (Italy) in favour of the following credit institutions:
  - Credito Emiliano S.p.A. for Euro 1,000 thousand;
  - Banco BPM for Euro 2,000 thousand;
  - Banca Popolare dell'Emilia Romagna for Euro 1,025 thousand;
  - Credito Valtellinese for Euro 500 thousand.
- Loan mandates granted to Unicredit S.p.A. in favour of:
  - Fila Dixon Stationery Company (Kunshan) Co. Ltd. (China) for Euro 2,100 thousand;
  - Industria Maimeri S.p.A. (Italy) for Euro 1,950 thousand;
  - Fila Stationary O.O.O. (Russia) for RUB 150 million;
  - Johann Froescheis Lyra- Bleitstitift-Fabrik GmbH&Co-KG for Euro 8 million;
  - Daler Rowney Ltd (United Kingdom) for GBP 2 million.
- Loan mandates granted in favour of Banca Intesa Sanpaolo S.p.A. to the subsidiaries:
  - Fila Dixon Stationery (Kunshan) Co. Ltd. (China) for RMB 32 million;
  - Fila Dixon Stationary (Kunshan) Co., Ltd. (China) for USD 500 thousand;
  - Fila Dixon Stationery (Kunshan) Co. Ltd. (China) for Euro 2,000 thousand;
  - Xinjiang Fila Dixon Plantation Co. Ltd. (China) for Euro 1,600 thousand;
  - Industria Maimeri S.p.A. (Italy) for Euro 2,000 thousand;
  - Fila Stationary O.O.O. (Russia) for Euro 1,250 thousand.

- Dixon Ticonderoga Co. (U.S.A.) for USD 10,000 thousand;
- Canson Sas (France) for Euro 500 thousand.

- Credit mandates in favour of Citi Banamex granted to the subsidiary Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) amounting to USD 10,000 thousand;
- Credit line in favour of Banca Nazionale del Lavoro S.p.A. granted to Industria Maimeri S.p.A. (Italy) for Euro 1.3 million.

Lyra KG "Johann Froescheis Lyra- Bleitstitift-Fabrik GmbH&Co-KG" (Germany) provided a guarantee in favour of T. Perma Plasindo (a local F.I.L.A. Group partner) which, in turn, pledged property, plant and equipment (land and buildings) in guarantee of the obligations devolving to PT. Lyra Akrelux under the loan contract with PT. Bank Central Asia of February 11, 2010 for a total IDR 2,500,000,000 (approx. Euro 155,275).

Related party Transactions

For the procedures adopted in relation to related party transactions, also in accordance with Article 2391-*bis* of the Civil Code, reference should be made to the new policy adopted by the parent on May 14, 2021, as per the Regulation approved by the Stock Exchange Regulator (”Consob”) with resolution No. 17221 of March 12, 2010 and subsequent amendments, published on the parent’s website www.filagroup.it in the “Governance” section.

In accordance with Consob Communication No. 6064293 of July 28, 2006, the following table outlines the commercial and financial transactions with related parties for the year ended December 31, 2021:

F.I.L.A. GROUP RELATED PARTIES - 2021

Euro thousands		December 31, 2021 – Statement of Financial Position						December 31, 2021 – Statement of comprehensive income					
		ASSETS			LIABILITIES			REVENUES			COSTS		
Company	Nature	PP&E and intangible assets	Trade Receivables	Cash and Cash Equivalents	Financial Liabilities (Banks)	Financial Liabilities (Other)	Trade Payables	Revenue from sales	Other Revenue (Services)	Financial Income	Operating Costs (Products)	Operating Costs (Services)	Financial Expense
Nuova Alpa Collanti S.r.l.	Trade Supplier	-	-	-	-	-	542	-	-	-	1,635	-	-
Arda S.p.A.	Trade Supplier	-	-	-	-	-	-	-	-	-	303	-	-
Studio Legale Salonia e Associati	Legal Consultancy	-	-	-	-	-	32	-	-	-	-	335	-
Pynturas y Texturizados S.A. de C.V.	Trade Supplier	-	-	-	-	-	-	-	-	-	-	-	-
HR Trustee	Service Supplier	-	-	-	-	-	-	-	-	-	-	27	-
Total		**-**	**-**	**-**	**-**	**-**	**574**	**-**	**-**	**-**	**1,938**	**362**	**-**

F.I.L.A. GROUP RELATED PARTIES - 2020

Euro thousands		December 31, 2020 – Statement of Financial Position						December 31, 2020 – Statement of comprehensive income					
		ASSETS			LIABILITIES			REVENUES			COSTS		
Company	Nature	PP&E and intangible assets	Trade Receivables	Cash and Cash Equivalents	Financial Liabilities (Banks)	Financial Liabilities (Other)	Trade Payables	Revenue from sales	Other Revenue (Services)	Financial Income	Operating Costs (Products)	Operating Costs (Services)	Financial Expense
Nuova Alpa Collanti S.r.l.	Trade Supplier	-	-	-	-	-	334	-	-	-	1,156	-	-
Arda S.p.A.	Trade Supplier	-	-	-	-	-	82	-	-	-	543	-	-
Studio Legale Salonia e Associati	Legal Consultancy	-	-	-	-	-	68	-	-	-	-	328	-
Pynturas y Texturizados S.A. de C.V.	Trade Supplier	-	-	-	-	-	-	-	-	-	115	9	-
HR Trustee	Service Supplier	-	-	-	-	-	-	-	-	-	-	29	-
Total		**-**	**-**	**-**	**-**	**-**	**484**	**-**	**-**	**-**	**1,814**	**366**	**-**

Nuova Alpa Collanti S.r.l.

Nuova Alpa Collanti S.r.l., a shareholder of which is a member of F.I.L.A. S.p.A.’s board of directors, supplies glue.

Arda S.p.A.

ARDA S.p.A., a shareholder of which is related to the management of a F.I.L.A. Group company, is an Italian based company specialised in the production and sale of school and office items.

Studio Legale Salonia e Associati

The law firm Studio Legale Salonia e Associati, a partner of which is related to the majority shareholder of the Parent, principally provides legal consultancy.

Pinturas y Texturizados S.A. de C.V.

Pinturas y Texturizados S.A. de C.V., a shareholder of which is related to the management of a F.I.L.A. Group company until October 29, 2020, is a company specialised in the production and sale of paint, coating paints and anti- corrosion products.

HR Trustee

HR Trustee, a shareholder of which is related to the management of a F.I.L.A. Group company, is a United Kingdom based company specialised in the provision of professional pension plan services.

The related party transactions carried out by the F.I.L.A. Group refer to normal transactions and are regulated at market conditions, i.e. the conditions that would be applied between two independent parties, and are undertaken in the interests of the Group. Typical or normal transactions are those which, by their object or nature, are not outside the normal course of business of the F.I.L.A. Group and those which do not involve particular critical factors due to their characteristics or to the risks related to the nature of the counterparty or the time at which they are concluded; normal market conditions relate to transactions undertaken at standard Group conditions in similar situations.
On this basis, the exchange of goods, services and financial transactions between the various group companies were undertaken at competitive market conditions.
The infragroup transactions of F.I.L.A. S.p.A., relate to operations to develop synergies between Group companies, integrating production and commercial operations.

The nature and the balances of transactions of the Parent F.I.L.A. S.p.A. with the companies of the F.I.L.A. Group at December 31, 2021 and December 31, 2020 are detailed below:

F.I.L.A. S.P.A. INFRAGROUP TRANSACTIONS 2021

Company	Statement of Financial Position - December 31, 2021				Statement of Comprehensive Income - December 31, 2021						
	Asset		Liabilities		Revenues				Costs		
Euro thousands	Trade Receivables	Financial Assets	Trade Payables	Financial liabilities	Revenues from sales	Other Revenues	Dividends	Financial Income	Operating Costs (Products)	Operating Costs (Services)	Financial Expense
F.I.L.A. Iberia (Spain)	75		9		3	252	3,871				
Dixon Ticonderoga Company (U.S.A.)	1,237		20		1,177	3,161	6,369	300			
Beijing F.I.L.A.-Dixon Stationery Company Limited (China)			8						160		
Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico)	307	6,189	420		705	39		605	840	13	
F.I.L.A. Chile Ltda (Chile)	305		1		884	6					
FILA Argentina S.A. (Argentina)	412		2		331	3					
Johann Froescheis Lyra KG (Germany)	122		263		264	372	1,692		899	156	
F.I.L.A. Nordic (Sweden)	99		4		623	11					
PT. Lyra Akrelux (Indonesia)	81		1		163	3					
FILA Stationary Ltd. Co. (Turkey)	100	4	1		178	3	79	4			
DOMS Industries Pvt Ltd (India)		72	334					58	2,014		
Fila Stationary O.O.O. (Russia)	383	1,518	1		123	4		55			
FILA Hellas SA (Greece)	301		2		1,182	7	400				
Industria Maimeri S.p.A. (Italy)	104	4,066	33		6	301		29	97		
FILA SA (South Africa)	162	172	1		224	22		3			
FILA Dixon Stationery (Kunshan) Co., Ltd. (China)	35		811		177	35			8,068	8	
F.I.L.A. Benelux (Belgium)	26		3			102					
Daler Rowney Ltd (UK)	152	4,258	15		1,387	395		174	9		
Brideshore (Dominican Republic)	84		1		161	42					
FILA Poland (Poland)	30				134		148				
Canson Art & Craft Yixing Co., Ltd. (China)	95		80		187	102			1,945		
St. Cuthberts Holdings (UK)							350				
St. Cuthberts Mill (UK)	1		81			20					
Canson Brasil (Brazil)	132	3,038	1		109	37		49			
Lodi 12 (France)		422						14			
Canson SAS (France)	1,235	18,578	547		7,250	1,405		684	1,757	17	
Canson Australia (Australia)	68	2,345	1		88	5		62			
Canson Italy Srl (Italy)	108		3			332					
Fila Art Products AG (Switzerland)	59	109			209	1		5			
Fila Art & Craft (Israel)	32	202	1		538	4		9			
Dixon Ticonderoga ART ULC (Canada)	13		1		7	51					
Princeton Hong Kong											
Fila Arches (France)	90	21,884	21			399		790			
Total	**5,848**	**62,855**	**2,664**	**-**	**16,111**	**7,116**	**12,909**	**2,839**	**15,788**	**194**	**-**

F.I.L.A. S.P.A. INFRAGROUP TRANSACTIONS 2020

Company	Statement of Financial Position - December 31, 2020				Statement of Comprehensive Income - December 31, 2020						
	Asset		Liabilities		Revenues				Costs		
Euro thousands	Trade Receivables	Financial Assets	Trade Payables	Financial Liabilities	Revenues from sales	Other Revenues	Dividends	Financial Income	Operating Costs (Products)	Operating Costs (Services)	Financial Expense
F.I.L.A. Iberia (Spain)	36		13		9	209	3,871			4	
Dixon Ticonderoga Company (U.S.A.)	877	6,291	38		480	3,049	1,432	579			
Beijing F.I.L.A.-Dixon Stationery Company Limited (China)									4		
Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico)	260		194		906	65		139	525	39	
F.I.L.A. Chile Ltda (Chile)	218		1		773	5					
FILA Argentina S.A. (Argentina)	248		1		320	2					
Johann Froescheis Lyra KG (Germany)	118		146		98	545			1,277	243	
F.I.L.A. Nordic (Sweden)	112		3		493	10					
PT. Lyra Akrelux (Indonesia)	45		1		125	3					
FILA Stationary Ltd. Co. (Turkey)	11		1		220	3		5			
DOMS Industries Pvt Ltd (India)	14		354			23		29	1,841		
Fila Stationary O.O.O. (Russia)	296	2,793	1		316	5		110			
FILA Hellas SA (Greece)	171		2		936	8					
Industria Maimeri S.p.A. (Italy)	266	482	22		9	417		14	2		
FILA SA (South Africa)	176	11	1		211	4					
FILA Dixon Stationery (Kunshan) Co., Ltd. (China)	185		935		243	47			8,510	9	
F.I.L.A. Benelux (Belgium)	37		2			97					
Daler Rowney Ltd (UK)	309	6,770	43		1,541	356		216			
Brideshore (Dominican Republic)	20		1		17	37					
FILA Poland (Poland)	55				131		153				
Canson Art & Craft Yixing Co., Ltd. (China)	49		103		111	133			1,518	6	
St. Cuthberts Holdings (UK)							276				
St. Cuthberts Mill (UK)	2		15			37					
Canson Brasil (Brazil)	83	1,415	1		44	35		34			
Lodi 12 (France)		422						17			
Canson SAS (France)	825	21,389	413		5,735	1,893		732	1,543	24	
Canson Australia (Australia)	610	1,716	1		68	57		55			
Canson Italy Srl (Italy)	62		3			233					
Fila Art Products AG (Switzerland)	95	203			278			6			
Fila Art & Craft (Israele)	49	353	1		565	4		15			
Dixon Ticonderoga ART ULC (Canada)	15		2		14	64					
Fila Arches (France)	1,298	22,775	21			1,368		746			
Total	**6,542**	**64,620**	**2,319**	**-**	**13,643**	**8,709**	**5,732**	**2,697**	**15,220**	**325**	**-**

In particular, in 2021 the nature of transactions between F.I.L.A. S.p.A. and the other Group companies concerned:

- Sale of products/goods of F.I.L.A. S.p.A. and other Group companies;

- Recharges for services and consultancy provided by F.I.L.A. S.p.A., mainly in favour of Canson SAS (France - Euro 336 thousand), Canson Italy S.r.l. (Italy - Euro 270 thousand), Dixon Ticonderoga Company (U.S.A. - Euro 249 thousand), Daler Rowney Ltd. (United Kingdom - Euro 160 thousand), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico - Euro 35 thousand), Industria Maimeri S.p.A. (Italy - Euro 125 thousand), Fila Dixon Stationery (Kunshan) Co, Ltd. (China - Euro 31 thousand), Lyra KG (Germany - Euro 123 thousand), F.I.L.A. Iberia S.L. (Spain - Euro 121 thousand), Fila Benelux (Belgium - Euro 45 thousand), Fila Stationery O.O.O. (Russia – Euro 2 thousand), Fila Nordic AB (Scandinavia - Euro 4 thousand), PT Lyra Arkelux (Indonesia - Euro 1 thousand), Fila Hellas (Greece - Euro 2 thousand), Fila SA (South Africa - Euro 2 thousand), St. Cuthberts Mill (United Kingdom - Euro 6 thousand), Canson Brasil I.P.E. Ltda (Brazil - Euro 6 thousand), Fila Arches (France – Euro 109 thousand), Canson Australia (Australia – Euro 1 thousand), Fila Chile LTDA (Chile – Euro 4 thousand), Fila Art & Craft Ltd (Israel – Euro 2 thousand), FILA Art Products AG (Switzerland – Euro 1 thousand), F.I.L.A. Stationary and Office Equipment Industry Ltd. Co. (Turkey – Euro 1 thousand), Canson Art & Craft Yixing Co., Ltd (China – Euro 14 thousand) and Dixon Ticonderoga Art ULC (Canada – Euro 7 thousand);

- Recharges for costs incurred by F.I.L.A. S.p.A. against Group insurance coverage principally related to the companies Canson SAS (France - Euro 255 thousand), Daler Rowney Ltd. (United Kingdom - Euro 54 thousand), Lyra KG (Germany - Euro 44 thousand), F.I.L.A. Iberia S.L. (Spain - Euro 19 thousand) , Dixon Ticonderoga Company (U.S.A. - Euro 16 thousand), St. Cuthberts (United Kingdom - Euro 16 thousand) and Fila Arches (France - Euro 42 thousand);

- Recharges of costs incurred by F.I.L.A. S.p.A. related to the ERP roll out at the F.I.L.A. Group, principally related to Dixon Ticonderoga Company (U.S.A. – Euro 2,896 thousand), Canson Art & Craft Yixing Co. Ltd (China - Euro 87 thousand), Lyra KG (Germany - Euro 205 thousand), Fila Arches . (France - Euro 247 thousand), Industria Maimeri S.p.A. (Italy - Euro 161 thousand), F.I.L.A. Iberia S.L. (Spain - Euro 110 thousand), Canson SAS (France - Euro 796 thousand), Daler Rowney Ltd. (United Kingdom - Euro 179 thousand), and Fila Benelux (Belgium - Euro 52 thousand);

- Dividends approved but not yet distributed by the subsidiary Dixon Ticonderoga Co. (U.S.A. - Euro 6,369 thousand), by F.I.L.A. Iberia S.L. (Spain - Euro 3,871 thousand), by Lyra KG (Germany - Euro 1,692 thousand), by F.I.L.A. Stationary and Office Equipment Industry Ltd. Co. (Turkey - Euro 79 thousand), by Fila Hellas (Greece - Euro 400 thousand), by Fila Polska Sp Z.o.o (Poland - Euro 148 thousand) and by St. Cuthberts Holding (United Kingdom - Euro 350 thousand).

- Recharges of financial income principally to the subsidiary Daler Rowney Ltd. (United Kingdom - Euro 174 thousand), to the subsidiary Dixon Ticonderoga Co. (USA - Euro 48 thousand), to the subsidiary Canson Brasil I.P.E. Ltda (Brazil - Euro 43 thousand), to the subsidiary Dixon, S.A. de C.V. (Mexico - Euro 111 thousand) to the subsidiary Fila Arches (France - Euro 790 thousand), to the subsidiary Industria Maimeri S.p.A. (Italy - Euro 29 thousand), to the subsidiary Fila SA (South Africa - Euro 3 thousand) to the subsidiary Lodi 12 SAS (France - Euro 14 thousand), to the subsidiary Canson SAS (France - Euro 684 thousand), to the subsidiary Canson Australia (Australia - Euro 62 thousand), to the subsidiary FILA Art Products AG (Switzerland - Euro 5 thousand), to the subsidiary Fila Art & Craft Ltd (Israel - Euro 9 thousand) and to the subsidiary FILA Stationery O.O.O. (Russia – Euro 43 thousand), calculated on the loans granted by F.I.L.A. S.p.A.

- Recharging of fees relating to non-use of the RCF line of the new financing granted in June 2018 attributable to the subsidiary Dixon Ticonderoga Co. (U.S.A. - Euro 81 thousand)) and recharging of costs to subsidiaries for sureties granted in favour of Dixon Ticonderoga Co. (U.S.A. – Euro 169 thousand), F.I.L.A. Stationary and Office Equipment Industry Ltd. Co. (Turkey - Euro 4 thousand), Canson Brasil I.P.E. LTDA (Brazil – Euro 6 thousand) and DOMS Industries PVT Ltd (India - Euro 58 thousand) by F.I.L.A. S.p.A., in guarantee of credit lines agreed with Banca Nazionale del Lavoro S.p.A. and in favour of FILA Stationary O.O.O. (Russia - Euro 12 thousand) in guarantee of the credit lines agreed with Banca Intesa Sanpaolo. Loans in foreign currency subject to currency hedges were recharged to Dixon, S.A. de C.V. (Mexico - Euro 494 thousand).

In addition, the following information is provided in relation to the remuneration of the Directors, Statutory Auditors, Chief Executive Officer and the General Manager, in the various forms in which they are paid and reported in the financial statements.

Name and Surname	Office held	Term	Fees for office (€)	Fees for committees participation (€)	Bonuses and other incentives (€)
Giovanni Gorno Tempini	Chairperson	2021-2023	116,667		
Massimo Candela	Chief Executive Officer	2021-2023	1,200,000		739,644
Luca Pelosin	COO	2021-2023	400,000		249,970
Alberto Candela	Director & Honorary Chairman	2021-2023	170,000		128
Annalisa Barbera	Director	2021-2023	21,667	11,000	
Giorgina Gallo	Director	2021-2023	16,667	4,000	
Donatella Sciuto	Director	2021-2023	16,667	13,333	
Carlo Paris	Director	2021-2023	16,667	13,000	
Total directors in office at December 31, 2021			**1,958,333**	**41,333**	**989,742**
Paola Bonini	Director (until April 2021)	2018-2020	5,000	4,000	
Gerolamo Caccia Dominioni	Director (until April 2021)	2018-2020	5,000	12,333	
Francesca Prandstraller	Director (until April 2021)	2018-2020	5,000	4,000	
Filippo Zabban	Director (until April 2021)	2018-2020	5,000	4,000	
Alessandro Potestà	Director (until April 2021)	2018-2020	5,000	2,000	
Total directors no longer in office at December 31, 2021			**25,000**	**26,333**	**-**
Total directors in office at December 31, 2021			**1,983,333**	**67,667**	**989,742**

The fees reported above do not include Long Term Incentive.

Name and Surname	Office held	Term	Fees for office (€)
Gianfranco Consorti	Chair. Board of Statutory Auditors	2021-2023	40,000
Elena Spagnol	Statutory Auditor	2021-2023	30,000
Pietro Villa	Statutory Auditor	2021-2023	30,000
Total statutory auditors in office as at December 31, 2021			**100,000**

The following members of the Board of Statutory Auditors also received fees for offices held in other companies of the Group.

Name and Surname	Office held	Fees for Office (€)	Company
Stefano Amoroso	Statutory Auditor	6,500	Industria Maimeri S.p.A.

Disclosure pursuant to Article 149-duodecies of the Consob Issuers' Regulation

The following table, prepared pursuant to Article 149-duodecies of the CONSOB Issuers' Regulation, reports the payments made in 2021 for audit and other services carried out by the independent auditor and entities of its network:

Euro thousands	**Company providing the service**	**Recipient**	**2021 Fees**
Audit	KPMG S.p.A.	Parent	346
	KPMG S.p.A.	Italian Subsidiaries	25
	KPMG network **	Non-Italian Subsidiaries	772
Non Audit Servicess *	KPMG ***		147
Total			**1,290**

** Other services for Euro 147 thousand concern mainly the limited assurance procedures on the consolidated non-financial statement and other Audit related services.*

*** Other companies belonging to the KPMG S.p.A. network.*

**** KPMG S.p.A. and other companies belonging to the KPMG S.p.A. network.*

Attachments

Attachment 1 - List of companies included in the consolidation scope and other equity investments

Company	Country	Segment IFRS 8[1]	Year of acquisition	% Held directly (F.I.L.A. S.p.A.)	% Held indirectly	% Held F.I.L.A. Group	Held By	Recognition	Non controlling interests
Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG	Germany	EU	2008	99.53%	0.47%	100.00%	FILA S.p.A. Lyra Bleistift-Fabrik Verwaltungs GmbH	Line-by-Line	0.00%
Lyra Bleistift-Fabrik Verwaltungs GmbH	Germany	EU	2008	0.00%	100.00%	100.00%	Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG	Line-by-Line	0.00%
F.I.L.A. Nordic AB[2]	Sweden	EU	2008	0.00%	50.00%	50.00%	Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG	Line-by-Line	50.00%
FILA Stationary and Office Equipment Industry Ltd. Co.	Turkey	EU	2011	100.00%	0.00%	100.00%	FILA S.p.A.	Line-by-Line	0.00%
Fila Stationary O.O.O.	Russia	EU	2013	90.00%	0.00%	90.00%	FILA S.p.A.	Line-by-Line	10.00%
Industria Maimeri S.p.A.	Italy	EU	2014	51.00%	0.00%	51.00%	FILA S.p.A.	Line-by-Line	49.00%
Fila Hellas Single Member S.A.	Greece	EU	2013	100.00%	0.00%	100.00%	FILA S.p.A.	Line-by-Line	0.00%
Fila Polska Sp. Z.o.o	Poland	EU	2015	51.00%	0.00%	51.00%	FILA S.p.A.	Line-by-Line	49.00%
Dixon Ticonderoga Company	U.S.A.	NA	2005	100.00%	0.00%	100.00%	FILA S.p.A.	Line-by-Line	0.00%
Dixon Canadian Holding Inc.	Canada	NA	2005	0.00%	100.00%	100.00%	Dixon Ticonderoga Company	Line-by-Line	0.00%
Grupo F.I.L.A.-Dixon, S.A. de C.V.	Mexico	CSA	2005	0.00%	100.00%	100.00%	Dixon Canadian Holding Inc. Dixon Ticonderoga Company	Line-by-Line	0.00%
F.I.L.A. Chile Ltda	Chile	CSA	2000	0.79%	99.21%	100.00%	Dixon Ticonderoga Company FILA S.p.A.	Line-by-Line	0.00%
FILA Argentina S.A.	Argentina	CSA	2000	0.00%	100.00%	100.00%	F.I.L.A. Chile Ltda Dixon Ticonderoga Company	Line-by-Line	0.00%
Beijing F.I.L.A.-Dixon Stationery Company Ltd.	China	AS	2005	0.00%	100.00%	100.00%	Dixon Ticonderoga Company	Line-by-Line	0.00%
Xinjiang F.I.L.A.-Dixon Plantation Company Ltd.	China	AS	2008	0.00%	100.00%	100.00%	Beijing F.I.L.A.-Dixon Stationery Company Ltd.	Line-by-Line	0.00%
PT. Lyra Akrelux	Indonesia	AS	2008	0.00%	52.00%	52.00%	Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG	Line-by-Line	48.00%
FILA Dixon Stationery (Kunshan) Co., Ltd.	China	AS	2013	0.00%	100.00%	100.00%	Beijing F.I.L.A.-Dixon Stationery Company Ltd.	Line-by-Line	0.00%
FILA SA PTY LTD	South Africa	RM	2014	99.43%	0.00%	99.43%	FILA S.p.A.	Line-by-Line	0.57%
Canson Art & Craft Yixing Co., Ltd.	China	AS	2015	0.00%	100.00%	100.00%	Beijing F.I.L.A.-Dixon Stationery Company Ltd.	Line-by-Line	0.00%
DOMS Industries Pvt Ltd	India	AS	2015	51.00%	0.00%	51.00%	FILA S.p.A.	Line-by-Line	49.00%
Renoir Topco Ltd	U.K.	EU	2016	100.00%	0.00%	100.00%	FILA S.p.A.	Line-by-Line	0.00%
Renoir Midco Ltd	U.K.	EU	2016	0.00%	100.00%	100.00%	Renoir Topco Ltd	Line-by-Line	0.00%
Renoir Bidco Ltd	U.K.	EU	2016	0.00%	100.00%	100.00%	Renoir Midco Ltd	Line-by-Line	0.00%
FILA Benelux SA	Belgium	EU	2016	0.00%	100.00%	100.00%	Renoir Bidco Ltd	Line-by-Line	0.00%
Daler Rowney Ltd	U.K.	EU	2016	0.00%	100.00%	100.00%	Renoir Bidco Ltd	Line-by-Line	0.00%
Daler Rowney GmbH	Germany	EU	2016	0.00%	100.00%	100.00%	Daler Rowney Ltd	Line-by-Line	0.00%
Lukas-Nerchau GmbH	Germany	EU	2016	0.00%	100.00%	100.00%	Daler Rowney GmbH	Line-by-Line	0.00%
Nerchauer Malfarben GmbH	Germany	EU	2016	0.00%	100.00%	100.00%	Daler Rowney GmbH	Line-by-Line	0.00%
Brideshore srl	Domenican Republic	CSA	2016	0.00%	100.00%	100.00%	Daler Rowney Ltd	Line-by-Line	0.00%
St. Cuthberts Holding Limited	U.K.	EU	2016	100.00%	0.00%	100.00%	FILA S.p.A.	Line-by-Line	0.00%
St. Cuthberts Mill Limited	U.K.	EU	2016	0.00%	100.00%	100.00%	St. Cuthberts Holding Limited	Line-by-Line	0.00%
Fila Iberia S. L.	Spain	EU	2016	96.77%	0.00%	96.77%	FILA S.p.A.	Line-by-Line	3.23%
Canson SAS	France	EU	2016	100.00%	0.00%	100.00%	FILA S.p.A.	Line-by-Line	0.00%
Fila Canson Do Brasil Productos de Artes e Escolar Ltda	Brazil	CSA	2016	0.04%	99.96%	100.00%	Canson SAS FILA S.p.A.	Line-by-Line	0.00%
Lodi 12 SAS	France	EU	2016	100.00%	0.00%	100.00%	FILA S.p.A.	Line-by-Line	0.00%
Canson Australia PTY LTD	Australia	RM	2016	0.00%	100.00%	100.00%	Lodi 12 SAS	Line-by-Line	0.00%
Canson Qingdao Paper Productos Co., Ltd.	China	AS	2016	0.00%	100.00%	100.00%	Lodi 12 SAS	Line-by-Line	0.00%
Canson Italy S.r.l.	Italy	EU	2016	0.00%	100.00%	100.00%	Lodi 12 SAS	Line-by-Line	0.00%
FILA Art Products AG	Switzerland	EU	2017	52.00%	0.00%	52.00%	FILA S.p.A.	Line-by-Line	48.00%
FILA Art and Craft Ltd	Israel	AS	2018	51.00%	0.00%	51.00%	FILA S.p.A.	Line-by-Line	49.00%
Dixon Ticonderoga ART ULC	Canada	NA	2018	0.00%	100.00%	100.00%	Dixon Canadian Holding Inc. Dixon Ticonderoga Company	Line-by-Line	0.00%
Princeton HK Co., Limited	Hong Kong	AS	2018	0.00%	100.00%	100.00%	Dixon Ticonderoga Company	Line-by-Line	0.00%
Fila Arches SAS	France	EU	2019	100.00%	0.00%	100.00%	FILA S.p.A.	Line-by-Line	0.00%
Fila Specialty Paper LLC	U.S.A.	NA	2019	0.00%	50.00%	50.00%	Dixon Ticonderoga Company	Line-by-Line	50.00%
Pioneer Stationery Pvt Ltd.	India	AS	2015	0.00%	51.00%	51.00%	DOMS Industries Pvt Ltd	Equity method	49.00%
Uniwrite Pens and Plastics Pvt Ltd	India	AS	2016	0.00%	60.00%	60.00%	DOMS Industries Pvt Ltd	Equity method	40.00%
Fixy Adhesives Private Limited	India	AS	2021	0.00%	78.46%	78.46%	DOMS Industries Pvt Ltd	Equity method	21.54%
Inxon Pens & Stationary Private	India	AS	2021	0.00%	51.00%	51.00%	DOMS Industries Pvt Ltd	Equity method	49.00%

*1 - **EU** - Europe; **NA** - North America; **CSA** - Central South America; **AS** - Asia; **RM** - Rest of the world*

2 - Although not holding more than 50% of the share capital, considered a subsidiary under IFRS10

Atypical and/or Unusual Transactions

In accordance with Consob Communication of July 28, 2006, during 2021 the F.I.L.A. Group did not undertake any atypical and/or unusual transactions as defined by this communication, whereby atypical and/or unusual transactions refers to transactions which for size/importance, nature of the counterparties, nature of the transaction, method in determining the transfer price or time period (close to the year-end) may give rise to doubts in relation to: the correctness/completeness of the information in the financial statements, conflicts of interest, the safeguarding of the Group's assets and the protection of non-controlling interests.

The Board of Directors
THE CHAIRPERSON
Mr. Giovanni Gorno Tempini
(signed on the original)

Statement of the Manager in Charge of financial reporting and the Corporate Bodies

Fabbrica Italiana Lapis ed Affini

F.I.L.A. S.p.A.
Via XXV Aprile, 5
20016 Pero (MI)

March 22, 2022

Statement of the Manager in Charge of Financial Reporting and the Corporate Bodies – Consolidated Financial Statements (ref. Article 154-bis, paragraph 5)

The undersigned Massimo Candela, as Chief Executive Officer, and Stefano De Rosa, as Manager in Charge of Financial Reporting of F.I.L.A. S.p.A., confirm, and also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:

- the adequacy in relation to the characteristics of the Group and
- the effective application

of the administrative and accounting procedures for the preparation of the consolidated financial statements as at December 31, 2021.

The assessment of the adequacy of the administrative-accounting procedures for the preparation of the consolidated financial statements at December 31, 2021 is based on a process defined by F.I.L.A. S.p.A. in accordance with the Internal Control - Integrated Framework model issued by the Committee of the Sponsoring Organisations of the Treadway Commission, a benchmark framework generally accepted at international level.

It is also declared that:

1. The Consolidated Financial Statements at December 31, 2021 of F.I.L.A. S.p.A.:
   - have been drawn up in conformity with the applicable IFRS endorsed by the European Union in conformity with Regulation (CE) No. 1606/2002 of the European Parliament and the Commission of 19 July 2002;
   - correspond to the underlying accounting documents and records;
   - provide a true and fair view of the financial position and results of operations of the issuer and of the other companies in the consolidation scope.
2. The Directors' Report includes a reliable analysis on the performance and operating result, as well as the situation of the issuer and of the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

The Chief Executive Officer	Manager in Charge of Financial Reporting
Massimo Candela (signed in original)	Stefano De Rosa (signed in original)

F.I.L.A. - Fabbrica Italiana Lapis ed Affini Società per Azioni.
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Il futuro ha i nostri colori. Da 100 anni.

Independent Auditors' Report pursuant to Article 14 of Legislative Decree No. 39 of January 27, 2010

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(The accompanying translated consolidated financial statements of the F.I.L.A. Group constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
F.I.L.A. S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the F.I.L.A. Group (the "group"), which comprise the statement of financial position as at 31 December 2021, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of F.I.L.A S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of goodwill

Notes to the consolidated financial statements: section "Basis of preparation" and note 1 "Intangible assets"

Key audit matter	**Audit procedures addressing the key audit matter**
The consolidated financial statements at 31 December 2021 comprise goodwill of €168.4 million, including €98.5 million allocated to the "Nord America" cash generating unit ("CGU") , €33.3 million to the "DOMS Industries Pvt Ltd" CGU and €17.0 million to the "Canson Group" CGU. The group tests the carrying amounts of goodwill for impairment at least annually and whenever there are indicators of impairment, by comparing them to the individual CGU's estimated recoverable amount, calculated by discounting the expected cash flows using the discounted cash flow model. The directors have forecast the expected cash flows used to estimate the recoverable amount on the basis of the projections derived from the 2022 budget and the business plan approved by the board of directors on 11 February and 16 March 2022, respectively. Calculating the recoverable amount of goodwill and of the related CGU requires significant estimates. Specifically, this process has the following characteristics: — valuation assumptions affected by the reference market trends (including the US, Indian and French markets), due to the specific economic and political conditions that are difficult to predict and unstable; — assumptions about the synergies expected, as set out by the directors in the business plan; — estimates of the long-term growth rate and the discount rate applied to the projected cash flows, which require a high level of judgement. For the above reasons, we believe that the recoverability of the goodwill allocated to the North America", "DOMS Industries Pvt	Our audit procedures, which also involved our own specialists, included: — understanding the process adopted to prepare the impairment test approved by the parent's board of directors; — understanding the process adopted to prepare the forecasts from which the expected cash flows used for impairment testing have been derived; — analysing the reasonableness of the assumptions used to prepare the forecasts; — checking any discrepancies between the previous year forecast and actual figures, in order to check the accuracy of the estimation process; — checking the consistency of the expected cash flows used for impairment testing with those used for the forecasts and analysing the reasonableness of any discrepancies; — analysing the expected cash flows and main assumptions used to calculate the CGUs' value in use, especially the key assumptions, which include: the revenue increase in the United States, India and France, expected synergies and the calculation of the discount and long-term growth rates; — analysing the reasonableness of the valuation methods and key assumptions used, and especially: - the application of the discounted cash flow model; - the criteria and parameters used to calculate the discount rate applied to the projected cash flows and the long-term growth rate; - checking the sensitivity analysis presented in the notes in relation to

Key audit matter	Audit procedures addressing the key audit matter
Ltd"and "Canson Group" CGUs is a key audit matter.	the key assumptions used for impairment testing; — comparing the group's market capitalisation to its reported equity; — assessing the appropriateness of the disclosures provided in the notes about goodwill.

Inventories

Notes to the consolidated financial statements: section "Basis of preparation " and note 8 "Inventories"

Key audit matter	Audit procedures addressing the key audit matter
The carrying amount of inventories at 31 December 2021 is €271.3 million, net of the allowance for inventory write-down of €5.4 million. Recognising and measuring inventories are a complex and structured process considering the various underlying activities and estimates, including taking into account the group's market sector and the related geographical stratification. Recognising and measuring inventories are complex and entail a high level of judgement by the directors as they are affected by many factors, including: — the inventory management policy; — requirement planning and integration with sales planning; — the sales' seasonality; — price volatility. For the above reasons, we believe that the recognition and measurement of inventories are a key audit matter.	Our audit procedures included: — understanding the process for the recognition and measurement of inventories and the related IT environment and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; — performing substantive analytical procedures for the most significant discrepancies compared to the previous year figures and discussing the outcome with the relevant internal departments; — analysing inventory turnover and discussing the outcome with the relevant internal departments; — checking, on a sample basis, whether sales and purchases had been correctly recognised on an accruals basis; — for a representative sample of purchase and sale invoices, checking whether inventory item quantities had been correctly recorded; — for a sample of inventory items, performing physical counts of quantities and reconciling them with the related accounting records; — analysing the reasonableness of the assumptions used to measure the allowance for inventory write-down through discussions with the relevant internal departments, checks of the supporting documentation and comparison with historical figures and our knowledge of the group and its operating environment;

Key audit matter	Audit procedures addressing the key audit matter
	— assessing the appropriateness of the disclosures provided in the notes about inventories.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 20 February 2015, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2015 to 31 December 2023.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2021 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2021 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2021 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

F.I.L.A. Group
Independent auditors' report
31 December 2021

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of F.I.L.A S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Milan, 30 March 2022

KPMG S.p.A.

(signed on the original)

Annalisa Violante
Director of Audit

IV - Separate financial statements of F.I.L.A. S.p.A. at December 31, 2021

Separate financial statements of F.I.L.A. S.p.A.

Statement of Financial Position

in Euro		December 31, 2021	December 31, 2020
Assets		**552,807,815**	**552,496,305**
Non-Current Assets		**394,168,725**	**394,603,084**
Intangible Assets	Note 1	4,768,522	4,966,340
Property, Plant and Equipment	Note 2	8,279,033	9,138,955
Non-Current Financial Assets	Note 3	3,603,910	2,739,431
Equity investments	Note 4	372,434,829	371,688,593
Deferred Tax Assets	Note 5	5,082,430	6,069,765
Current Assets		**158,639,090**	**157,893,222**
Current Financial Assets	Note 3	59,186,033	61,944,867
Current Tax Assets	Note 6	923,342	2,180,247
Inventories	Note 7	25,696,578	24,062,143
Trade Receivables and Other Assets	Note 8	18,185,763	20,089,574
Cash and Cash Equivalents	Note 9	54,647,374	49,616,392
Liabilities and Equity		**552,807,815**	**552,496,305**
Equity	Note 12	**291,308,300**	**277,998,246**
Share Capital		46,985,773	46,967,524
Negative reserve for treasury shares in portfolio		(487,647)	-
Reserves		137,132,871	133,830,795
Retained Earnings		90,675,034	89,074,581
Profit for the year		17,002,270	8,125,346
Non-Current Liabilities		**217,542,316**	**209,599,271**
Non-Current Financial Liabilities	Note 13	212,435,441	202,144,640
Financial Instruments	Note 17	2,066,759	4,182,633
Employee benefits	Note 14	1,436,338	1,643,353
Provisions for Risks and Charges	Note 15	692,854	667,878
Deferred Tax Liabilities	Note 16	864,588	960,766
Other Non-Current Liabilities	Note 34	46,336	-
Current Liabilities		**43,957,198**	**64,898,788**
Current Financial Liabilities	Note 13	21,236,630	45,506,587
Current Provisions for Risks and Charges	Note 15	35,855	35,855
Current Tax Liabilities	Note 18	875,458	323,294
Trade Payables and Other Liabilities	Note 19	21,809,255	19,033,051

Statement of Comprehensive Income

in Euro		December 31, 2021	December 31, 2020
Revenue	Note 20	80,953,653	70,775,966
Income	Note 21	7,462,728	9,226,259
Total Revenue		**88,416,381**	**80,002,225**
Raw Materials, Consumables, Supplies and Goods	Note 22	(41,634,925)	(34,534,436)
Services and Use of third party assets	Note 23	(20,171,032)	(20,816,750)
Other Costs	Note 24	(706,628)	(554,150)
Change in Raw Materials, Semi-Finished Products, Work in Progress and Finished Goods	Note 22	1,634,436	(1,089,910)
Personnel Expense	Note 25	(12,626,629)	(11,287,428)
Amortisation and Depreciation	Note 26	(4,715,369)	(5,325,538)
Impairment losses on trade receivables and other assets	Note 27	(457,587)	(193,075)
Total Operating Costs		**(78,677,735)**	**(73,801,287)**
Operating Profit		**9,738,647**	**6,200,938**
Financial Income	Note 29	16,112,405	8,477,205
Financial Expense	Note 30	(6,822,452)	(6,818,992)
Impairment gains (losses) on Financial Assets	Note 31	(63,700)	(8,800)
Impairment gains (losses) on Equity Investments	Note 32	-	(342,262)
Net Financial Income (Expense)		**9,226,254**	**1,307,152**
Pre-Tax Profit		**18,964,900**	**7,508,089**
Income Taxes		(1,495,690)	(75,742)
Deferred Taxes		(466,941)	692,998
Total Taxes	Note 33	**(1,962,631)**	**617,256**
Profit for the Year		**17,002,270**	**8,125,346**
Other Comprehensive Income (Expense) which may be reclassified subsequently to Profit and Loss		**2,113,035**	**(385,730)**
Fair Value Adjustment on Hedging Derivatives		2,113,035	(385,730)
Other Comprehensive Income (Expense) which may not be reclassified subsequently to Profit and Loss		**12,388**	**(91,193)**
Actuarial gains (losses) on Employee Benefits recorded directly in Equity		8,173	(123,370)
Income Taxes and Expenses recorded directly in Equity		4,215	32,177
Other Comprehensive Income (Expense), net of tax effect		**2,125,423**	**(476,923)**
Comprehensive Income (Expense)		**19,127,692**	**7,648,423**

Statement of changes in Equity

STATEMENT OF CHANGES IN EQUITY

Euro thousands	Share capital	Negative reserve for treasury shares in portfolio	Legal Reserve	Share Premium Reserve	Actuarial reserve	Other Reserves	Retained Earnings	Profit for the year	Equity
December 31, 2019	**46,876**	**-**	**7,766**	**153,606**	**(502)**	**20,914**	**31,099**	**11,322**	**271,081**
Profit for the year	-	-	-	-	-	-	-	8,125	8,125
Share Capital Increase	92	-	-	868	-	-	-	-	960
Other comprehensive income (expense)	-	-	-	-	(91)	(386)	-	-	(477)
Other Changes	-	-	-	-	-	(1,689)	-	-	(1,689)
Profit for the year recognised directly in equity	**92**	**-**	**-**	**868**	**(91)**	**(2,075)**	**-**	**8,125**	**6,919**
Allocation of the 2019 profit	-	-	566	-	-	-	10,756	(11,322)	-
December 31, 2020	**46,967**	**-**	**8,332**	**154,473**	**(593)**	**18,839**	**41,855**	**8,125**	**277,998**
Profit for the year	-	-	-	-	-	-	-	17,002	17,002
Share Capital Increase	18	-	-	173	-	-	-	-	191
Other comprehensive income (expense)	-	-	-	-	12	2,113	-	-	2,125
Other changes	-	(488)	-	-	-	597	-	-	110
Profit for the year recognised directly in equity	**18**	**(488)**	**-**	**173**	**12**	**2,710**	**-**	**17,002**	**19,429**
Allocation of the 2020 profit	-	-	406	-	-	-	7,719	(8,125)	-
Dividends	-	-	-	-	-	-	(6,119)	-	(6,119)
December 31, 2021	**46,986**	**(488)**	**8,738**	**154,646**	**(581)**	**21,550**	**43,455**	**17,002**	**291,308**

Statement of cash flows

Euro thousands		December 31, 2021	December 31, 2020
Profit for the year		**17,002**	**8,125**
Non-monetary and other adjustments:		**(858)**	**3,639**
Amortisation and depreciation of intangible assets and property, plant and equipment	Note 1 - 2	4,118	4,791
Amortisation and depreciation of right-of-use assets	Note 1 - 2	598	534
Net impairment losses on intangible assets and property, plant and equipment	Note 1 - 2	-	-
Impairment gains/losses on Trade Receivables and write-downs of inventories	Note 9	589	133
Accruals for Post-Employment and Employee Benefits		1,075	149
Exchange gains/losses on foreign currency trade receivables and payables	Note 24	63	(44)
Net gain on the sale of intangible assets and property, plant and equipment	Note 21 - 24	(37)	(1)
Net Financial Income/Expense	Note 29 - 30	(9,226)	(1,649)
Impairment gains (losses) on financial assets	Note 31	-	342
Taxes	Note 33	1,963	(617)
Additions for:		**455**	**278**
Income Taxes Paid	Note 7 - 18	313	320
Net unrealised exchange gains/losses on foreign currency assets and liabilities	Note 28 - 29	69	(82)
Net realised exchange gains/losses on foreign currency assets and liabilities	Note 28 - 29	73	40
Cash flows from operating activities before changes in net working capital		**16,600**	**12,043**
Changes in net working capital:		**853**	**(3,708)**
Change in Inventories	Note 8	(1,766)	1,150
Change in Trade receivables and Other Assets	Note 9	575	(3,359)
Change in Trade payables and Other Liabilities	Note 19	2,776	(735)
Change in Other Assets and Liabilities	Note 15-16-6	78	(66)
Change in Post-Employment and other Employee Benefits	Note 14	(811)	(697)
Net cash flows from operating activities		**17,453**	**8,335**
Net increase /decrease in Intangible Assets	Note 1	(2,393)	(1,644)
Net increase/decrease in Property, Plant and Equipment	Note 2	(1,227)	(688)
Net increase/decrease in Equity Investments	Note 4	(0)	(22,446)
Net increase/decrease in Other Financial Assets	Note 3	2,196	(21,973)
Dividends from Group companies		12,909	5,732
Interest collected		2,269	1,884
Net cash flows from (used in) investing activities		**13,754**	**(39,135)**
Change in Equity	Note 12	(6,606)	-
Financial expense paid *IFRS 16*	Note 29	(78)	(86)
Financial expense	Note 29	(5,229)	(5,954)
Net increase/decrease in Loans and Borrowings and Other Financial Liabilities	Note 13	(14,663)	57,899
Net increase/decrease in lease liabilities *IFRS 16*	Note 13	(137)	(277)
Net cash flows from (used in) financing activities		**(26,713)**	**51,582**
Other non-monetary changes		537	256
Net cash flows for the year		**5,031**	**21,037**
Opening Cash and Cash Equivalents net of current account overdrafts		49,616	28,579
Closing Cash and Cash Equivalents net of current account overdrafts		**54,648**	**49,616**

1. *Cash and cash equivalents at December 31, 2021 totalled Euro 54,648 thousand*
2. *Cash and cash equivalents at December 31, 2020 totalled Euro 49,616 thousand;*

Euro thousands	December 31, 2021	December 31, 2020
Opening Cash and Cash Equivalents	**49,616**	**28,579**
Cash and cash equivalents	49,616	31,579
Current account overdrafts	-	(3,000)
Closing Cash and Cash Equivalents	**54,647**	**49,616**
Cash and cash equivalents	54,647	49,616
Current account overdrafts	-	-

Reference should be made to the "Directors' Report" for comment and analysis.

Statement of Financial Position pursuant to CONSOB Resolution No. 15519 of July 27, 2006

Euro thousands		December 31, 2021	*of which:* Related Parties	December 31, 2020	*of which:* Related Parties
Assets		**552,808**		**552,496**	
Non-Current Assets		**394,169**		**394,603**	
Intangible Assets	Note 1	4,769		4,966	
Property, Plant and Equipment	Note 2	8,279		9,139	
Non-Current Financial Assets	Note 3	3,604	3,640	2,739	2,664
Equity investments	Note 4	372,435	372,409	371,689	371,686
Deferred Tax Assets	Note 5	5,082		6,070	
Current Assets		**158,639**		**157,893**	
Current Financial Assets	Note 3	59,186	59,215	61,945	61,867
Current Tax Assets	Note 6	923		2,180	
Inventories	Note 7	25,697	9,088	24,062	8,047
Trade receivables and Other Assets	Note 8	18,186	5,848	20,090	6,540
Cash and Cash Equivalents	Note 9	54,647		49,616	
Liabilities and Equity		**552,808**		**552,496**	
Equity	Note 12	**291,308**		**277,998**	
Share Capital		46,986		46,968	
Negative reserve for treasury shares in portfolio		(488)		-	
Reserves		137,133		133,831	
Retained Earnings		90,675		89,075	
Profit for the year		17,002		8,125	
Non-Current Liabilities		**217,542**		**209,599**	
Non-Current Financial Liabilities	Note 13	212,435		202,145	
Financial Instruments	Note 17	2,067		4,183	
Employee benefits	Note 14	1,436		1,643	
Provisions for Risks and Charges	Note 15	693		668	
Deferred Tax Liabilities	Note 16	865		961	
Other Non-Current Liabilities	Note 34	46		-	
Current Liabilities		**43,957**		**64,899**	
Current Financial Liabilities	Note 13	21,237		45,507	
Current Provisions for Risks and Charges	Note 15	36		36	
Current Tax Liabilities	Note 18	875		323	
Trade payables and Other Liabilities	Note 19	21,809	2,664	19,033	2,319

Statement of Comprehensive Income pursuant to CONSOB Resolution No. 15519 of July 27, 2006

Euro thousands		December 31, 2021	*of which:* Related Parties	*of which:* Non-Recurring Expenses	December 31, 2020	of which: Related Parties	of which: Non-Recurring Expenses
Revenue	Note 20	80,954	16,111		70,776	13,641	
Income	Note 21	7,463	7,116		9,226	8,712	1,298
TOTAL REVENUE		**88,416**			**80,002**		
Raw Materials, Consumables, Supplies and Goods	Note 22	(41,635)	(15,810)		(34,534)	(15,341)	
Services and use of third-party assets	Note 23	(20,171)	(172)	(736)	(20,817)	(206)	(3,326)
Other Costs	Note 24	(707)			(554)		
Change in Raw Materials, Semi-Finished Products, Work-in-Progress and Finished Goo	Note 22	1,634			(1,090)		
Personnel expense	Note 25	(12,627)		(111)	(11,287)		64
Amortisation and Depreciation	Note 26	(4,715)			(5,326)		
Impairment gains (losses) on Trade Receivables and Other assets	Note 27	(458)			(193)		
TOTAL OPERATING COSTS		**(78,678)**			**(73,801)**		
OPERATING PROFIT		**9,739**			**6,201**		
Financial Income	Note 29	16,112	15,749		8,477	8,429	
Financial Expense	Note 30	(6,822)			(6,819)		
Impairment gains (losses) on Financial Assets	Note 31	(64)	(64)		(9)	(9)	
Impairment gains (losses) on Equity Investments	Note 32	-			(342)	(342)	
NET FINANCIAL INCOME (EXPENSE)		**9,226**			**1,307**		
PRE-TAX PROFIT (LOSS)		**18,965**			**7,508**		
Income Taxes		(1,496)			(76)		
Deferred Taxes		(467)			693		
TOTAL TAXES	Note 33	**(1,963)**			**617**		
PROFIT (LOSS) FOR THE YEAR		**17,002**			**8,125**		
Other Comprehensive Income (Expense) which may be reclassified subsequently to Profit and Loss		**2,113**			**(386)**		
Fair Value Adjustment on Hedging Derivatives		2,113			(386)		
Other Comprehensive Income (Expense) which may not be reclassified subsequently to Profit and Loss		**12**			**(91)**		
Actuarial gains (losses) on Employee Benefits recorded directly in Equity		8			(123)		
Income Taxes and Expenses recorded directly in Equity		4			32		
Other Comprehensive Income (Expense), net of tax effect		**2,125**			**(477)**		
Comprehensive Income (Expense)		**19,128**		**(847)**	**7,648**		**(1,964)**

Notes to the Separate Financial Statements of F.I.L.A. S.p.A.

Introduction

The separate financial statements of the Parent F.I.L.A. S.p.A. (hereafter also "Parent" or "Company") as at and for the year ended December 31, 2021, prepared by the Board of Directors of F.I.L.A. S.p.A., were drawn up in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.
The IFRS were applied consistently for all reporting periods presented in this document.
For the separate financial statements of F.I.L.A. S.p.A. the first year of application of IFRS was 2007.

The separate financial statements of F.I.L.A. S.p.A. are comprised of the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and the Notes.
The presentation of these separate financial statements as at and for the year ended December 31, 2021, in line with the consolidated financial statements, is as follows:

- Statement of Financial Position: in accordance with IAS 1, the assets and liabilities must be classified as current and non-current or, alternatively, according to their liquidity. The Company chose the classification between current and non-current;
- Statement of Comprehensive Income: IAS requires alternatively classification based on the nature or destination of the items. The Company chose the classification by nature of income and expense;
- Statement of Changes in Equity: IAS 1 requires that this statement illustrates the changes in the year of each individual equity caption or that it illustrates the nature of income and expense recorded in the financial statements. The Company chose to use the latter in the statement of changes in equity, reconciling the opening and closing amounts of each caption in a statement in the Notes;
- Statement of Cash Flows: IAS 7 requires that the statement of cash flow includes the cash flows for the year for operating, investing and financing activities. The cash flows from operating activities may be represented using the direct method or the indirect method. The Company decided to use the indirect method.

The separate financial statements of F.I.L.A. S.p.A. are accompanied by the Directors' Report, to which reference should be made in relation to the business activities, subsequent events and related party transactions, the statement of cash flows, the reclassified statement of comprehensive income and statement of financial position and the outlook.

The separate financial statements of F.I.L.A. S.p.A. were prepared in accordance with the general historical cost criterion.

During the year, no special circumstances arose requiring recourse to the exceptions allowed under IAS 1.

The preparation of the financial statements and the relative notes in application of IFRS require that management make estimates and assumptions. These estimates and relative assumptions are based on historical experience and other factors considered reasonable and were adopted to determine the carrying amount of the assets and liabilities which are not easily obtained from other sources, are reviewed periodically and the effects of each change are immediately reflected in profit or loss. However as they concern estimates, it should be noted that the actual results may differ from such estimates included in the financial statements.

The estimates are used to measure the loss allowance, depreciation and amortisation, impairment losses on assets, employee benefits, income taxes and other provisions.

The accounting policies used in the preparation of the financial statements and the composition and changes of the individual captions are illustrated below.

For a better comparison of the data, the figures for the prior year were adjusted where necessary.

All amounts are expressed in thousands of Euro, unless otherwise stated.

Basis of preparation

Intangible assets

An intangible asset is a clearly identifiable non-monetary asset without physical substance, subject to control and capable of generating future economic benefits. They are recognised at acquisition cost where acquired separately and are capitalised at fair value at the acquisition date where acquired through business combinations.

The interest expense on loans required for the purchase and the development of intangible assets, which would not have been incurred if the investment had not been made, is not capitalised.

Intangible assets with finite useful lives

Intangible assets with finite useful lives are amortised on a straight line basis over their useful life to take account of the residual possibility of utilisation. Amortisation commences when the asset is available for use.

The amortisation policies adopted by the Company provide for the following useful lives:

- Trademarks: based on the useful life;

- Concessions, Licenses and Patents: based on the duration of the right under concession or license and based on the duration of the patent;
- Other intangible assets: 3 years.

Research and development costs

Research and development costs are recognised in profit or loss in the year they are incurred, with the exception of development costs recorded under "Intangible assets", when they satisfy the following conditions:

- The project is clearly identified and the related costs are reliably identifiable and measurable;
- The technical feasibility of the project is demonstrated;
- The intention to complete the project and sell the assets generated from the project is demonstrated;
- A potential market exists or, in the case of internal use, the use of the intangible asset is demonstrated for the production of the intangible assets generated by the project;
- The technical and financial resources necessary for the completion of the project are available;
- The intangible asset will generate probable future economic benefits.

Amortisation of development costs recorded under intangible assets begins from the date in which the outcome of the project is commercialised. Amortisation is calculated, on a straight-line basis, over the estimated useful life of the project.

Property, plant and equipment

Property, plant and equipment are measured at purchase cost, net of accumulated depreciation and any impairment losses. The cost includes all charges directly incurred for the purchase and/or production. The interest expense on loans for the purchase and the construction of Property, Plant and Equipment, which would not have been incurred if the investment had not been made, are not capitalised but expensed in the year it is incurred. Where a caption of property, plant and equipment is composed of various components with differing useful lives, these components are recorded separately (significant components) and depreciated separately. Property, plant and equipment acquired through business combinations are recognised in the financial statements at fair value at the acquisition date.

The expense incurred for maintenance and repairs is directly charged to profit or loss in the year in which it is incurred. The costs for improvements, modernisation and transformation are recognised in the statement of financial position as an increase to the carrying amount of Property, Plant and Equipment.

The purchase price or construction cost is net of public grants which are recognised when the conditions for their granting are confirmed. At the reporting date, there are no public grants recorded as a decrease of "Property, Plant and Equipment".

The initial carrying amount of property, plant and equipment is adjusted for depreciation on a systematic basis, calculated on a straight-line basis monthly, when the asset is available and ready for use, based on its estimated useful life.

The estimated useful lives for the current and previous years are as follows:

- Buildings 25 years
- Plant and machinery 8.7 years
- Equipment 2.5 years
- Other assets:
  - Office equipment: 8.3 years
  - Furniture and EDP: 5 years
  - Transport vehicles: 5 years
  - Motor vehicles: 4 years
  - Other: 4 years

Leases

The Company has adopted IFRS 16 using the modified retrospective method.

At the commencement of the contract the Company assesses whether the contract is – or contains – a lease. The contract is, or contains a lease, where in exchange for consideration, it transfers the right to control the use of an identified asset for a period of time. In order to assess whether a contract grants the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16. F.I.L.A. S.p.A. adopts a single recognition and measurement model for all leases, except for short-term leases and low value leases. The Company recognises the lease liabilities and the right-of-use asset representing the right to use the asset underlying the contract.

Right-of-use assets

The Company recognises right-of-use assets at the lease commencement date (i.e. the date on which the underlying asset is available for use). The right-of-use assets are measured at cost, net of accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liabilities. The cost of the right-of-use assets includes the amount of the lease liabilities recognised, the initial direct costs incurred and the lease payments made at the commencement date or before, net of any incentives received.

Right-of-use assets are depreciated on a straight-line basis from the commencement date to the end of the useful life of the right-of-use asset or at the end of the lease term, whichever is earlier.

Leases liabilities

At the lease commencement date, the Company recognises the lease liabilities measuring them at the present value of the payments due. The payments include the fixed payments net of any lease incentives to be received, the variable lease payments which depend on an index or a rate and the amounts expected to be paid as guarantee on the residual amount. The lease payments include also the exercise price of a purchase option where it is reasonably certain that this option will be exercised by the Company and the lease termination penalty payments, where the lease term takes account of the exercise by the Company of the termination option on the lease.

In calculating the present value of the payments due, the Company uses the incremental borrowing rate at the commencement date where the implicit interest rate cannot be readily determined. The Company's incremental borrowing rate is calculated on the basis of the interest rates obtained from various external funding sources by making certain adjustments reflecting the terms of the lease and the type of asset leased.

After the commencement date, the amount of the lease liability increases to take account of the interest on the lease liabilities and reduces to consider the payments made. In addition, the carrying amount of the lease liabilities is restated in the case of any changes to the lease or a review of the contractual terms with regards to the change in the payments; it is also restated in the event of changes in the valuation of the option to purchase the underlying asset or for changes in future payments resulting from a change in the index or rate used to determine those payments.

Where the lease liabilities are remeasured, the lessee correspondingly alters the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero, the lessee recognises the change in profit or loss.

In the statement of financial position, the Company presents right-of-use assets that do not meet the definition of investment property under “Property, plant and equipment” and lease liabilities under “Financial liabilities”.

Short-term leases and low value asset leases

F.I.L.A. S.p.A. applies the exemption for the recognition of leases relating to low value assets such as PCs, printers, electronic equipment and contracts that have a duration of 12 months or less and do not contain purchase options (short-term leases). The short-term lease instalments and those for low value assets are recognised as costs on a straight-line basis over the lease term.

Impairment losses on non-financial assets

At each reporting date, the intangible assets and property, plant and equipment are analysed to identify the existence of any indicators, either internally or externally to the Group, of impairment. Where these indicators exist, an estimate of the recoverable amount of the above-mentioned assets is made, recording any impairment losses in profit or loss. In the case of goodwill and other intangible assets with indefinite useful lives, this estimate is made annually independently of the existence of such indicators. The recoverable amount of an asset is the higher between the fair value less costs to sell and its value in use. The fair value is estimated on the basis of the values in an active market, from recent transactions or on the basis of the best information available to reflect the amount which the entity could obtain from the sale of the asset. The value in use is the present value of the expected future cash flows to be derived from an asset. In defining the value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the current market assessment of the time value of money, and the specific risks of the asset.

For an asset that does not generate sufficient independent cash flows, the realisable value is determined in relation to the cash-generating unit to which the asset belongs. An impairment loss is recognised in profit or loss when the carrying amount of the asset, or of the cash-generating unit to which it is allocated, is higher than the recoverable amount.

Impairment losses on cash generating units are firstly allocated as a decrease in the carrying amount of any goodwill allocated to the cash generating unit and, thereafter, as a decrease in other assets, in proportion to their carrying amount. Impairment losses relating to goodwill may not be restated. In relation to assets other than goodwill, where the reasons for the impairment loss no longer exist, the carrying amount of the asset is reversed up to the amount at which the asset would have been recognised if no impairment had taken place and amortisation had been recorded.

Equity investments

Investments in companies represent investments in the share capital of enterprises.

Investments in companies are carried at acquisition or subscription cost, adjusted for any impairment losses, and measured under the cost method. Where the reasons for the impairment loss no longer exist, the original carrying amount is reinstated.

Loans and financial assets

Trade receivables and debt securities issued are recognised as they arise.

All other financial assets and liabilities are initially recognised on the trading date, i.e. when the Company becomes a contractual party to the financial instrument.

The financial assets are initially recognized at fair value, plus or minus, in the case of financial assets or liabilities not at FVTPL, the transaction costs directly attributable to the acquisition or issue of the financial asset.

Upon initial recognition, a financial asset is classified according to how it is measured: at amortised cost, at fair value through other comprehensive income (FVOCI) for debt and equity securities, or at fair value through profit or loss (FVTPL). Financial assets are not reclassified following initial recognition unless the Company modifies the business model within which the financial assets are held. In such cases, all the affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Loans and financial assets are measured at amortised cost, taking the interest to profit or loss according to the effective interest rate method or applying a rate that results in a nil balance of the present values of the net cash flows generated by the financial instrument. Losses are recognised in profit or loss when they become apparent. Loans and financial assets are tested for impairment by setting aside a specific loss allowance deducted directly from the carrying amount of such assets. Loans and financial assets are impaired when there is objective evidence of a probable default and on the basis of past experience and historical data (expected credit losses). When, in subsequent periods, the reasons for the impairment no longer exist, the carrying amount of the asset is reinstated up to the amount deriving from the application of the amortised cost as if no impairment loss had been recognised.

Other non-current equity instruments classified to FVOC are initially measured at fair value plus any directly attributable transaction costs. Changes in fair value and any gains or losses on disposal of an equity investment are taken to other comprehensive income and never pass through profit or loss. Since this election is irrevocable and may be made on an investment-by-investment basis, any exceptions upon initial recognition will be disclosed in the notes to the caption. All equity instruments must be measured at fair value. The fair value of securities traded in active markets is determined by reference to the exchange prices recorded at the end of trading at the reporting date.

The fair value of investments for which no active market exists is determined on the basis of the price in recent transactions between independent parties of essentially similar instruments or the use of other valuation techniques such as methods based on income or an analysis of discounted cash flows. Financial assets designated at fair value through profit or loss upon initial recognition are measured with reference to their market value at the reporting date. The value of non-quoted instruments is determined through generally accepted financial valuation techniques based on market data. Gains or losses deriving from the fair value measurement of assets classified in this category are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents principally include cash, bank deposits on demand and other highly liquid short-term investments (convertible into liquidity within ninety days). They are recognised at nominal value, which represents fair value.

For the purposes of the classification of financial instruments according to the criteria set out in IFRS 9, as required by IFRS 7, cash and cash equivalents have been classified as financial assets at amortised cost for credit risk purposes. Current account overdrafts are classified under "Current Financial Liabilities".

Trade receivables and other Assets

Trade receivables and other assets are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method. Trade receivables and other assets are reduced by an appropriate loss allowance for doubtful accounts to reflect estimated impairment losses taking into account objective evidence of indicators of impairment of trade receivables. The impairment losses are recognised so that the assets are discounted to the present value of the expected future cash flows. If, in subsequent periods, the reasons for the impairment loss no longer exist, the carrying amount of the assets is reinstated up to the amount deriving from the application of the amortised cost where no impairment loss had been applied.

The loss allowance is recorded as a direct reduction of trade receivables and other assets. These provisions are classified in the profit or loss caption "Impairment losses"; the same classification was used for any utilisations and impairment losses on trade receivables.

Inventories

Inventories of raw materials, semi-finished products and finished goods are measured at the lower of purchase or production price, including related charges, determined in accordance with the weighted average cost method, and the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs to sell.
Obsolete and slow-moving inventories are written down in relation to their possible use or realisable value.
The purchase cost is used for direct and indirect materials, purchased and used in the production cycle. The production cost is however used for finished goods or in work in progress.
For the determination of the purchase price, consideration is taken of the actual costs incurred net of commercial discounts.

Production cost includes, in addition to the costs of the materials used, as defined above, the direct and indirect production costs allocated. The indirect costs were allocated based on the normal production capacity of the plant.
Distribution costs were excluded from purchase cost and production cost.

Provisions for risks and charges

Provisions for risks and charges are recognised where the Company has a current obligation, legal or constructive, deriving from a past event and it is probable that fulfilment of the obligation will result in an outflow of resources and the amount of the obligation can be reasonably estimated.

Provisions are recorded at the amount representing the best estimate of the amount that the entity would pay to discharge the obligation or transfer it to a third party. When the time value of money is significant and the payment dates of the obligations can be reliably estimated, the provision is discounted. The rate used in the determination of the present value of the liability reflects the current market values and includes the further effects relating to the specific risk associated with each liability. The increase in the provision due to the passage of time is recognised in profit or loss under "Financial income/(expense)".
The provisions are periodically updated to reflect the changes in the estimate of the costs, of the time period and of the discount rate; the revisions of estimates are recorded in the same profit or loss caption in which the provision was recorded, or when the liability relates to an asset, against the asset caption to which it refers.
The notes illustrate the contingent liabilities represented by: (i) possible obligations (but not probable) deriving from past events, whose existence will be confirmed only on the occurrence or otherwise of one or more uncertain future events not fully under the control of the entity; (ii) current obligations deriving from past events whose amount cannot be reliably estimated or whose fulfilment will likely not generate a charge.

Restructuring provisions

Restructuring provisions are recognised where an approved, detailed formal programme has raised a valid expectation among third parties that the entity will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Employee benefits

All employee benefits are measured and reflected in the financial statements on an accruals basis.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions to a separate entity and will not have a legal or constructive obligation to pay further contributions. The contributions to be paid to defined contribution plans are recognised as costs in profit or loss when incurred. Contributions paid in advance are recognised under assets up to the advanced payment which will determine a reduction in future payments or a reimbursement.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The net obligation of the Company deriving from defined benefit plans is calculated separately for each plan estimating the amount of the future benefit which the employees matured in exchange for the services provided in the current and previous years; this benefit is discounted to calculate the present value, while any costs relating to past services not recorded in the financial statements and the fair value of any assets to service the plan are deducted from liabilities. The discount rate is the return, at the reporting date, of the primary obligations whose maturity date approximates the terms of the obligations of the Company and which are expressed in the same currency in which it is expected the benefits will be paid. The calculation is made by an independent actuary using the projected credit unit method. Where the calculation generates a benefit for the Company, the asset recognised is limited to the total, net of all costs relating to past services not recognised and the present value of all economic benefits available in the form of refunds from the plan or curtailments in future contributions to the plan. Where improvements are made to the plan benefits, the portion of increased benefits relating to past service is recognised as an expense on a straight-line basis over the average period until the benefits vested. If the benefits vest immediately, the cost is recognised immediately in profit or loss.
The Company records all actuarial gains and losses from a defined benefit plan directly and immediately in equity.

In relation to Post-Employment Benefits, following the amendments to Law No. 296 of December 27, 2006 and subsequent Decrees and Regulations ("Pension Reform") issued in the first months of 2007, the Parent F.I.L.A. S.p.A. adopted the following accounting treatment:

- The Post-Employment Benefits, accrued to December 31, 2006 are considered a defined benefit plan as per IAS 19. The benefits guaranteed to employees, in the form of Post-Employment Benefits, paid on the termination of employment, are recognised in the period the right vests;
- The Post-Employment Benefits accruing from January 1, 2007 are considered a defined contribution plan and therefore the contributions accrued in the period were fully recognised as a cost and recorded as a liability in the caption "Post-Employment Benefits", after deduction of any contributions already paid.

Other long-term employee benefits

The net obligation of F.I.L.A. S.p.A. for long-term employee benefits, other than those deriving from pension plans, corresponds to the amount of the future benefits which employees accrued for services in current and previous years. This benefit is discounted, while the Fair Value of any assets is deducted from the liabilities. The discount rate is the return, at the reporting date, on the primary obligations whose maturity date approximates the terms of the obligations of the Company. The obligation is calculated using the projected unit credit method. Any actuarial gains or losses are recorded in the statement of financial provision in the year in which they arise.

Short-term employee benefits

Short-term employee benefits are recognised as undiscounted expenses when the services that generate them are provided.
F.I.L.A. S.p.A. records a liability for the amount that it expects will be paid in the presence of a present obligation, legal or constructive, as a consequence of past events and for which the obligation can be reliably estimated.

Financial liabilities

Financial liabilities are initially recognised at fair value, which essentially coincides with the sum received, less directly attributable transaction costs. Management determines the classification of financial liabilities according to the criteria laid down in IFRS 9 and cited in IFRS 7 on initial recognition.
Subsequent to initial recognition, such liabilities are measured at amortised cost, as defined in IFRS 9.

Financial liabilities measured at amortised cost are measured by taking the interest to profit or loss according to the effective interest rate method or applying a rate that results in a nil balance of the present values of the net cash flows generated by the financial instrument. Nominal value is used as an approximation of amortised cost for instruments maturing within twelve months.

Financial instruments

Financial instruments are initially recognised at fair value and, subsequent to initial recognition, are measured on the basis of their classification, as per IFRS 9.
IFRS 9 classifies financial assets into three principal categories: at amortised cost, at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL). According to the standard, classification is usually based on the entity's business model for the financial assets and the contractual cash flow characteristics of each financial asset. Under IFRS 9, derivatives embedded in contracts where the host contract is a financial asset falls within the scope of the standard are never to be separated. Rather, the hybrid instrument is examined as a whole to determine its classification.
IFRS 9 essentially maintains the provisions of IAS 39 for the classification and measurement of financial liabilities.

Derivative financial instruments

Derivatives are classified in the category "Hedging derivatives" if they satisfy the requisites for the application of so-called hedge accounting, otherwise, although in place in order to manage exposure to risk, they are recognised as "Non-hedging derivatives".

Financial instruments are only accounted for under the hedge accounting methods adopted by the Company when the relationship between the derivative and the hedged item is formally documented and the hedge is highly effective (effectiveness test).

The effectiveness of hedges is documented both at the inception of the transaction and periodically (at least at the annual or interim reporting dates).

When the hedging derivatives cover the risk of change in the fair value of the instruments subject to the hedge (fair value hedge), the derivatives are recorded at fair value with the effects recorded through profit or loss.

When the derivatives hedge the risk of changes in the cash flows of the hedge instrument (cash flow hedge), the effective part of the changes in the fair value of the derivatives is recognized in the statement of comprehensive income and presented in the cash flow hedge reserve. The ineffective part of the changes in the fair value of the derivative instrument is immediately recognised in profit or loss.

The methods for the calculation of the fair value of these financial instruments, for accounting or disclosure purposes, are summarised below with regards to the main categories of financial instruments:

- Derivative financial instruments: the pricing models are adopted based on the market values of the interest rates;
- Unlisted financial assets and liabilities: for financial instruments with maturity greater than 1 year the discounted cash flow method was applied, i.e. the discounting of expected cash flows in consideration of current interest rate conditions and credit ratings, for the determination of the fair value on first-time recognition. Subsequent measurements are made based on the amortised cost method;
- Listed financial instruments: the market value at the reporting date is used.

In relation to financial instruments measured at fair value, IFRS 13 requires the classification of these instruments according to the hierarchy levels, which reflect the significance of the inputs used in establishing the fair value. The following levels are used:

- Level 1: unadjusted asset or liability price on an active market;
- Level 2: inputs other than prices listed at the previous point, which are directly observable (prices) or indirectly (derived from the prices) on the market;
- Level 3 - inputs which are not based on observable market data.

Trade payables and other liabilities

Trade payables and other liabilities are initially recognised at fair value, normally equal to the nominal amount, net of discounts, returns or invoice adjustments, and are subsequently measured at amortised cost. When there is a change in the cash flows and it is possible to estimate them reliably, the liabilities are recalculated to reflect this change, based on the present value of the cash flows and on the internal rate of return initially determined.

Current, deferred and other taxes

Income taxes include all the taxes calculated on the taxable income of the Company applying the tax rates in force at the reporting date.
Income taxes are recognised in profit or loss, except those relating to items directly credited or debited to equity, in which case the tax effect is recognised directly in equity.

Other taxes not related to income, such as taxes on property and capital gains, are included under other operating costs ("Services", "Use of third party assets" and "Other costs"). The liabilities related to indirect taxes are classified under "Other Liabilities".
Deferred tax assets and liabilities are determined in accordance with the global assets/liability method and are calculated on the basis of the temporary differences arising between the carrying amounts of the assets and liabilities and the corresponding amounts recognised for tax purposes, taking into account the tax rate under current tax legislation for the years in which the differences will reverse, with the exception of non-tax deductible goodwill and those differences deriving from investments in subsidiaries which are not expected to reverse in the foreseeable future, and on the tax losses to be carried forward.
"Deferred Tax Assets" are classified under non-current assets and are recognised only when there exists a high probability of future taxable profit to recover these assets.

The recovery of the "Deferred Tax Assets" is reviewed at each reporting date and those for which recovery is no longer probable are taken to profit or loss.

Revenue and costs

Revenue recognition

The revenue and income are recorded, as per IFRS 15, net of returns, discounts, rebates and premiums as well as direct taxes related to the sale of products and services. In particular, revenue is measured taking into account the consideration specified in the contract with the customer and is recognised when control of the good or service is transferred. As it concerns the sale of goods, revenue is recognised at a point in time, i.e. when control of the goods is transferred to the buyer, which generally coincides with their physical delivery.

Recognition of costs

Costs are recognised when relating to goods and services acquired or consumed in the year or when there is no future utility.

The costs directly attributable to share capital transactions are recorded as a direct reduction of equity.

Commercial costs relating to the acquisition of new customers are expensed when incurred.

Financial income and expense

Financial income includes interest income on liquidity invested, dividends received and income from the sale of available-for-sale financial assets. Interest income is recorded in profit or loss on an accruals basis using the effective interest method. Dividend income is recorded when the right of the Group to receive the payment is established which, in the case of listed securities, corresponds to the coupon date.

Financial income include interest on loans, discounting of provisions, dividends distributed on redeemable preference shares, changes in the fair value of financial assets measured at fair value through profit or loss and impairment losses on financial assets. Finance expense is recorded in profit or loss utilising the effective interest method. Exchange gains and losses are shown on a net basis.

Dividends

Dividends to be paid to shareholders are recognised on the date of the shareholders' resolution.

Earnings per share

The basic earnings/(loss) per share are calculated by dividing the Company's profit or loss by the weighted average shares outstanding during the year.

In order to calculate the diluted earnings/(loss) per share, the average weighted number of shares outstanding is adjusted assuming the conversion of all shares with potential dilutive effect.

The profit or loss for the year is also adjusted to account for the effects of the conversion, net of taxes.

The diluted earnings/(loss) per share are calculated by dividing the Company's profit or loss for the year by the weighted average number of ordinary shares outstanding during the year and those potentially arising from the conversion of all potential ordinary shares with dilutive effect.

Use of estimates

The preparation of the financial statements requires the directors to apply accounting policies and methods that, in some circumstances, are based on judgements and estimates based on experience and assumptions which are from time to time considered reasonable and realistic based on the relative circumstances. The application of these estimates and assumptions impact the carrying amount of the

assets and liabilities and of the costs and revenue and the disclosure on contingent assets and liabilities at the reporting date. Actual results may differ from these estimates.
The captions which require greater judgement by the Directors in the preparation of the estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the combined financial figures are briefly described below.

- Measurement of trade receivables: trade receivables are adjusted by the loss allowance, taking into account the effective recoverable amount. The calculation of the impairment losses requires the directors to make judgements based on the documentation and the information available relating to the solvency of the customers, and from market and historical experience.
- Measurement of goodwill and intangible assets with indefinite useful life: in accordance with the accounting standards applied by the Company, goodwill and intangible assets with indefinite useful lives are subject to impairment testing at least annually in order to verify whether a reduction in value has taken place. This assessment requires the directors to make judgements based on the information available within the Group and from the market, as well as from historical experience; this depends in addition on factors which may change over time, affecting the judgements and estimates made by directors. In addition, when it is determined that there may be a potential impairment loss, the Company determines this through using the most appropriate technical valuation methods available.
- Risk provisions: the identification of the existence of a present obligation (legal or constructive) in some circumstances may be difficult to determine. The directors evaluate these factors case-by-case, together with the estimate of the amount of the economic resources required to fulfil the obligation. When the directors consider that a liability is only possible, the risks are disclosed in the notes under the section on commitments and risks, without any provision.
- Measurement of closing inventories: inventories of products which are obsolete or slow moving are periodically subject to impairment testing and written down where the recoverable amount is lower than the carrying amount. The write-downs are made based on assumptions and estimates of management deriving from experience and historical results.
- Pension plans and other post-employment benefits: management uses multiple statistical assumptions and valuation techniques with the objective of anticipating future events for the calculation of the charges, liabilities and assets relating to these plans. The assumptions relate to the discount rate, the expected return of the plan assets and the rate of future salary increases. In addition, the actuarial consultants of the Company use subjective factors, for example mortality and employee turnover rates.

The calculation of deferred tax assets is supported by a recoverability plan prepared on the basis of assumptions which the directors consider reasonable.

The transition to IFRS 16 introduces some elements of professional judgment that entail the use of assumptions and estimates with regard to the lease term and the definition of the incremental borrowing rate.

Introduction

F.I.L.A. S.p.A. operates in the creativity tools market, producing writing and design objects such as crayons, paints, modelling clay and pencils etc..

F.I.L.A. S.p.A., Fabbrica Italiana Lapis ed Affini (hereafter "the Company") is a limited liability company with registered office in Pero (Italy), Via XXV Aprile 5. The ordinary shares of the Company were admitted for trading on the EXM - Euronext STAR Milan segment, organised and managed by Borsa Italiana S.p.A. on November 12, 2015.

The separate financial statements of the F.I.L.A. S.p.A. were prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union.

For further details regarding the share capital increase, see Note 12 – Share capital and equity to F.I.L.A. S.p.A.'s financial statements as at and for the year ended December 31, 2021.
The breakdown of the share capital of F.I.L.A. S.p.A. is illustrated below:

Shareholders	Ordinary shares	%
Pencil S.p.A.	13,694,563	31.87%
Market Investors *	29,281,878	68.13%
Total	**42,976,441**	

Shareholders	Ordinary shares	Class B shares	Total	Voting rights
Pencil S.p.A.	13,694,563	8,081,856	21,776,419	56.44%
Market Investors *	29,281,878		29,281,878	43.56%
Total	**42,976,441**	**8,081,856**	**51,058,297**	

**includes 51,500 treasury shares*

These separate financial statements as at and for the year ended December 31, 2021, are presented in Euro, as the functional currency in which the Company operates and comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and the Notes and are accompanied by the Directors' Report.

Note 1 - Intangible Assets

"Intangible Assets" at December 31, 2021 amount to Euro 4,769 thousand (Euro 4,966 thousand at December 31, 2020) and consist only of intangible assets with finite useful lives.

The table below shows the changes in the year.

Note 1 - INTANGIBLE ASSETS WITH FINITE USEFUL LIVES					
Euro thousands	Industrial Patents and Intellectual Property Rights	Concessions, Licenses, Trademarks and Similar Rights	Other	Assets under development	Total
Historical Cost					
December 31, 2019	**200**	**3,151**	**10,627**	**1,790**	**15,768**
Increases	**-**	**8**	**1,234**	**402**	**1,644**
Investments	-	8	766	870	1,644
Transfers from assets under development	-	-	468	(468)	-
December 31, 2020	**200**	**3,158**	**11,862**	**2,193**	**17,413**
Increases	-	**4**	**1,066**	**1,323**	**2,393**
Investments	-	4	484	1,905	2,393
Transfers from assets under development	-	-	582	(582)	-
Decreases	-	-	**(743)**	**-**	**(743)**
Disinvestments	-	-	(743)	-	(743)
December 31, 2021	**200**	**3,163**	**12,184**	**3,516**	**19,063**
Accumulated Amortisation					
December 31, 2019	**(168)**	**(2,853)**	**(6,148)**	**-**	**(9,169)**
Increases	**(8)**	**(67)**	**(3,202)**	**-**	**(3,277)**
Amortisation	(8)	(67)	(3,202)	-	(3,277)
December 31, 2020	**(177)**	**(2,920)**	**(9,349)**	**-**	**(12,446)**
Increases	**(7)**	**(62)**	**(2,523)**	**-**	**(2,591)**
Amortisation	(7)	(62)	(2,523)	-	(2,591)
Decreases	**-**	**-**	**743**	**-**	**743**
Disinvestments	-	-	743	-	743
December 31, 2021	**(183)**	**(2,982)**	**(11,129)**	**-**	**(14,294)**
Carrying Amount at December 31, 201	**31**	**298**	**4,480**	**1,790**	**6,599**
Carrying Amount at December 31, 202	**23**	**238**	**2,512**	**2,193**	**4,966**
Carrying Amount at December 31, 202	**16**	**181**	**1,055**	**3,516**	**4,769**
Change	**(7)**	**(57)**	**(1,457)**	**1,323**	**(197)**

"Industrial Patents and Intellectual Property Rights" amount to Euro 16 thousand at December 31, 2021 (Euro 23 thousand at December 31, 2020).

The average residual useful life of the "Industrial patents and intellectual property rights" recorded in the financial statements at December 31, 2021, is 10 years.

"Concessions, Licenses, Trademarks and Similar Rights" amount to Euro 181 thousand at December 31, 2021 (Euro 238 thousand at December 31, 2020) and include the costs incurred for the registration

and acquisition of trademarks necessary for the marketing of F.I.L.A. products.
The average residual useful life of the “Concessions, Licenses, Trademarks and Similar Rights” recorded in the financial statements at December 31, 2021 is 10 years.

"Other" intangible assets amounted to Euro 1,055 thousand at December 31, 2021 (Euro 2,512 thousand at December 31, 2020) and includes net investments that primarily regarded the implementation and roll out of the ERP (Enterprise Resource Planning) system both by the Group and by F.I.L.A. S.p.A., of which "Software licenses and development", together with related consultancy fees, represent the main component.
The average residual useful life of “Other Intangible Assets” recorded in the financial statements at December 31, 2021, is 3 years.

“Assets under development” amount to Euro 3,516 thousand at December 31, 2021 (Euro 2,193 thousand at December 31, 2020) and concern the investments to roll-out the new ERP (Enterprise Recourse Planning) system, although not entering into use in the year.

With regards to intangible assets with finite useful lives, no impairment indicators were identified during the year.

There are no intangible assets whose usage is subject to restrictions (for further details, reference should be made to the “Directors’ Report - Commitments and Guarantees”).

Note 2 - Property, Plant and Equipment

"Property, Plant and Equipment" at December 31, 2021 amounts to Euro 8,279 thousand (Euro 9,140 thousand at December 31, 2020), comprising for Euro 6,819 thousand Property, Plant and Equipment ("Note 2.A - Property, Plant and Equipment") and for Euro 1,459 thousand Right-of-Use assets ("Note 2.B - Right-of-Use assets").

The movements in the year are shown below:

Note 2.A - Property, Plant and Equipment

Note 2 - PROPERTY, PLANT AND EQUIPMENT

Euro thousands	Land	Buildings	Plant and Machinery	Industrial and Commercial Equipment	Other Assets	Assets under construction	Total
Historical Cost							
December 31, 2019	**1,977**	**9,676**	**18,954**	**9,346**	**1,284**	**115**	**41,352**
Increases	**-**	**6**	**230**	**120**	**180**	**(32)**	**504**
Investments	-	6	78	39	180	201	504
Transfers from assets under construction	-	-	152	81	-	(233)	-
Decreases	**-**	**-**	**-**	**-**	**(6)**	**-**	**(6)**
Disinvestments	-	-	-	-	(6)	-	(6)
December 31, 2020	**1,977**	**9,682**	**19,183**	**9,465**	**1,460**	**83**	**41,850**
Increases	**-**	**51**	**268**	**320**	**180**	**70**	**888**
Investments	-	51	251	256	180	150	888
Transfers from assets under construction	-	-	17	63	-	(80)	-
Decreases	**-**	**-**	**-**	**(14)**	**(34)**	**-**	**(48)**
Disinvestments	-	-	-	(14)	(34)	-	(48)
December 31, 2021	**1,977**	**9,733**	**19,451**	**9,771**	**1,605**	**153**	**42,690**
Accumulated Depreciation							
December 31, 2019	**-**	**(7,608)**	**(15,278)**	**(8,914)**	**(1,078)**	**-**	**(32,878)**
Increases	**-**	**(373)**	**(774)**	**(282)**	**(85)**	**-**	**(1,514)**
Depreciation	-	(373)	(774)	(282)	(85)	-	(1,514)
Decreases	**-**	**-**	**-**	**-**	**6**	**-**	**6**
Disinvestments	-	-	-	-	6	-	6
December 31, 2020	**-**	**(7,981)**	**(16,052)**	**(9,197)**	**(1,156)**	**-**	**(34,386)**
Increases	**-**	**(374)**	**(750)**	**(300)**	**(103)**	**-**	**(1,527)**
Depreciation	-	(374)	(750)	(300)	(103)	-	(1,527)
Decreases	**-**	**-**	**-**	**14**	**28**	**-**	**42**
Disinvestments	-	-	-	14	28	-	42
December 31, 2021	**-**	**(8,356)**	**(16,802)**	**(9,482)**	**(1,231)**	**-**	**(35,871)**
Carrying Amount at December 31, 2019	**1,977**	**2,068**	**3,676**	**432**	**206**	**115**	**8,474**
Carrying Amount at December 31, 2020	**1,977**	**1,701**	**3,131**	**269**	**303**	**83**	**7,464**
Carrying Amount at December 31, 2021	**1,977**	**1,378**	**2,648**	**288**	**374**	**153**	**6,819**
Change	**-**	**(323)**	**(482)**	**20**	**71**	**70**	**(644)**

"Land" at December 31, 2021, amounting to Euro 1,977 thousand (Euro 1,977 thousand at December 31, 2020), includes land adjacent to the building owned at the production site in Rufina Scopeti (Florence, Italy).

"Buildings" at December 31, 2021 totalling Euro 1,378 thousand (Euro 1,701 thousand at December

31, 2020) concern the production facility in Rufina Scopeti (Florence - Italy). Net investments amounted to Euro 51 thousand and mainly refer to the upgrading of the storage and production areas of the production plant.

“Plant and Machinery” amounts to Euro 2,648 thousand at December 31, 2021 (Euro 3,131 thousand at December 31, 2020) and mainly includes the assets required for production at the Rufina Scopeti (Florence - Italy) facility.
Net investments totalled Euro 251 thousand and were to expand the current production capacity and make the production process more efficient.

"Industrial and commercial equipment" amounted to Euro 288 thousand at December 31, 2021 (Euro 269 thousand as at December 31, 2020) and mainly includes investments incurred for the use of production moulds for the production process at the Rufina Scopeti (Florence - Italy) plant, as well as the related technical upgrading necessary for their use.

“Other Assets” amount to Euro 374 thousand at December 31, 2021 (Euro 303 thousand at December 31, 2020) and include furniture and office equipment, EDP and motor vehicles. The increase recorded during the year mainly refers to investments sustained for the renewal and extension of the computers used by personnel, as well as the development and implementation of the "Manufacturing Execution System" at the Rufina plant (Euro 95 thousand), an investment to ensure the better reporting and control of production activities.

“Assets under construction” amounted to Euro 70 thousand at December 31, 2021 (Euro 153 thousand at December 31, 2020) and includes mainly investments in new plant and machinery not yet operational at the reporting date, intended to expand current production capacity and increase the efficiency of the production process at the Rufina Scopeti plant (Florence, Italy).

There are no “Property, plant and equipment” whose usage is subject to restrictions (for further details, reference should be made to the “Directors’ Report - Commitments and Guarantees”).

Note 2.8 - Right-of-Use Assets

Nota 2.B RIGHT-OF-USE ASSETS				
Euro thousands	**Buildings**	**Plant and machinery**	**Other assets**	**Total**
Historical Cost				
December 31, 2020	**1,778**	**53**	**748**	**2,579**
Increases	**-**	**248**	**434**	**681**
Investments	-	248	434	681
Decreases	**(299)**	**(17)**	**(268)**	**(584)**
Disinvestments	(299)	(17)	(268)	(584)
December 31, 2021	**1,479**	**284**	**914**	**2,676**
Accumulated Depreciation				
December 31, 2020	**(545)**	**(29)**	**(329)**	**(903)**
Increases	**(287)**	**(53)**	**(257)**	**(598)**
Depreciation	(287)	(53)	(257)	(598)
Decreases	**-**	**17**	**268**	**285**
Disinvestments	-	17	268	285
December 31, 2021	**(832)**	**(65)**	**(319)**	**(1,217)**
Carrying amount at December 31, 2020	**1,233**	**24**	**419**	**1,676**
Carrying amount at December 31, 2021	**647**	**219**	**594**	**1,460**
Change	**(587)**	**195**	**177**	**(216)**

F.I.L.A. S.p.A. adopted IFRS 16 Leases at January 1, 2019, applying the retrospective method and recognising in the statement of financial position the right-of-use assets and the lease liabilities, with the exception of short-term contracts (less than 12 months) or low value leases (less than Euro 5 thousand), for which the Company applied the recognition and measurement exemptions under IFRS 16.

Right-of-use assets at December 31, 2021 amounted to Euro 1,460 thousand and mainly refer to head office buildings in Pero (Milan - Italy), in addition to company car leases.

"Buildings" at December 31, 2021 amounted to Euro 647 thousand (Euro 1,223 thousand at December 31, 2020), decreasing Euro 587 thousand on the previous year. This decrease is mainly due to the termination of the lease agreement for some offices of F.I.L.A. S.p.A. located in Pero (Milan - Italy).

"Plant and Machinery" amounts to Euro 219 thousand at December 31, 2021 (Euro 24 thousand at December 31, 2020) and increased Euro 195 thousand on the previous year. This is mainly due to the signing of new rental and lease contracts for production machinery at the Rufina plant (Florence - Italy).

“Other Assets” totalled Euro 594 thousand at December 31, 2021 (Euro 419 thousand at December 31, 2020) and increased Euro 177 thousand on the previous year. This is mainly due to the signing of new car rental and lease agreements for company employees.

There are no “Right-of-Use assets” whose usage is subject to restrictions (for further details, reference should be made to the “Directors’ Report - Commitments and Guarantees”).

Note 3 – Financial assets

"Financial Assets" amount to Euro 62,790 thousand at December 31, 2021 (Euro 64,684 thousand at December 31, 2020).

The breakdown of the "Financial Assets" at December 31, 2021 and at December 31, 2020 is shown below:

Note 3.A - FINANCIAL ASSETS

Euro thousands	Loans and Financial Assets - Subsidiaries	Derivative Financial Instruments	Other Financial Assets - Third Parties	Total
December 31, 2020	**64,527**	**-**	**157**	**64,684**
non-current portion	2,659	-	80	2,739
current portion	61,868	-	77	61,945
December 31, 2021	**62,698**	**-**	**92**	**62,790**
non-current portion	3,590	-	14	3,604
current portion	59,107	-	79	59,186
Change	**(1,829)**	**-**	**(65)**	**(1,894)**
non-current portion	931	-	(67)	865
current portion	(2,760)	-	1	(2,759)

"Loans and financial assets - Subsidiaries", both in terms of the current and non-current portions, mainly concerns loans granted by F.I.L.A. S.p.A. in favour of its subsidiaries to support commercial, production and investment activities.

The account "Loans and financial assets - subsidiaries - non-current portion" includes:

- Loan granted in favour of the subsidiary FILA Stationery O.O.O. (Russia) for Euro 492 thousand. The loan accrues interest equal to 3-month Euribor, plus a spread of 375 basis points (floor 0);
- Loan granted in favour of the subsidiary Canson Brasil I.P.E. LTDA (Brazil) for Euro 1,700 thousand, due to the rescheduling of the maturities in 2020 of a loan taken out in 2019. The loan accrues interest at a fixed rate of 225 basis points;
- Loan granted in favour of the subsidiary Canson SAS (France) for Euro 645 thousand in 2021

  relating to a previous loan of Canson Brasil I.P.E. LTDA (Brazil), subsequent to the share capital increase of the Brazilian company. The loan accrues interest at a variable rate equal to 3-month Euribor, plus a spread of 315 basis points (floor 0);

- Loan granted in favour of the subsidiary Canson Australia (Australia) for Euro 673 thousand in 2021 concerning the trade payables accumulated over the years by the company;
- Loan granted in favour of the subsidiary FILA SA PTY Ltd. (South Africa) for Euro 130 thousand in 2021;
- Recognition of a loss allowance (IFRS 9) on the above long-term loans, calculated on the basis of their average term (3 years) and the country risk for Euro 49 thousand, increasing on 2020 by Euro 45 thousand.

The caption “Loans and financial assets - subsidiaries - current portion” includes:

- the current portion of the loan granted to the subsidiary Industria Maimeri S.p.A. (Italy) in 2014 of Euro 56 thousand. The loan accrues interest equal to 6-month Euribor, plus a spread of 200 basis points;
- the current portion of the loan granted to the subsidiary Industria Maimeri S.p.A. (Italy) in 2021 of Euro 4,010 thousand. This loan accrues interest at a fixed rate of 90 basis points (floor 0). The amount includes Euro 10 thousand of accrued interest;
- Loan in favour of the subsidiary Canson Brasil I.P.E. LTDA (Brazil) for Euro 1,335 thousand, granted in 2021 for Euro 1,000 and the current portion of Euro 300 thousand of the loan granted in April 2021. The amount includes Euro 35 thousand of accrued interest. The loan accrues interest at a fixed rate of 225 basis points;
- the current portion, for a total of Euro 17,931 thousand, of the loans issued in favour of the subsidiary Canson SAS (France). The amount includes Euro 162 thousand of accrued interest. The loans accrues interest at a variable rate of 3-month Euribor plus 375 basis points for Euro 16,369 thousand and 3-month Euribor plus 315 basis points for Euro 1,400 thousand. A repayment of Euro 1,000 thousand was made on the loan issued for the acquisition of the Canson Group;
- the current portion of the loan, amounting to Euro 1,671 thousand, granted to the subsidiary Canson Australia Pty Ltd (Australia). The amount includes Euro 17 thousand of accrued interest. The loan accrues interest at a variable rate equal to 3-month Euribor, plus a spread of 375 basis points (floor 0);
- the current portion of the loan, amounting to Euro 422 thousand, issued in favour of the subsidiary Lodi 12 Sas (France). The amount includes Euro 3 thousand interest accrued. The loan accrues interest at a variable rate equal to 3-month Euribor, plus a spread of 375 basis points (floor 0);
- the current portion of the loan, amounting to Euro 42 thousand, granted to the subsidiary FILA SA PTY Ltd. (South Africa). It includes Euro 2 thousand interest accrued. The loan accrues

interest at a variable rate equal to 3-month Euribor, plus a spread of 185 basis points (floor 0);

- the current portion of the loan, amounting to Euro 988 thousand, granted to the subsidiary FILA Stationary O.O.O. (Russia). The amount includes Euro 237 thousand of accrued interest. A decrease of Euro 425 thousand was recorded during the year following the waiver by F.I.L.A. S.p.A. to recapitalize the company. In addition, the new loan of Euro 1,000 thousand issued was partially repaid for Euro 800 thousand in 2021. The loan accrues interest at a variable rate equal to 3-month Euribor, plus a spread of 225 basis points and 250 basis points (floor 0);
- the current portion of the loan, amounting to Euro 21,882 thousand, issued in favour of the subsidiary Fila Arches (France) for the acquisition in March 2020 of the Arches business unit of the Swedish Group Ahlstrom-Munksjo. The amount includes Euro 196 thousand of accrued interest. The loan accrues interest at a variable rate equal to 3-month Euribor, plus a spread of 345 basis points (floor 0); Partial repayment of Euro 1,000 thousand was made in the year;
- the current portion of the loan, amounting to Euro 1,220 thousand, granted to the subsidiary Daler Rowney Ltd. (United Kingdom) in 2019. The amounts are reported net of repayments in 2021 totalling Euro 2,500 thousand. The amount includes Euro 20 thousand of accrued interest. The loan accrues interest at a variable rate equal to 3-month Euribor, plus a spread of 350 basis points (floor 0);
- the current portion of the loan, amounting to Euro 1,122 thousand, granted to the subsidiary Daler Rowney Ltd. (United Kingdom) in 2019. The loan does not accrue interest;
- the current portion of the loan, amounting to Euro 1,916 thousand, granted to the subsidiary Daler Rowney Ltd. (United Kingdom) in 2019. The amount includes Euro 15 thousand of accrued interest. The loan accrues interest at a variable rate equal to 3-month Euribor, plus a spread of 300 basis points (floor 0);
- the current portion of the loan, amounting to Euro 110 thousand, granted to the subsidiary FILA Art Product AG (Switzerland) in 2017. The amounts are reported net of repayments in 2021 totalling Euro 94 thousand. The loan accrues interest at a variable rate equal to 3-month Euribor, plus a spread of 300 basis points (floor 0);
- the current portion of the loan, amounting to Euro 202 thousand, granted to the subsidiary Fila Art & Craft (Israel) in 2018. It includes Euro 2 thousand interest accrued. The amounts are reported net of repayments in 2020 totalling Euro 150 thousand. The loan accrues interest at a variable rate equal to 3-month Euribor, plus a spread of 270 basis points (floor 0);
- the current portion of the loan, amounting to USD 7,000 thousand (Euro 6,189 thousand) issued in favour of the subsidiary Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) in 2021. The amount includes Euro 8 thousand of accrued interest. The loan accrues interest at a variable rate equal to a fixed rate of 225 basis points (floor 0);
- The recognition of a loss allowance (IFRS 9) on the above short-term loans, calculated on the

basis of their average term (3 years) and the country risk for Euro 107 thousand, increasing on 2020 by Euro 19 thousand.

Below, "Note 3.B - Financial assets" shows all the related details of the companies involved and the main financial conditions at December 31, 2021:

Note 3.B - FINANCIAL ASSETS

Description	General information								Amount					Guarantees Received	Guarantees Granted
	Amount		Total	Year	Currency	Country	Interest		Current Financial Assets	Non-Current Financial Assets					
Euro thousands	Principal	Interest					Variable	Spread	2022	2023	2024	2025	After 2025		
Loan FILA Art & Product AG (Switzerland)	110	1	111	2017	EUR	Switzerland	3-month Euribor	2.70%	111	-	-	-	-	None	None
Loan FILA Arches (France)	21,685	197	21,882	2020	EUR	France	3-month Euribor	3.45%	21,882	-	-	-	-	None	None
Loan Canson Sas (France)	2,045	21	2,066	2019	EUR	France	3-month Euribor	3.15%	1,421	645	-	-	-	None	None
Loan Canson Sas (France)	16,369	140	16,510	2016	EUR	France	3-month Euribor	3.75%	16,510	-	-	-	-	None	None
Loan Lodi 12 Sas (France)	418	3	422	2016	EUR	France	3-month Euribor	3.75%	422	-	-	-	-	None	None
Loan Canson Australia Pty Ltd. (Australia)	1,619	13	1,632	2016	EUR	Australia	3-month Euribor	3.75%	1,632	-	-	-	-	None	None
Loan Canson Australia Pty Ltd. (Australia)	708	4	712	2021	EUR	Australia	3-month Euribor	2.35%	40	35	35	35	566	None	None
Loan Daler Rowney Ltd. (U.K.)	1,200	20	1,220	2016-2019	EUR	U.K.	3-month Euribor	3.50%	1,220	-	-	-	-	None	None
Loan Daler Rowney Ltd. (U.K.)	1,122		1,122	2019	EUR	U.K.		0.00%	1,122	-	-	-	-	None	None
Loan Daler Rowney Ltd. (U.K.)	1,901	15	1,916	2019	EUR	U.K.	3-month Euribor	3.00%	1,916	-	-	-	-	None	None
Loan Industria Maimeri S.p.A. (Italy)	56	3	60	2014-2015	EUR	Italy	6-month Euribor	2.00%	60	-	-	-	-	None	None
Loan Industria Maimeri S.p.A. (Italy)	4,000	6	4,006	2021	EUR	Italy		0.90%	4,006	-	-	-	-	None	None
Loan Fila SA (South Africa)	170	2	172	2021	EUR	South Africa	3-month Euribor	1.85%	42	40	40	50	-	None	None
Loan Canson Brasil I.P.E. Ltda (Brazil)	1,000	2	1,002	2021	EUR	Brazil		2.25%	1,002	-	-	-	-	None	None
Loan Canson Brasil I.P.E. Ltda (Brazil)	2,000	33	2,033	2012	EUR	Brazil	3-month Euribor	3.50%	333	1,700	-	-	-	None	None
Loan FILA Stationery O.O.O. (Russia)	1,043	237	1,280	2013-2020	EUR	Russia	3-month Euribor	2.25% - 3.75%	788	492		-	-	None	None
Loan FILA Stationery O.O.O. (Russia)	200		200	2020	RUB	Russia	3-month Euribor	2.25%	200	-	-	-	-	None	None
Loan FILA Art & Craft (Israel)	200	2	202	2018	EUR	Israel	3-month Euribor	2.70%	202	-	-	-	-	None	None
Loan Dixon Comercializadora (Mexico)	6,180	8	6,189	2021	EUR	Mexico		2.25%	6,189					None	None
Total Loans and Financial Assets - Subsidiaries	**62,027**	**708**	**62,735**						**59,096**	**2,912**	**75**	**85**	**566**		
Security Deposits	14	-	14	2004-15-19-20	EUR	Italy		0.00%	-	-	-	-	14	None	None
Loan to third parties	68	11	79	2017	EUR	Italy		2.00%	79	-	-	-	-	None	None
Total Other Financial Assets - Third Parties	**81**	**11**	**92**						**79**	**-**	**-**	**-**	**14**		
Loss Allowance (IFRS9)	(157)		(157)						(107)	(50)	-	-	-		
Total amount	**61,952**	**719**	**62,671**						**59,068**	**2,863**	**75**	**85**	**580**		

"Other Financial Assets - Third Parties" of Euro 92 thousand at December 31, 2021 (Euro 157 thousand at December 31, 2020) include:

- Deposits paid to third parties as contractual guarantees for the provision of services and goods (Euro 14 thousand);
- A loan disbursed in 2017 to Gianni Maimeri, a non-controlling interest of Industria Maimeri S.p.A., in the amount of Euro 78 thousand. In 2021, the company waived the partial repayment of Euro 68 thousand. The amount includes Euro 11 thousand interest accrued. The loan accrues interest at a fixed rate of 200 basis points.

As per IFRS 7, the accounting treatment by class of financial assets at December 31, 2021 was as follows:

Euro thousands		December 31, 2021	Assets measured at FVOCI	Assets at Amortised Cost	Total
Non-Current assets					
Non-Current Financial Assets	Note 3	3,604	-	3,604	3,604
Current assets					
Cash and Cash Equivalents	Note 9	54,647	-	54,647	54,647
Current Financial Assets	Note 3	59,186	-	59,186	59,186
Trade Receivables and Other Assets	Note 8	18,186	-	18,186	18,186

Euro thousands		December 31, 2020	Assets measured at FVOCI	Assets at Amortised Cost	Total
Non-Current assets					
Non-Current Financial Assets	Note 3	2,739	-	2,739	2,739
Current assets					
Cash and Cash Equivalents	Note 9	49,616	-	49,616	49,616
Current Financial Assets	Note 3	61,945	-	61,945	61,945
Trade Receivables and Other Assets	Note 8	20,090	-	20,090	20,090

Note 4 - Equity Investments

"Equity Investments" at December 31, 2021 amount to Euro 372,435 thousand (Euro 371,689 thousand at December 31, 2020).

The changes of the year are shown below:

Note 4.A - EQUITY INVESTMENTS				
Euro thousands	Investments in Subsidiaries	Investments in Associates	Investments in Other Companies	Total Amount
December 31, 2020	**371,658**	**28**	**2**	**371,689**
Increases	751	-	-	751
Decreases	-	(5)	-	(5)
December 31, 2021	**372,409**	**23**	**2**	**372,435**
Change	**751**	**(5)**	**-**	**746**

The increase of the year totalling Euro 751 thousand is due to the following effects:

- recognition of the annual portion of the "2019-2021 Performance Shares Plan" for Euro 326 thousand concerning investments by F.I.L.A. S.p.A. reserved for the executives and managers of the Group's international subsidiaries.
- subscription to the share capital increase of the company FILA Stationary O.O.O. (Russia) for Euro 425 thousand by waiving the current loan portion with the subsidiary;
- decrease in the investment in the associate Maimeri S.r.l. due to the reduction in the quota capital of this company for Euro 5 thousand.

Investments in subsidiaries at December 31, 2021 and the changes of the year are illustrated in the table below:

Note 4.B - INVESTMENTS IN SUBSIDIARIES				
Euro thousands	December 31, 2020	Increases	Decreases	December 31, 2021
F.I.L.A. Iberia S.L. (Spain)	210	11		221
Fila Arches (France)	22,574			22,574
Dixon Ticonderoga Co. (U.S.A.)	107,373	271		107,644
F.I.L.A. Chile Ltda (Chile)	62			62
Lyra Bleistift-Fabrik GmbH & Co. KG	12,454			12,454
FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey)	4,069			4,069
FILA Art & Craft (Israel)	-			-
FILA Stationery O.O.O. (Russia)	520	425		945
Industria Maimeri S.p.A.	1,603			1,603
FILA S.A. (Pty) Ltd. (South Africa)	3,747			3,747
FILA Hellas S.A. (Greece)	2,797			2,797
Fila Polska Sp. Z.o.o (Poland)	44			44
DOMS Industries PTV Ltd (India)	57,278			57,278
Renoir Topco Limited (UK)	97,271	15		97,286
St. Cuthberts Holdings Limited (UK)	6,727			6,727
Canson SAS (France)	37,749	29		37,778
Lodi 12 SAS (France)	17,133			17,133
Fila Art Products AG (Switzerland)	48			48
Total	**371,658**	**751**	**-**	**372,409**

For further details, reference should be made to the “Significant events in the year” paragraph.

A comparison between the carrying amounts of the equity investments and the share of equity of the subsidiaries at December 31, 2021 is illustrated in the table below:

IMPAIRMENT TEST INVESTMENTS RESULT

Subsidiaries *Euro thousands*	**Equity at December 31, 2021**	**Total investment percentage**	**Share of Equity**	**Carrying amount**
Fila SA PTY LTD (South Africa)	1,657	99.43%	1,648	3,747
Fila Stationary O.O.O. (Russia)	(48)	90.00%	(43)	945
FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey)	1,382	100.00%	1,382	4,070
DOMS Industries PVT LTD (India)	43,658	51.00%	22,266	57,278
Industria Maimeri S.p.A. (Italy)	128	51.00%	65	1,603
Renoir Topco Ltd (UK) (1)	78,480	100.00%	78,480	97,270
St. Cuthberts Holding (UK) (3)	6,455	100.00%	6,455	6,726
Lodi 12 (France) (2)	588	100.00%	588	17,133
Fila Hellas (Greece)	2,161	100.00%	2,161	2,797
FILA Art Products AG (Switzerland)	531	52.00%	276	48
Fila Arches (France)*	22,303	100.00%	22,303	22,574

(1) - Renoir Topco Ltd (UK); Renoir Midco Ltd (UK); Renoir Bidco Ltd (UK); FILA Benelux SA (Belgium); Daler Rowney Ltd (UK); Brideshore srl (Dominican Republic).

(2) - Lodi 12 SAS (France); Canson Australia PTY LTD (Australia); Canson Qingdao Ltd.(China);Canson Italy (Italy).

(3) - St. Cuthberts Holding (UK); St. Cuthberts Mill (UK).

** The carrying amount in F.I.L.A. S.p.A.'s separate financial statements at December 31, 2021 is considered recoverable on the basis of the same assumptions used for the FILA Arches CGU in testing the recoverability of goodwill*

The investments held by F.I.L.A. S.p.A. in subsidiaries were subject to impairment tests where indicators highlighted a possible impairment loss, comparing the carrying amount in the financial statements with the recoverable amount. The “Value in use” was used to establish the recoverable amount of investments. The Value is use as per IAS 36 is calculated as the present value of expected cash flows.

The expected cash flows for the calculation of the “Value in use” of each subsidiary are developed based on the information received from the Boards of Directors of the individual subsidiaries in the 2022 Budget, approved by the Group on February 11, 2022, and the Business Plan approved by the Group’s Board of Directors on March 16, 2022.

In particular, the cash flows were determined based on the assumptions in the plan and applying the growth rate identified for each subsidiary in line with the long-term assumptions relating to the growth rate of the sector and the specific country risk in which each company operates. The “Terminal Value” was calculated applying the perpetual yield method. These financial estimates were subject to approval by the Boards of Directors of the individual Group companies subject to impairments testing.

The discount rate (W.A.C.C.) is the weighted average cost of risk capital and borrowing cost considering the tax effects generated by the financial leverage.

The table below outlines the main assumptions for the impairment test on the investments held. The discount rate is different from December 31, 2020 to reflect the changed market conditions at December 31, 2021, as commented upon below:

IMPAIRMENT TEST - VALUE IN USE CALCULATION ASSUMPTIONS

Euro thousands	Discount Rate (W.A.C.C.)*	Growth Rate (g rate)*	Cash Flow Horizon	Terminal Value Calculation Method
FILA SA (South Africa)	12.4%	4.0%	5 years	Perpetuity growth rate
Fila Stationary O.O.O. (Russia)	12.4%	4.4%	5 years	Perpetuity growth rate
Fila Stationary and Office Equipment Industry Ltd. Co (Turkey)	19.1%	8.8%	5 years	Perpetuity growth rate
DOMS Industries Pvt Ltd (India)	11.9%	4.0%	5 years	Perpetuity growth rate
Industria Maimeri S.p.A. (Italy)	7.9%	1.5%	5 years	Perpetuity growth rate
Renoir Topco Ltd (UK) (1)	7.9%	1.9%	5 years	Perpetuity growth rate
St. Cuthberts Holding (UK) (3)	7.9%	1.9%	5 years	Perpetuity growth rate
Fila Hellas	10.7%	1.5%	5 years	Perpetuity growth rate
Lodi 12 (France) (2)	7.1%	1.9%	5 years	Perpetuity growth rate
Fila Arches	7.1%	1.9%	5 years	Perpetuity growth rate

(1) - Renoir Topco Ltd (UK); Renoir Midco Ltd (UK); Renoir Bidco Ltd (UK); FILA Benelux SA (Belgium); Daler Rowney Ltd (UK); Brideshore srl (Dominican Republic); Castle Hill Crafts (UK); Creativity International (UK).
(2) - Lodi 12 SAS (France); Canson Australia PTY LTD (Australia); Canson Qingdao Ltd.(China) Fila Yixing (China); Canson Italy (Italy).
(3) - St. Cuthberts Holding (UK); St. Cuthberts Mill (UK).
** Source Bloomberg*

With regard to the main considerations upon the change in the year of the discount rates utilized, reference should be made to "Note 1 - Intangible assets" of the Notes to the consolidated financial statements at December 31, 2021.

Considering the existence of indicators of impairment, impairment tests were carried out on the following subsidiaries:

- F.I.L.A. SA PTY LTD (South Africa);
- FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey);
- FILA Stationary O.O.O. (Russia);
- Renoir Topco Ltd (United Kingdom);
- DOMS Industries Pvt Ltd (India);
- St. Cuthberts Holding (United Kingdom);
- Lodi 12 (France);
- Fila Hellas SA (Greece);
- Industria Maimeri S.p.A. (Italy);
- Fila Arches SAS (France).

A Sensitivity Analysis was also carried out to verify the recoverability of the equity investment against possible increases and decreases of 0.5 percent in the "Growth Rate" and "WACC";
In addition, account was taken of what was highlighted by ESMA, which on October 2021 published the *Public Statement "European common enforcement priorities for 2021 financial statements*", on the

sensitivity analysis for significant changes in *key operational and financial assumptions* due to COVID-19.

The above analysis confirmed the full recoverability of the equity investments analysed and the reasonableness of the assumptions used.

Note 5 – Deferred Tax Assets

"Deferred tax assets" amount to Euro 5,082 thousand at December 31, 2021 (Euro 6,070 thousand at December 31, 2020).

Note 5.A - CHANGES IN DEFERRED TAX ASSETS

Euro thousands	
December 31, 2020	**6,070**
Increase	1,484
Utilisation	(2,051)
Reclassifications	420
December 31, 2021	**5,082**
Change	**(988)**

"Deferred Tax Assets" at December 31, 2021 refer to temporary differences deductible in future years, recognised as there is a reasonable certainty of the existence, in the years in which they will reverse, of taxable profit not lower than the amount of these differences.

The breakdown of deferred tax assets is illustrated below:

NOTE 5.B - BREAKDOWN OF DEFERRED TAX ASSETS

	Statement of Financial Position		Profit and Loss		Reclassifications		Equity	
Euro thousands	2021	2020	2021	2020	2021	2020	2021	2020
Deferred tax assets relating to:								
ACE	2,713	3,906	(774)	611	(420)	-	-	-
Directors Remuneration	452	276	176	11	-	-	-	-
Capital Increase 2018 Expenses	447	835	(388)	(319)	-	-	-	-
Employees bonuses	430	-	430	-	-	-	-	-
Intangible Assets	100	100	0	3	-	-	-	-
Property, Plant and Equipment	149	152	(3)	32	-	-	-	-
Loss allowance, taxed	220	292	(72)	(2)	-	-	-	-
Inventories	142	102	40	(13)	-	-	-	-
Agent Leaving Indemnities	228	228	-	8	-	-	-	-
IFRS9	131	118	12	(25)	-	-	-	-
IFRS16	63	40	23	22	-	-	-	-
Provisions for risks and charges	9	20	(12)	20	-	-	-	-
Total deferred tax assets	**5,082**	**6,070**	**(567)**	**350**	**(420)**	**-**	**-**	**-**

The caption "ACE" includes the recognition of deferred tax assets calculated on the surplus of the ACE amount to be carried forward to subsequent years.
In 2021, a utilisation of Euro 1,576 thousand was recorded to cover the IRES taxable income generated at December 31, 2021 and a utilisation of Euro 420 thousand as IRAP advance for the year 2021, due to the conversion of the "ACE" credit, a change mitigated by an increase of Euro 802 thousand.

The deferred tax asset calculation was made by F.I.L.A. S.p.A., evaluating the projected future recovery of these assets based on updated strategic plans, together with the relative tax plans.

Note 6 - Current Tax Assets

"Current tax Assets" totalled Euro 923 thousand at December 31, 2021 (Euro 2,264 thousand at December 31, 2020) and include IRES and IRAP tax assets.

The main change during the year is due to the use of assets accrued in previous years for IRES, IRAP and CFC amounting to Euro 1,646 thousand.

Note 7 - Inventories

"Inventories" at December 31, 2021 amount to Euro 25,697 thousand (Euro 24,062 thousand at December 31, 2020).

The breakdown of inventories is as follows:

Note 7.A - INVENTORIES

Euro thousands	Raw materials, consumables and supplies	Work in progress and semi-finished products	Finished goods	Total
December 31, 2020	4,050	2,945	17,067	24,062
December 31, 2021	4,746	3,206	17,744	25,697
Change	696	261	677	1,635

This caption reports an increase of Euro 1,635 thousand, primarily due to procurement carried out in order to meet orders in a timely manner.

Inventories are shown net of the allowance for inventory write-down for raw materials, work in progress and finished goods, amounting respectively at December 31, 2021 to Euro 101 thousand (Euro 50 thousand at December 31, 2020), Euro 96 thousand (Euro 50 thousand at December 31, 2020) and Euro 205 thousand (Euro 170 thousand at December 31, 2020), which refer to obsolete or slow moving materials for which it is not considered possible to recover their value through sales.

No inventory is provided as a guarantee on liabilities.

The changes in the allowance for inventory write-down in the year were as follows:

Note 7.B - CHANGE IN THE ALLOWANCE FOR INVENTORY WRITE-DOWN

Euro thousands	Raw materials, consumables and supplies	Work in progress and semi-finished products	Finished goods	Total
December 31, 2019	**50**	**50**	**230**	**330**
Accruals	50	50	62	162
Utilisation	(50)	(50)	(122)	(222)
December 31, 2020	**50**	**50**	**170**	**270**
Accruals	75	100	60	235
Utilisation	(24)	(54)	(26)	(104)
December 31, 2021	**101**	**96**	**205**	**402**
Change	**51**	**46**	**34**	**132**

During the year the allowance was used for disposals and product scrapping. The allocation in the year was made against obsolete materials and slow moving inventories at December 31, 2021.

Note 8 – Trade receivables and Other assets

"Trade receivables and other assets" amount to Euro 18,186 thousand, decreasing Euro 1,904 thousand on the previous year, when they amounted to Euro 20,090 thousand.

The breakdown is illustrated below.

Note 8.A - TRADE RECEIVABLES AND OTHER ASSETS

Euro thousands	December 31, 2021	December 31, 2020	Change
Trade Receivables	10,537	12,203	(1,666)
Tax Assets	553	137	416
Other Assets	230	252	(22)
Prepayments and Accrued Income	1,018	959	59
Third parties	**12,338**	**13,550**	**(1,213)**
Trade Receivables - Subsidiaries	5,848	6,540	(692)
Subsidiaries	**5,848**	**6,540**	**(692)**
Total	**18,186**	**20,090**	**(1,904)**

"Trade Receivables and other assets from third parties" amount at Euro 12,338 thousand at December 31, 2021 (Euro 13,550 thousand at December 31, 2020).

"Trade receivables from third parties" decreased compared to December 31, 2020 by Euro 1,213 thousand, mainly due to the collection of past receivables temporarily uncollectible due to the operating and financial conditions caused by the COVID-19 health emergency.

"Trade Receivables from Subsidiaries" amount to Euro 5,848 thousand at December 31, 2021 (Euro 6,540 thousand at December 31, 2020).

"Trade Receivables from Subsidiaries" decreased on December 31, 2020 by Euro 692 thousand, mainly due to the lower rebilling of services, particularly for ERP management in the year, in addition to commercial transaction dynamics.

The amounts of the previous table are shown net of the loss allowance.

At December 31, 2021, there were no trade receivables pledged as guarantees.

All of the above assets are due within 12 months.

The breakdown by geographical segment of trade receivables (by customers) is illustrated in the table below:

Note 8.B - TRADE RECEIVABLES FROM THIRD PARTIES BY GEOGRAPHICAL SEGMENT

Euro thousands	December 31, 2021	December 31, 2020	Change
Europe	10,086	11,921	(1,835)
Asia	440	281	159
Other	11	0	11
Total	**10,537**	**12,203**	**(1,666)**

The changes in the loss allowance to cover doubtful positions are illustrated in the table below.

Note 8.C - CHANGES IN THE LOSS ALLOWANCE

Euro thousands	
December 31, 2019	**1,815**
Accruals	193
Utilisation	(200)
December 31, 2020	**1,808**
Accruals	303
Utilisation	(498)
Release	(13)
December 31, 2021	**1,599**
Change	**(209)**

The Company measures the loss allowance at an amount reflecting the lifetime expected credit losses of the asset. In order to establish whether the credit risk concerning a financial asset has increased significantly after initial recognition in order to assess expected losses on trade receivables, the company considers reasonable and demonstrable information which is pertinent and available without excessive cost and burden. Quantitative and qualitative information and analysis, based on historical experience, to assess the asset - in addition to information indicative of expected developments - is included.

During the year, the use of the “Loss Allowance” for Euro 498 thousand concerns the cancellation of commercial positions considered by management as no longer recoverable.

“Tax assets” includes V.A.T. and other local taxes other than direct income taxes.

Current tax assets at December 31, 2021 totalled Euro 553 thousand (Euro 137 thousand at December 31, 2020) and mainly include the tax credit arising from the application for IRES reimbursements for IRAP advances paid in 2021.

“Other assets” mainly includes amounts due from suppliers for credit notes received and supplier advances. At December 31, 2021 the caption amounts to Euro 230 thousand (Euro 252 thousand at December 31, 2020).

“Prepayments and accrued income” include costs incurred in 2021 but pertaining to the following year. In particular, the following captions are reported: Pero office rental for the first quarter of 2022 (Euro 61 thousand), company car lease payments (Euro 53 thousand), insurance premiums (Euro 374 thousand) and EDP maintenance costs (Euro 75 thousand).

The carrying amount of “Other assets” represents the “fair value” at the reporting date.

All of the above assets are due within 12 months.

Note 9 - Cash and cash equivalents

“Cash and Cash Equivalents” at December 31, 2021 amount to Euro 54,647 thousand (Euro 49,616 thousand at December 31, 2020).

The breakdown and comparison with the previous year is illustrated in the table below.

Note 9.A - CASH AND CASH EQUIVALENTS

Euro thousands	Bank and postal deposits	Cash in hand and other cash equivalents	Total
December 31, 2020	**49,610**	**6**	**49,616**
December 31, 2021	**54,641**	**7**	**54,647**
Change	**5,031**	**1**	**5,031**

"Bank and Postal Deposits" consist of temporary liquid funds as part of treasury management and concern the ordinary current accounts of F.I.L.A. S.p.A..

Bank and postal deposits are remunerated at rates near zero.

There are no bank and postal deposits subject to restrictions.

For comments on cash flows of the year reference should be made to the statement of cash flows.

Net financial debt

The "Net Financial Debt" of F.I.L.A. S.p.A. at December 31, 2021 was as follows:

Euro thousands		December 31, 2021	December 31, 2020	Change 2021 - 2020
A	Cash	7	6	1
B	Cash equivalents	54,641	49,611	5,030
C	Other current financial assets	59,186	61,945	(2,759)
D	**Liquidity (A + B + C)**	**113,833**	**111,562**	**2,271**
E	Current bank loans and borrowings	(667)	(30,987)	30,320
F	Current portion of non-current bank loans and borrowings	(20,570)	(14,520)	(6,050)
G	**Current financial debt (E + F)**	**(21,237)**	**(45,507)**	**24,270**
H	**Net current financial debt (G - D)**	**92,597**	**66,055**	**26,542**
I	Non-current bank loans and borrowings	(214,502)	(206,327)	(8,175)
J	Bonds issued	-	-	-
K	Trade payables and other non current liabilities	-	-	-
L	**Non-current financial debt (I + J + K)**	**(214,502)**	**(206,327)**	**(8,175)**
M	**Net financial debt (H + L)**	**(121,905)**	**(140,272)**	**18,367**
N	**Long term loans issued**	**3,590**	**2,727**	**863**
O	**Net financial debt (M + N) - F.I.L.A. S.p.A.**	**(118,315)**	**(137,545)**	**19,230**

The reconciliation between the Net Financial Debt - F.I.L.A. S.p.A. and the Statement of Financial Position is reported below:

- captions "A - Cash" and "B - Cash equivalents" are included in "Note 9 - Cash and cash equivalents";
- caption "C - Other current financial assets" refers to "Note 3 - Current financial assets";
- caption "G - Current financial debt" relates to “Note 13 - Current Financial Liabilities” and contains caption “F - Current portion of non-current bank loans and borrowings” which refers to the current portion of IFRS 16 Financial Liabilities and to the current portion of long-term loans;
- caption "I - Non-current bank loans and borrowings” refers to “Note 13 - Non-current financial liabilities” and “Note 17 - Financial instruments”.
- the caption “N - Long-term loans issued” relates to the caption “Loans and financial assets - Subsidiaries”, as per “Note 3 - Non-Current Financial Assets”.

Compared to the Net Financial Debt – F.I.L.A. S.p.A. of December 31, 2020, an improvement of Euro 19,230 thousand was reported.

This movement, as may be seen from the statement of cash flows, is principally related to:

- the cash generation totalling Euro 17,453 thousand from operating activity;
- net investments in "Property, Plant and Equipment and Intangible Assets" of Euro 3,620 thousand (Euro 2,332 thousand in 2020);
- the generation of cash totalling Euro 12,909 thousand from dividends received from subsidiaries;
- the payment of financial expense of Euro 5,229 thousand.

Note 12 - Share Capital and Equity

Share Capital

The subscribed and fully paid-up share capital at December 31, 2021 of F.I.L.A. S.p.A. comprises 51,058,297 shares, as follows:

- 42,976,441 ordinary shares, without nominal value;
- 8,081,856 class B shares, without nominal value, which attribute 3 votes exercisable at the Shareholders' Meeting (ordinary and extraordinary) of F.I.L.A. S.p.A..

The breakdown of the share capital of F.I.L.A. S.p.A. is illustrated below:

Share capital composition - December 31, 2021	No. of shares	% of share capital	Euro	Listing
Ordinary shares	42,976,411	84.17%	39,548,544	EXM - Euronext STAR
Class B shares (multiple votes)	8,081,856	15.83%	7,437,229	Unquoted Shares

According to the available information, published by Consob and updated at December 31, 2021, the main shareholders of the Parent were:

Shareholders	Ordinary shares	%
Pencil S.p.A.	13,694,563	31.87%
Market investors *	29,281,878	68.13%
Total	**42,976,441**	

Shareholders	Ordinary shares	Class B shares	Total	Voting rights
Pencil S.p.A.	13,694,563	8,081,856	21,776,419	56.44%
Market investors *	29,281,878		29,281,878	43.56%
Total	**42,976,441**	**8,081,856**	**51,058,297**	

**includes 51,500 treasury shares*

Each ordinary share attributes voting rights without limitations.

Each class B share attributes three votes, in accordance with Article 127-*sexies* of Legislative Decree

No. 58/1998.

The availability and distributability of equity is outlined in the following table:

NOTE 12.A ORIGIN, POSSIBILITY OF USE AND DISTRIBUTION OF EQUITY

					Summary of the use in the past three years (2019 - 2021)	
Euro thousand	**Equity items**	**December 31, 2021**	**Possibility of use**	**Available portion**	**to cover losses**	**other reasons**
	Share Capital	**46,986**		-	-	-
	Treasury Shares	(488)		-	-	-
	Reserves:					
	Legal Reserve	8,738	**B**	8,738	-	-
	Share Premium Reserve	154,646	**A, B, C**	154,646	-	-
	Actuarial Reserve	(581)		-	-	-
	Other Reserves	21,550	**A, B, C**	21,550	-	-
	Profit for the year	43,455	**A, B, C**	28,403	-	13,985
	Total	**274,306**		**213,337**	**-**	**13,985**

Legend:
A - for share capital increase
B - to cover losses
C - for distribution to shareholders

Negative reserve for Treasury Shares in portfolio

F.I.L.A. S.p.A., in the period between March 23 and March 25, 2021, repurchased treasury shares as per the Shareholders' Meeting authorisation of April 22, 2020 and the subsequent Board of Directors' resolution of March 16, 2021. On December 31, 2021, the Company held 51,500 treasury shares (0.10% of the Share capital), for a total amount of Euro 488 thousand.

Legal reserve

At December 31, 2021 this caption amounted to Euro 8,738 thousand. An increase of Euro 406 thousand as per the Shareholders' resolution of April 27, 2021, is reported, which allocated a portion of the profit for the year to the legal reserve in accordance with Article 2430 of the Civil Code.

Share premium reserve

The balance at December 31, 2021 amounted to Euro 154,646 thousand (Euro 154,473 thousand at December 31, 2020). The increase of Euro 173 thousand relates to the price difference between the nominal value and the assignment price of the "Warrant" shares assigned to the management of the US subsidiary Dixon Ticonderoga Company U.S.A.

Actuarial Reserve

Following the application of IAS 19, the equity reserve is negative for Euro 581 thousand, increasing in the year by Euro 12 thousand.

Other reserves

At December 31, 2021, other reserves are positive for Euro 21,550 thousand, increasing Euro 2,711 thousand on December 31, 2020.

The changes concern the following events:

- "Share-Based Premium" reserve of Euro 2,102 thousand, increasing Euro 788 thousand (Euro 1,314 thousand at December 31, 2020) due to the portion for the period of the medium-/long-term incentive plan set up for F.I.L.A. Group management. The accounting treatment applied is in line with the accounting standards which establish that for equity-settled share-based payments, the fair value at the grant date of the share options granted to employees is recorded under personnel expense, with a corresponding increase in equity under "Other reserves and retained earnings", over the period in which the employees will obtain the unconditional right to the incentives. The amount recorded as cost is adjusted to reflect the effective number of incentives (options) for which the conditions have vested and the achievement of "non-market" conditions, in order that the final cost recorded is based on the number of incentives which will vest. Similarly, in the initial estimate of the fair value of the options assigned, consideration is taken of the non-vesting conditions. The changes to market value subsequent to the grant date will not produce any financial statement effect.
- The "Hedging" reserve, recognised to account for fair value changes in the hedging instruments (IRSs) entered into by F.I.L.A. S.p.A., amounted to a negative Euro 2,067 thousand at December 31, 2021. The increase for the year amounted to Euro 2,113 thousand against the recognition of the change in the fair value of the IRSs hedging the loan agreement entered into to finance the Pacon Holding Company deal.
- The reserve for future capital increases to service the Warrants assigned free of charge to certain managers employed by the subsidiary Dixon Ticonderoga (formerly Pacon Holding Company), as approved on October 11, 2018 by F.I.L.A. S.p.A.'s shareholders in an extraordinary meeting, decreased of Euro 191 thousand against the subscription of the final tranche of the Warrants; the present amount is therefore Euro 0 thousand.

In relation to utilisations, in addition, we report the presence in "Other Reserves" of reserves taxable on distribution for Euro 3,885 thousand at December 31, 2021.

Retained Earnings

This caption amounts to Euro 43,455 thousand at December 31, 2021 (Euro 41,855 thousand at December 31, 2020). The increase of Euro 1,600 thousand relates to the application of the shareholders' resolution of April 27, 2021 concerning the allocation of the 2020 net profit of Euro 8,125 thousand to "Retained earnings" for Euro 1,600 thousand, net of the allocation to the legal reserve for Euro 406 thousand.

We highlight in addition the restriction on the possibility to distribute a portion related to the revaluation of the investment held in the company DOMS Industries Pvt Ltd (Euro 15,052 thousand), in accordance with Article 6, paragraph 1, letter a) of Legislative Decree No. 38 of February 28, 2005, following the purchase of the controlling interest.

Dividends

During the year, F.I.L.A. S.p.A. distributed dividends to the Shareholders for a total of Euro 6,119 thousand, corresponding to Euro 0.12 for each outstanding share.

F.I.L.A. S.p.A. expects to receive approx. Euro 19 million from subsidiaries in 2021.
Over the last three years and in its forecasts, the F.I.L.A. Group coordinates its dividend policy in line with the financial needs of its non-recurring transactions.

…………………

The Board of Directors of F.I.L.A. S.p.A. have proposed:

1. to allocate Euro 659,002.08 of the profit for the year to the "Legal reserve", as established in Article 2430 of the Civil Code, and to allocate the Euro 4,599,859.52 to "Retained earnings";
2. to distribute the residual "Profit for the year" of Euro 11,743,408.31 as dividends and, therefore, to distribute a dividend of Euro 0.23 for each of the 51,058,297 ordinary shares currently outstanding, while it should be noted that in the case where the total number of shares of the Company currently outstanding should increase, the total amount of dividends will remain unchanged and the unit amount will be automatically adjusted to the new number of shares; the dividends will be issued with coupon, record and payment dates of May 23, 24 and 25, 2022 respectively.

Note 13 - Financial Liabilities

The balance at December 31, 2021 amounts to Euro 233,670 thousand (Euro 247,651 thousand at December 31, 2020), of which Euro 212,435 thousand non-current and Euro 21,234 thousand current. It includes both the current portion of other loans and borrowings and current account overdrafts concerning ordinary operations.

The breakdown at December 31, 2021 is illustrated below:

Note 13.A - FINANCIAL LIABILITIES: Third parties

Euro thousands	Bank loans and borrowings		Other loans and borrowings		Current account overdrafts		Lease liabilities		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
December 31, 2020	**247,068**	**(1,733)**	**502**	**-**	**-**	**1**	**1,813**	**-**	**247,651**
non-current portion	203,006	(2,217)	-	-	-	-	1,356	-	202,145
current portion	44,062	484	502	-	-	1	457	-	45,507
December 31, 2021	**232,699**	**(953)**	**247**	**-**	**-**	**-**	**1,676**	**-**	**233,670**
non-current portion	212,610	(1,370)	-	-	-	-	1,196	-	212,435
current portion	20,089	417	247	-	-	-	481	-	21,234
Change	**(14,369)**	**780**	**(255)**	**-**	**-**	**(1)**	**(137)**	**-**	**(13,981)**
non-current portion	9,604	847	-	-	-	-	(161)	-	10,291
current portion	(23,973)	(67)	(255)	-	-	(1)	24	-	(24,272)

Financial liabilities - Bank loans and borrowings

The decrease in "Bank loans and Borrowings" in the year of Euro 13,589 thousand mainly concern the repayment of the lines TL A and A2 in June and December 2021 of Euro 14,062 thousand and the adjustment of the interest valued at amortised cost of Euro 541 thousand.

"Financial liabilities – Bank loans and borrowings – Non-current portion" amounted to Euro 212,610 thousand, broken down as follows:

- the non-current portion of Facility A and A2 for Euro 32,410 thousand (amortising line);
- the non-current portion of Facility B and B2 for Euro 98,750 thousand (bullet line);
- the non-current portion of Facility C for Euro 25,893 thousand (bullet line);
- the non-current portion of the RCF for Euro 25,000 thousand (bullet line);
- the non-current portion of the CDP loan of Euro 30,000 thousand (amortising line);
- the fair value of the trading costs related to the derivative financial instruments of Euro 556 thousand undertaken in 2018.

"Financial liabilities – Bank loans and borrowings – Current portion" amounted to Euro 20,089 thousand, broken down as follows:

- The current portion of Facility A1 and A2 for Euro 20,089 thousand (amortising line);

The loan stipulates a 3-month Euribor interest rate, plus a spread of 1.35% on Facility A and A2, in addition to a spread of 1.65% on Facility B and C, with quarterly calculation of interest. The spread applied, as per the contract, was decreased by 0.50%, based on compliance with the covenants established for the loan.

The following is reported with regards to the loan repayment plan:

Euro thousands	Interest Rate	Maturity	December 31, 2021
Facility A-A2	3-month Euribor + spread 1.35%	June 2023	32,411
Facility B-B2	3-month Euribor + spread 1.65%	June 2024	98,750
Facility C-C2	3-month Euribor + spread 1.65%	June 2023	25,893
Facility RCF LT	Fixed rate 1.35%	June 2023	25,000
CDP	6-month Euribor floor + spread 1.70%	November 2023	30,000
Total Non-Current Financial Liabilities			**212,054**
Facility A	3-month Euribor + spread 1.35%	December 2022	20,089
Total Current Financial Liabilities			**20,089**
Total Financial Liabilities			**232,143**

The repayment plan establishes for settlement by June 4, 2024 ("Termination Date") through half-yearly principal instalments to be repaid from December 4, 2019.

The repayment plan by maturity is outlined below:

Note 13.D - BANK LOANS AND BORROWINGS: REPAYMENT PLAN

Euro thousands	Facility	Principal
June 6, 2022	Facility A	7,500
December 5, 2022	Facility A	11,250
June 2, 2023	Facility A	30,000
Total - Facility A		**48,750**
June 6, 2022	Facility A2	536
December 5, 2022	Facility A2	803
June 2, 2023	Facility A2	2,411
Total - Facility A2		**3,750**
Bullet Loan - June 4, 2024	Facility B	90,000
Total - Facility B		**90,000**
Bullet Loan - June 4, 2024	Facility B2	8,750
Total - Facility B2		**8,750**
Bullet Loan - June 4, 2023	Facility C	25,000
Total - Facility C		**25,000**
Bullet Loan - June 4, 2023	Facility C2	893
Total - Facility C2		**893**
Bullet Loan - June 4, 2023	RCF	25,000
Total - RCF		**25,000**
TOTAL		**202,143**

F.I.L.A. S.p.A., exposed to future cash flow fluctuations in relation to the interest rate indexing mechanism under the loan agreed (hereafter “hedged instrument”), considered a hedge based on the payment of a fixed rate against the variable rate necessary (base parameter of the loan contract) to stabilise future cash flows.

The derivative instruments, qualifying as hedges and represented by Interest Rate Swaps, present characteristics in line with those of the hedged instrument, such as the same maturity and the same repayment plan broken down into quarterly instalments with interest in arrears, in addition to a variable interest rate indexed to the 3-month Euribor. Derivative financial instruments, in the form of 3 Interest Rate Swaps, were agreed with the same banks issuing the loan, concerning a total of 10 contracts.

Financial Liabilities - Other Loans and Borrowings

"Financial Liabilities - Other loans and borrowings" includes the amounts payable by F.I.L.A. S.p.A. to factoring companies for advances on transfer of trade receivables (Ifitalia S.p.A.) and the amount of the financial liabilities that arose from the lease contracts due to the application of IFRS 16.

The balance at December 31, 2021 of other loans and borrowings was Euro 1,923 thousand (Euro 2,315 thousand at December 31, 2020).

Details on the timing of cash flows and "Other loans and borrowings" at December 31, 2021 concerning F.I.L.A. S.p.A. are illustrated in the following table:

Note 13.D - OTHER LOANS AND BORROWINGS

Description	General information								Loan Repayment plan		Guarantees Granted
	Amount		Total	Year	Curr.	Country	Interest		Current Financial Liabilities	Beyond 2022	
Euro thousands	Principal	Interest					Variable	Spread	2022		
Ifitalia S.p.A.	247	-	247	2021	EUR	Italy	0.75%	-	247	-	None
Leasing	1,676	-	1,676	2021	EUR	Italy	-	-	481	1,196	None
Total	**1,923**	**-**	**1,923**						**728**	**1,196**	

Reference should be made to the "Net Financial Debt" and the "Directors' Report – Financial Highlights of the F.I.L.A. Group – Financial Debt" in relation to the net financial debt at December 31, 2021.

As per IFRS 7, the accounting treatment by class of financial liabilities at December 31, 2021 was as follows:

Euro thousands		December 31, 2021	Liabilities measured at FVOCI	Liabilities at Amortised Cost	Total
Non-Current Liabilities					
Non-Current Financial Liabilities	Note 13	212,435	-	212,435	212,435
Financial Instruments	Note 17	2,067	-	2,067	2,067
Current Liabilities					
Current Financial Liabilities	Note 13	21,237	-	21,237	21,237
Trade Payables and Other Liabilities	Note 19	21,809	-	21,809	21,809

Euro thousands		December 31, 2020	Liabilities measured at FVOCI	Liabilities at Amortised Cost	Total
Non-Current Liabilities					
Non-Current Financial Liabilities	Note 13	202,144	-	202,144	202,144
Financial Instruments	Note 17	4,183		4,183	4,183
Current Liabilities					
Current Financial Liabilities	Note 13	45,507	-	45,507	45,507
Trade Payables and Other Liabilities	Note 19	19,033	-	19,033	19,033

In accordance with the amendments to IAS 7, the following table shows the variations in liabilities (and any related assets) recorded in the statement of financial position, whose cash flows are or will be recorded in the statement of cash flows as cash flows from financing activities.

Euro thousands	Bank Loans and Borrowing	Other Loans and Borrowing	Current Account Overdrafts	Hedging Derivatives	Total
	Note 13	*Note 13*	*Note 13*	*Note 17*	
December 31, 2020	**(245,335)**	**(502)**	**(1)**	**(4,183)**	**(250,020)**
Cash Flows	14,062	255	1	-	14,318
Other Changes	(473)	-	-	-	(473)
Exchange gains (losses)	-	-	-	-	-
Fair Value variations	-	-	-	2,116	2,116
IFRS transition reserve	-	-	-	-	-
Translation differences	-	-	-	-	-
Change in consolidation scope	-	-	-	-	-
Retained earnings	-	-	-	-	-
December 31, 2021	**(231,746)**	**(247)**	**-**	**(2,067)**	**(234,060)**

Financial Liabilities - Lease liabilities

"Financial Liabilities" at December 31, 2021 include the effects deriving from the adoption by the Company of the new standard IFRS 16 which came into force on January 1, 2019 and which led to a reduction of Euro 137 thousand as at December 31, 2021, of which Euro 160 thousand as the non-current portion, offset by an increase of Euro 24 thousand as the current portion.

Note 14 - Employee Benefits

The benefits recognised to employees of F.I.L.A. S.p.A. concern salary based Post-Employment Benefits, governed by Italian legislation and in particular Article 2120 of the Italian Civil Code. The amount of these benefits is in line with the contractually-established remuneration agreed between the parties on hiring.

The Post-Employment Benefits, accrued to December 31, 2006 are considered a defined benefit plan as per IAS 19. The benefits guaranteed to employees, under the form of the Post-Employment Benefits, paid on the termination of employment, are recognised in the period the right vests. The relative liability is based on actuarial assumptions and the effective liability accrued and not settled at the reporting date. The discounting process, based on demographic and financial assumptions, is undertaken applying the "Projected Unit Credit Method" by professional actuaries.

The Post-Employment Benefits accrued since January 1, 2007 are considered a defined contribution plan and therefore contributions accrued in the period were fully recognised as a cost and recorded as a liability under "Other Current Liabilities", after the deduction of any contributions already paid.

The amounts at December 31, 2021 were as follows:

Note 14.A - ITALIAN POST-EMPLOYMENT BENEFITS AND OTHER EMPLOYEE BENEFITS

Euro thousands	Post-employment benefits (Italy)	Other employee benefits	Total
December 31, 2020	**1,643**	**-**	**1,643**
Benefits paid	(808)	-	(808)
Interest cost	0	-	0
Service cost	613	-	613
Actuarial (gains) losses	(12)	-	(12)
December 31, 2021	**1,436**	**-**	**1,436**
Change	**(207)**	**-**	**(207)**

The "actuarial gains" recorded in 2021 were Euro 12 thousand. The actuarial changes of the year, net of the tax effect, were taken directly to equity.

There are no financial assets at December 31, 2021 invested by F.I.L.A. S.p.A. to cover financial liabilities relating to Post-Employment Benefits.

The table below highlights the net cost recognised in 2021 and 2020:

2. Cost Recognised in Profit and Loss	December 31, 2021	December 31, 2020
Service cost	(613)	(598)
Interest cost	0	(6)
Cost Recognised in Profit and Loss	**(613)**	**(604)**

The obligations deriving from the above-mentioned plans are calculated based on the following actuarial assumptions.

For comparative purposes we illustrate the actuarial assumptions applied in 2021:

3. Main Actuarial Assumptions at Reporting Date (average amounts)	December 31, 2021	December 31, 2020
Annual Technical Discount Rate	0.4%	0.0%
Increase in Cost of Living Index	1.2%	1.0%
Future Pensions Increase	2.4%	2.3%

Details on the timing of financial cash flows relating to post-employment benefits at December 31, 2021 are illustrated in the following table:

Note 14.B - EMPLOYEE BENEFITS: CASH FLOWS SCHEDULE

Nature *Euro thousands*	Amount	Cash flows schedule				
		2022	2023	2024	2025	Beyond 2025
Italian post-employment benefits (TFR)	1,436	137	131	97	120	951
Total	**1,436**					

Note 15 - Provision for risks and charges

The "Provision for Risks and Charges" amounts to Euro 729 thousand at December 31, 2021 and increased Euro 25 thousand on the previous year.

The change in the "Provisions for Risks and Charges" at December 31, 2021 was as follows:

Note 15.A - PROVISION FOR RISKS AND CHARGES

Euro thousands	Provisions for legal disputes	Pension and similar provisions	Other Provisions	Total
Balance at December 31, 2020	**-**	**668**	**1,100**	**1,100**
non-current portion	-	668	-	668
current portion	-	-	36	36
Balance at December 31, 2021	**-**	**693**	**36**	**729**
non-current portion	-	693	-	693
current portion	-	-	36	36
Change	**-**	**25**	**-**	**25**
non-current portion	-	25	-	25
current portion	-	-	-	-

The relative accruals to "Provisions for Risk and Charges" are classified, by nature, in the related profit or loss accounts.

Pension and similar provisions

The pension and similar provisions concern the agents' leaving indemnity. The "Actuarial gains" recorded in 2021 amounts to Euro 4 thousand. The actuarial changes in the period, net of the tax effect, were taken directly in equity.

Other provisions

This caption was established, taking account of the information available and the best estimate made by management, for Euro 36 thousand, mainly against liabilities for legal expenses relating to various verifications still ongoing with various Chambers of Commerce.

Details on the timing of cash flows relating to provisions at December 31, 2021 are illustrated in the following table:

Note 15.C - PROVISIONS FOR RISKS AND CHARGES: CASH FLOWS SCHEDULE

Nature *Euro thousands*	Amount	Actuarial Value Year 2021	Discount Rate Applied for Actuarial Value	Timing of cash flows 2022	2023	Beyond 2023
Pension and similar provisions						
Agents' Leaving Indemnity	693	693	0.98%	-	-	693
Other Provisions						
Other Provisions for Risks and Charges	36	36	-	36	-	-
Total	**729**	**729**		**36**	**-**	**693**

Note 16 - Deferred Tax Liabilities

"Deferred Tax Liabilities" amount to Euro 865 thousand at December 31, 2021 (Euro 961 thousand at December 31, 2020):

Note 16.A CHANGES IN DEFERRED TAX LIABILITIES

Euro thousands	
December 31, 2020	**(961)**
Increase recognised in Equity	(4)
Utilisation	100
December 31, 2021	**(865)**
Change	**96**

The nature of the deferred tax liabilities and the relative effects on the Statement of Financial Position, Profit or loss and Equity are illustrated in the table below.

NOTE 16.B - BREAKDOWN OF DEFERRED TAX LIABILITIES

	Statement of Financial Position		Profit and Loss		Equity	
Euro thousands	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Deferred tax liabilities relating to:						
Intangible Assets	(8)	(8)	-	-	-	-
Property, Plant and Equipment	904	1,004	(100)	(51)	-	-
Personnel - IAS 19	(68)	(72)	-	-	4	(35)
Dividends	-	-	-	(289)	-	-
Other	37	37	-	-	-	-
Total deferred tax liabilities	**865**	**961**	**(100)**	**(339)**	**4**	**(35)**

In 2021 deferred tax liabilities were taken directly to profit or loss for Euro 100 thousand (decrease) and to equity for Euro 4 thousand (increase). The deferred tax liabilities recorded directly in Equity relate to "Actuarial Gains/Losses" on the Post-Employment Benefits.

"Deferred Tax Liabilities" on "Property, Plant and Equipment" mainly relate to the application of IFRS 16 (Leases) to the production plant at Rufina Scopeti (Florence, Italy); the temporary differences refer to the difference between the lease payments deducted until the redemption date and the carrying amount of the assets.

Note 17 - Financial instruments

“Financial Instruments” amounted to Euro 2,067 thousand, including the fair value of trading costs, expressed in terms of the discounted future cash flows at December 31, 2021, applied on “inception” by the banks, related to the elimination of the zero floor on the hedged instrument. The accounting treatment adopted for the hedging instruments centres on hedge accounting and in particular that concerning “cash flow hedges” and involving the recognition of a financial asset or liability and an equity reserve with reference to pure cash flows which establishes the efficacy of the hedge (reference should be made to “Note 12 - Share Capital and Equity”), while the trading costs incurred against the contractual amendment to the hedged instrument (elimination of the floor to zero) were subject to amortised cost and bank financial liabilities, with subsequent reversal to profit or loss of the amount pertaining to each year until conclusion of the contract.

We break down below by bank the notionals subject to hedging under derivative instruments, the relative fair values, in addition to the relative contractual conditions:

Note 17 - FINANCIAL INSTRUMENTS

Euro thousands						Intesa Sanpaolo S.p.A.	Banco BPM	Mediobanca Banca di Credito Finanziario S.p.A.	Unicredit S.p.A.	
IRS	**Date agreed**	**Loan**	**% Hedge**	**Fixed Rate**	**Variable Rate**	**Notional**	**Notional**	**Notional**	**Notional**	**Total**
IRS 1	2018/29/06	TLA F.I.L.A. S.p.A.	100%	0.30%	(0.316%)	8,250,000	27,750,000	19,500,000	19,500,000	75,000,000
IRS 2	2018/29/06	TLB F.I.L.A. S.p.A.	100%	0.54%	(0.316%)	-	43,200,000	23,400,000	23,400,000	90,000,000
IRS 3	2018/29/06	TLC F.I.L.A. S.p.A.	20%	0.40%	(0.316%)	-	12,000,000	6,500,000	6,500,00	25,000,000
						8,250,000	**82,950,000**	**49,400,000**	**49,400,000**	**190,000,000**

Financial liabilities are initially recognised at fair value, including directly attributable transaction costs. The initial carrying amount is subsequently adjusted to account for payments of principal and interest calculated under the effective interest rate method represented by the rate that at the moment of initial recognition renders the present value of expected cash flows equal to the initial carrying amount (amortised cost method) and the interest paid.

Nota 18 - Current Tax Liabilities

"Current Tax Liabilities" amount at Euro 875 thousand at December 31, 2021 (Euro 323 thousand at December 31, 2020) and mainly include the IRAP tax liability of Euro 602 thousand and the tax liability for the German tax representation of the subsidiary Lyra KG.

Following the analysis and verification of the existence of companies controlled by F.I.L.A. S.p.A., for which the characteristics identifying "*Controlled Foreign Companies*" exist, no taxes to be set aside as at December 31, 2021 emerged.

Note 19 - Trade payables and other liabilities

The breakdown of "Trade payables and other liabilities" of F.I.L.A. S.p.A.is reported below:

Note 19.A - TRADE PAYABLES AND OTHER LIABILITIES

Euro thousands	December 31, 2021	December 31, 2020	Change
Trade Payables	14,918	12,807	2,111
Tax Liabilities	366	1,161	(795)
Other Liabilities	3,846	2,743	1,103
Accrued expenses and deferred income	16	2	14
Third parties	**19,145**	**16,713**	**2,432**
Trade Payables - Subsidiaries	2,436	2,035	401
Accrued expenses and deferred income	228	285	(57)
Subsidiaries	**2,664**	**2,320**	**344**
Total	**21,809**	**19,033**	**2,776**

"Trade payables and other liabilities" at December 31, 2021 amount to Euro 21,809 thousand (Euro 19,033 thousand at December 31, 2020).

"Trade Payables" to third parties totalled Euro 14,918 thousand at December 31, 2021 (Euro 12,807 thousand at December 31, 2020), increasing Euro 2,433 thousand against higher purchases made to support the volume of sales.

The breakdown of trade payables by geographical segment reported below:

Note 19.B - TRADE PAYABLES TO THIRD PARTIES BY GEOGRAPHICAL SEGMENT

Euro thousands	December 31, 2021	December 31, 2020	Change
Europe	12,802	12,646	156
North America	494	35	459
Central - South America	-	-	-
Asia	1,621	126	1,495
Other	-	-	-
Total	**14,918**	**12,807**	**2,111**

The carrying amount of trade payables at the reporting date approximates their "fair value".
The trade payables reported above are due within 12 months.
Trade payables to subsidiaries at December 31, 2021 amount to Euro 2,436 thousand (Euro 2,035 thousand at December 31, 2020).

The change is related to business levels of the year.

"Tax Liabilities" with third parties totalled Euro 366 thousand at December 31, 2021 (Euro 1,161 thousand at December 31, 2020). It should be noted that in 2020 a VAT liability of Euro 530 thousand was recorded in the financial statements, which is not present in 2021. Other tax liabilities refer to withholding taxes on self-employed work.

"Other liabilities" amount to Euro 3,846 thousand at December 31, 2021 (Euro 2,743 thousand at December 31, 2020) and primarily include:

- social security contributions to be paid of Euro 632 thousand (Euro 715 thousand at December 31, 2020);
- amounts due to employees and to members to the Board of Directors for remuneration amounting to Euro 3,214 thousand (Euro 1,357 thousand at December 31, 2020).

The carrying amount of "Other liabilities" and "Tax liabilities" at the reporting date approximate their fair value.

Note 34 - Other Non-Current Liabilities

The caption "Other Non-Current Liabilities" amounted to Euro 46 thousand as at December 31, 2021 (the caption was nil as at December 31, 2020) and relates to the deferral of the contribution on taxes deriving from investments falling within the Industry 4.0 category.

Note 20 – Revenue

Revenue in 2021 amounted to Euro 80,954 thousand (Euro 70,776 thousand in 2020).

Revenue was broken down as follows:

Note 20.A - REVENUE

Euro thousands	December 31, 2021	December 31, 2020	Change
Revenue	91,240	80,091	11,149
Adjustments to Sales	(10,286)	(9,315)	(971)
Returns on Sales	*(4,259)*	*(4,470)*	*211*
Discounts, Allowances and bonuses	*(6,027)*	*(4,845)*	*(1,182)*
Total	**80,954**	**70,776**	**10,178**

"Revenue" of Euro 80,954 thousand increased by Euro 10,178 thousand on the previous year (+14.38%). This growth is mainly attributable to the recovery of consumption in the school and office sector.

The caption "Adjustments to sales", amounting to Euro 10,286 thousand, primarily regards "Bonuses to customers" (Euro 6,027 thousand), "Variable promotional contributions" (Euro 3,205 thousand) and "Corrections and returns on sales" (Euro 914 thousand).

The increase in "Adjustments to sales" of Euro 971 thousand is primarily due to higher "Bonuses to customers" recognised on the basis of the volume of turnover achieved during the year.

The following table illustrates the breakdown of revenue by geographical location, based on the location of the customers to whom the revenues relate:

Note 20.B - REVENUE BY GEOGRAPHICAL SEGMENT

Euro thousands	December 31, 2021	December 31, 2020	Change
Europe	75,766	67,488	8,278
North America	1,019	465	554
Central - South America	2,189	2,059	130
Asia	-	679	(679)
Other	1,979	85	1,894
Total	**80,954**	**70,776**	**10,178**

The following table illustrates the breakdown of revenue by strategic business segment:

Euro thousands	December 31, 2021	December 31, 2020	Change
Fine Art, Hobby & Digital	684	443	241
Industrial	16	19	(3)
School & Office	80,254	70,314	9,940
Total	**80,954**	**70,776**	**10,178**

Note 21 –Income

Income relates to ordinary operations and does not include the sale of goods and provision of services, in addition to realised and unrealised exchange gains on commercial transactions.

“Income” in 2021 amounted to Euro 7,463 thousand (Euro 9,226 thousand in 2020).

Note 21 – INCOME

Euro thousands	December 31, 2021	December 31, 2020	Change
Gains on Sale of Property, Plant and Equipment	37	1	36
Unrealised Exchange Gains on Commercial Transactions	62	23	39
Realised Exchange Gains on Commercial Transactions	149	278	(129)
Other Revenue and Income	7,215	8,924	(1,709)
Total	**7,463**	**9,226**	**(1,763)**

“Other Revenues and Income” (Euro 7,215 thousand) mainly comprises the recharges by F.I.L.A. S.p.A., parent of the F.I.L.A. Group, to the subsidiaries, regarding principally the services provided for consulting, insurance coverage and costs incurred for the roll-out of the ERP.

The recharges are broken down by nature and counterparty below:

- Recharges for services and consultancy provided by F.I.L.A. S.p.A., mainly in favour of Canson SAS (France – Euro 336 thousand), Canson Italy S.r.l. (Italy – Euro 270 thousand), Dixon Ticonderoga Company (U.S.A. – Euro 249 thousand), Canson Art & Craft Yixing Co. Ltd (China – Euro 13 thousand), Daler Rowney Ltd. (United Kingdom – 160 thousand), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico – Euro 35 thousand), Industria Maimeri S.p.A. (Italy – Euro 125 thousand), Fila Dixon Stationery (Kunshan) Co, Ltd. (China – Euro 30 thousand), Lyra KG (Germany – Euro 123 thousand), F.I.L.A. Iberia S.L. (Spain – Euro 120 thousand), Fila Benelux (Belgium – Euro 45 thousand), Fila Stationery O.O.O. (Russia – Euro 2 thousand), Fila Nordic AB (Scandinavia – Euro 4 thousand), PT Lyra Akrelux (Indonesia – Euro 1 thousand), Fila Hellas (Greece – Euro 2 thousand), Fila SA (South Africa – Euro 2 thousand), St. Cuthberts Mill (United Kingdom – Euro 4 thousand), Canson Brasil I.P.E. LTDA (Brazil –

Euro 6 thousand), Fila Arches (France – Euro 109 thousand), Canson Australia (Australia – Euro 1 thousand), Fila Chile LTDA (Chile – Euro 4 thousand), Fila Art & Craft Ltd (Israel – Euro 3 thousand), Dixon Ticonderoga Art ULC (Canada – Euro 6 thousand), Fila Specialty Papers (U.S.A. – Euro 2 thousand) and FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey – Euro 1 thousand);

- Recharges for costs incurred by F.I.L.A. S.p.A. against Group insurance coverage principally related to the companies Canson SAS (France - Euro 255 thousand), Daler Rowney Ltd. (United Kingdom - Euro 54 thousand), Lyra KG (Germany - Euro 44 thousand), F.I.L.A. Iberia S.L. (Spain - Euro 19 thousand) , Dixon Ticonderoga Company (U.S.A. - Euro 16 thousand), St. Cuthberts (United Kingdom - Euro 16 thousand) and Fila Arches (France - Euro 42 thousand);
- Recharges of costs incurred by F.I.L.A. S.p.A. related to the ERP roll out at the F.I.L.A. Group, principally related to Dixon Ticonderoga Company (U.S.A. – Euro 2,896 thousand), Canson Art & Craft Yixing Co. Ltd (China – Euro 87 thousand), Lyra KG (Germany - Euro 205 thousand), Fila Arches SAS (France – Euro 247 thousand), Industria Maimeri S.p.A. (Italy – Euro 161 thousand), F.I.L.A. Iberia S.L. (Spain – Euro 110 thousand), Canson SAS (France – Euro 796 thousand), Daler Rowney Ltd. (United Kingdom – Euro 179 thousand) and Fila Benelux (Belgium – Euro 52 thousand).

Note 22 - Raw Materials, Consumables, supplies and Goods

This caption includes all purchases of raw materials, semi-finished products, transport for purchases, goods and consumables for operating activities.

“Raw Materials, Consumables, Supplies and Goods” in 2021 totalled Euro 41,635 thousand (Euro 34,534 thousand in 2020).

The relative detail is shown below:

Note 22 - RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

Euro thousands	December 31, 2021	December 31, 2020	Change
Raw materials, Consumables, Supplies and Goods	(36,352)	(30,773)	(5,579)
Transport costs	(2,105)	(1,282)	(823)
Packaging	(254)	(180)	(74)
Other purchase costs	(2,924)	(2,301)	(623)
Total	**(41,635)**	**(34,534)**	**(7,101)**

“Raw Materials, Consumables, supplies and Goods” includes purchases for production and the provision of adequate inventory for future sales. The increase on 2020 is mainly due to the higher revenue in the year.

“Other Purchase Costs” include all accessory charges, such as outsourcing and consortium fees.

“Raw Materials, Semi-Finished Products, Work in Progress and Goods” 2021 increased Euro 1,634 thousand (decrease of Euro 1,089 thousand at December 31, 2020), due to:

- increase in “Raw Materials, Consumables, Supplies and Goods” for Euro 746 thousand;
- increase in “Contract Work in Progress and Semi-Finished products” of Euro 311 thousand;
- increase in “Finished Goods” of Euro 577 thousand.

Note 23 - Services and Use of Third-Party Assets

“Services and Use of Third-Party Assets” amounted to Euro 20,171 thousand in 2021 (Euro 20,817 thousand in 2020).

Services are broken down as follows:

Note 23 - SERVICE AND USE OF THIRD PARTY ASSETS

Euro thousands	December 31, 2021	December 31, 2020	Change
Sundry services	(540)	(537)	(3)
Transport	(3,592)	(3,172)	(420)
Maintenance	(2,906)	(2,463)	(443)
Utilities	(1,417)	(1,058)	(359)
Consulting fees	(2,616)	(5,057)	2,441
Directors' and Statutory Auditors' Fees	(3,588)	(2,972)	(616)
Advertising, Promotions, Shows and Fairs	(1,083)	(1,509)	426
Cleaning	(87)	(107)	20
Bank Charges	(651)	(468)	(183)
Agents	(1,924)	(1,658)	(266)
Sales Representatives	(112)	(108)	(4)
Sales Commissions	(381)	(391)	10
Insurance	(689)	(697)	8
Other Services	(149)	(179)	30
Rent	(238)	(241)	3
Royalties and Patents	(198)	(200)	2
Total	**(20,171)**	**(20,817)**	**646**

The decrease in “Services and Use of Third Party assets” principally concerns “Consultancy” (Euro 2,441 thousand) and “Advertising, Promotions, Shows and Fairs” (Euro 426 thousand).

The reduction in consultancy costs is mainly due to the consultancy costs incurred by F.I.L.A. S.p.A.

in 2020 for the acquisition of the Arches business unit of the Swedish Group Ahlstrom-Munksjo. At the same time, the contraction of costs for advertising, promotions, shows and fairs relates to the containment of expenses and the impossibility of carrying out promotional activities due to the social restrictions in place as a result of the COVID-19 pandemic.

The caption "Maintenance" includes the costs relating to the contracts signed for the "software" associated with the Group's ERP project. It should be underlined that F.I.L.A. S.p.A. charges Group companies for all services incurred on their behalf on the basis of specific contracts signed.

“Directors and Statutory Auditors’ Fees” include the portion of the Shares Based Premium regarding the directors recorded under the new Shares based Premium 2019-2021 for an amount of Euro 352 thousand.

“Agents” increased due to the recovery of sales and the consequent increase in the related fees, for Euro 266 thousand.

“Utilities” increased on 2020 by approx. Euro 359 thousand, due to energy inflation.

“Transport” increased on 2020 by approx. Euro 420 thousand, due to the recovery in sales and the increase in tariffs due to the crisis and high fuel prices.

“Bank charges” increased on 2020 by approx. Euro 183 thousand, due to the application of the “ELF” commission (commission on bank deposits) and the increase in commissions on sureties issued by F.I.L.A. S.p.A. in favour of Group companies. F.I.L.A. S.p.A. recharges the Group companies for all the services incurred on their behalf on the basis of specific contracts.

“Sales representatives” and “Sales commissions” are in line with 2020, due to the continued COVID-19 pandemic.

Note 24 – Other Costs

“Other Costs” in 2021 totalled Euro 707 thousand (Euro 554 thousand in 2020).
The account principally includes realised and unrealised exchange losses on commercial transactions and “Other Operating Costs”, in particular the municipal tax property (IMU - Euro 76 thousand).

"Other costs" are broken down as follows:

Note 24 – OTHER COSTS			
Euro thousands	**December 31, 2021**	**December 31, 2020**	**Change**
Unrealised Exchange Losses on Commercial Transactions	(17)	(52)	35
Realised Exchange Losses on Commercial Transactions	(257)	(205)	(52)
Other Operating Costs	(433)	(297)	(136)
Total	**(707)**	**(554)**	**(153)**

Note 25 – Personnel Expense

"Personnel Expense" includes all costs and expenses incurred for employees.

"Personnel expense" amounted to Euro 12,627 thousand in 2021 (Euro 11,287 thousand in 2020).

These costs are broken down as follows:

Note 25 - PERSONNEL EXPENSE			
Euro thousands	**December 31, 2021**	**December 31, 2020**	**Change**
Wages and Salaries	(8,867)	(8,102)	(765)
Social Security Charges	(2,858)	(2,640)	(218)
Post-Employment Benefits	(613)	(598)	(15)
Other	(289)	53	(342)
Total	**(12,627)**	**(11,287)**	**(1,340)**

"Personnel expense" compared to 2020 increased Euro 1,340 thousand, due mainly to the resumption of work activities. In 2020, from March 23, 2020 and for 9 weeks, the Company used a form of the "Zero hours with rotation" Extraordinary Temporary Lay-off Scheme that involved 203 workers, 64 of whom at the production site in Pero and 139 of whom at the production site in Rufina.

"Other" also include the costs related to the "2019-2021 Performance Shares Plan" concerning ordinary F.I.L.A. S.p.A. shares reserved for F.I.L.A. S.p.A. Group executives and managers.

At December 31, 2021, the workforce of F.I.L.A. S.p.A. was as follows:

	Managers	White-collars	Blue-collars	Total Amount
Total at December 31, 2020	**13**	**87**	**101**	**201**
Increases	2	5	24	31
Decreases	(2)	(9)	(19)	(30)
Other changes	-	1	(1)	-
Total at December 31, 2021	**13**	**84**	**105**	**202**
2021 Average Headcount	**13**	**86**	**103**	**202**

Note 26 – Amortisation and Depreciation

This caption amounted to Euro 4,715 thousand in 2021 (Euro 5,326 thousand in 2020).

Amortisation and depreciation in 2021 and 2020 are reported below:

Note 26 – AMORTISATION AND DEPRECIATION

Euro thousands	December 31, 2021	December 31, 2020	Change
Depreciation Property, plant and equipment	(1,527)	(1,515)	(11)
Amortisation Intangible assets	(2,591)	(3,277)	686
Depreciation Right-of-use assets	(598)	(534)	(64)
Total	**(4,715)**	**(5,326)**	**611**

For further details, reference should be made to “Note 1 – Intangible Assets” and “Note 2 – Property, Plant and Equipment”.

No impairment losses were recognised in the year.

Note 27 –Impairment Losses on Trade Receivables and Other assets

The total of “Impairment Losses on Trade Receivables and Other Assets” amounted to Euro 458 thousand in 2021, compared to Euro 193 thousand in 2020. During 2021, after a careful analysis and evaluation of individual past due trade positions, the company wrote off past due and uncollectible trade receivables.

Nota 27 - IMPAIRMENT GAINS (LOSSES) ON TRADE RECEIVABLES AND OTHER ASSETS

Euro thousands	December 31, 2021	December 31, 2020	Change
Impairment gains (losses) on Trade Receivables and Other Assets	(458)	(193)	(265)
Total	**(458)**	**(193)**	**(265)**

Note 29 – Financial Income

Total "Financial Income" amounted to Euro 16,112 thousand in 2021 (Euro 8,477 thousand in 2020).

Financial income, together with the comment on the main changes on the previous year, was as follows:

Note 29 – FINANCIAL INCOME

Euro thousands	December 31, 2021	December 31, 2020	Change
Income from investments	12,909	5,732	7,177
Dividends	*12,909*	*5,732*	*7,177*
Interest and Income from Group Companies	2,015	2,085	(70)
Interest income on Bank Deposits	0	1	(1)
Other Financial Income	828	621	207
Unrealised Exchange Gains on Financial Transactions	24	0	24
Realised Exchange Gains on Financial Transactions	335	38	297
Total	**16,112**	**8,477**	**7,635**

"Income from Investments" includes dividends received in the year from subsidiaries. In particular from Dixon Ticonderoga Co. (U.S.A. – Euro 6,369 thousand), from Lyra KG (Germany – Euro 1,692 thousand), from F.I.L.A. Iberia S.L. (Spain – Euro 3,871 thousand), from Fila Polska Sp Z.o.o (Poland – Euro 148 thousand), from St. Cuthberts Holding (United Kingdom – Euro 350 thousand), from Fila Hellas (Greece – Euro 400 thousand) and from FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey – Euro 79 thousand).

"Interest and income from Group companies" include the interest of a financial nature recharged principally to the subsidiary Canson SAS (France – Euro 684 thousand), to the subsidiary Daler Rowney Ltd. (United Kingdom – Euro 174 thousand), to the subsidiary Dixon Ticonderoga Co. (U.S.A. – Euro 48 thousand), to the subsidiary Canson Brasil I.P.E. Ltda (Brazil – Euro 43 thousand), to the subsidiary Dixon, S.A. de C.V. (Mexico – Euro 111 thousand), to the subsidiary Fila Arches (France – Euro 790 thousand), to the subsidiary Canson Australia (Australia – Euro 62 thousand) and to the subsidiary FILA Stationery O.O.O. (Russia – Euro 43 thousand), calculated on the loans granted by F.I.L.A. S.p.A..

"Other financial income" includes the recharges of fees on the non-utilised portion of the RCF line of the new loan disbursed in June 2018, attributable to the subsidiary Dixon Ticonderoga Co. (U.S.A.) for Euro 81 thousand and the recharge of Euro 169 thousand of the fees on the sureties recharged to Fila S.p.A. for the issue of a surety. This also include recharges of costs to subsidiaries for sureties granted in favour of FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey – Euro 4 thousand), Canson Brasil I.P.E. LTDA (Brazil - Euro 6 thousand), DOMS Industries Pvt Ltd (India – Euro 58 thousand) by F.I.L.A. S.p.A., in guarantee of credit lines contracted with Banca Nazionale del Lavoro

S.p.A. and in favour of FILA Stationary O.O.O. (Russia - Euro 12 thousand) in guarantee of the credit lines contracted with Banca Intesa Sanpaolo. Loans in foreign currency subject to currency hedges were recharged to Grupo F.I.L.A. - Dixon, S.A. de C.V. (Mexico - 494 thousand) and company FILA Stationary O.O.O. (Russia - Euro 3 thousand).

For further information, reference should be made to “Note 3 - Financial Assets”.

Note 29.A - Foreign Currency Transactions

Exchange differences on financial and commercial transactions in foreign currencies in 2021 are reported below:

Note 29.A - FOREIGN CURRENCY TRANSACTIONS

Euro thousands	December 31, 2021	December 31, 2020	Change
Unrealised Exchange Gains on Commercial Transactions	62	23	39
Realised Exchange Gains on Commercial Transactions	149	278	(129)
Unrealised Exchange Losses on Commercial Transactions	(17)	(52)	35
Realised Exchange Losses on Commercial Transactions	(257)	(205)	(52)
Net exchange gains (losses) on commercial transactions	**(63)**	**44**	**(107)**
Unrealised Exchange Gains on Financial Transactions	24	0	24
Realised Exchange Gains on Financial Transactions	335	38	297
Unrealised Exchange Losses on Financial Transactions	0	(53)	53
Realised Exchange Losses on Financial Transactions	(155)	(71)	(84)
Net exchange gains (losses) on financial transactions	**205**	**(86)**	**291**
Net exchange gains (losses)	**142**	**(42)**	**184**

Exchange differences in 2021 arose from transactions in US dollars against the euro, in addition to the change in the year of assets and liabilities in foreign currencies, following commercial and financial transactions.

Note 30 – Financial Expense

“Financial Expense” in 2021 amounted to Euro 6,822 thousand (Euro 6,819 thousand in 2020).
“Financial Expense”, together with the comment on the main changes on the previous year, was as follows:

Note 30 - FINANCIAL EXPENSE			
Euro thousands	December 31, 2021	December 31, 2020	Change
Interest on current account Overdrafts	(7)	(7)	-
Interest on Bank Loans and borrowings	(5,252)	(5,391)	139
Other Financial Expense	(1,329)	(1,210)	(119)
Unrealised Exchange Rate Losses on Financial Transactions	-	(53)	53
Realised Exchange Rate Losses on Financial Transactions	(155)	(71)	(84)
Lease interest expense - *Right of Use*	(78)	(86)	8
Total	**(6,822)**	**(6,819)**	**(3)**

"Other financial expense" amounted to Euro 1,329 thousand in 2021 (Euro 1,210 thousand in 2020). The charges accruing in 2021 relating to the amortised cost of the new loan agreed by F.I.L.A. S.p.A. amount to Euro 541 thousand and the recharges of commissions on the unused RCF line to Euro 150 thousand. There is also the cost of currency hedging on infragroup loans to the subsidiary Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) in the amount of Euro 494 thousand.

"Interest on Bank Loans and Borrowings" includes interest accrued on loans agreed by F.I.L.A. S.p.A. (Euro 3,531 thousand) against the acquisitions of 2017, 2018 and 2020. In addition, this caption includes the interest differentials paid following the agreement of interest rate hedges on the notional of the overall loan (Euro 1,721 thousand). For further details, reference should be made to "Note 13 - Financial Liabilities".

Nota 31 –Impairment Losses on Financial Assets

"Impairment Losses on Financial Assets" in 2021 amounted to Euro 64 thousand (Euro 9 thousand in 2020):

Nota 31 - OTHER IMPAIRMENT GAINS (LOSSES)			
Euro thousands	December 31, 2021	December 31, 2020	Change
Impairment gains (losses) on Financial Assets	(64)	(9)	(55)
Total	**(64)**	**(9)**	**(55)**

"Impairment Losses on Financial Assets" includes just the loss allowance for financial assets with companies of the F.I.L.A. Group.

Note 32 – Impairment losses on equity-accounted investees

There are no impairment losses on investments in 2021.

Note 33 –Taxes

Collectively they amount to Euro 1,963 thousand in 2021 (Euro 617 thousand in 2020) and consist of current taxes of Euro 1,496 thousand (Euro 76 thousand in 2020) and net deferred tax charge of Euro 467 thousand (net deferred tax income of Euro 693 thousand in 2020).

Note 33.A – Current Taxes

The relative detail is shown below:

Note 33.A - CURRENT TAXES

Euro thousands	December 31, 2021	December 31, 2020	Change
Current Taxes	(1,496)	(76)	(1,420)
Total	**(1,496)**	**(76)**	**(1,420)**

Current taxes for 2021 refer to IRAP, calculated on the basis of current legal provisions, for Euro 602 thousand, foreign taxes relating to the German tax representation of Lyra KG (Germany) for Euro 241 thousand and credits for withholding tax on payments by Group companies that cannot be used due to the lack of availability of IRES taxable income, against the total offsetting of the tax credit for ACE for Euro 507 thousand.

Note 33.B - Deferred taxes

The relative detail is shown below:

Note 33.B DEFERRED TAXES

Euro thousands	December 31, 2021	December 31, 2020	Change
Deferred tax liabilities	100	343	(243)
Deferred tax assets	(591)	329	(920)
Deferred tax assets on Right-of-use assets	23	21	2
Total	**(467)**	**693**	**(1,160)**

The overall tax effects in the year, compared to the previous year, are reported below.

Note 33.C TOTAL TAXES FOR THE YEAR

Euro thousands	December 31, 2021		Total Income Taxes
	I.R.E.S.	I.R.A.P.	
Assessable Tax Base	18,965	23,678	-
Tax adjustments	(12,398)	(12,870)	-
Taxable profit	**6,567**	**10,808**	**-**
Total current income taxes	**-**	**(602)**	**(602)**
Lyra KG (Germany) German tax representation	(241)	-	(241)
Controlled Foreign Company	-	-	-
Other changes - Foreign Withholding Taxes	(507)	-	(507)
Other tax changes from previous years	(152)	-	(146)
Total current income taxes	**(894)**	**(602)**	**(1,496)**
Deferred Tax Income on Temporary Differences	(603)	-	(603)
Deferred Tax Expense on Temporary Differences	136	-	136
Total deferred taxes	**(467)**	**-**	**(467)**
Total taxes	**(427)**	**(602)**	**(1,963)**

The breakdown of current and deferred taxes recognised in profit or loss was as follows:

Note 33.D - CURRENT AND DEFERRED TAXES

Euro thousands	December 31, 2021	December 31, 2020
Current Taxes	(1,496)	(76)
Current Taxes	**(1,496)**	**(76)**
Deferred Taxes	(467)	693
Deferred Taxes	**(467)**	**693**
Total	**(1,963)**	**617**

In relation to deferred tax liabilities recorded through equity, reference should be made to “Note 16 - “Deferred Tax Liabilities”.

Subsequent events

Impacts of events related to the conflict in Ukraine

As widely publicised, on February 24, 2022 Russia launched a military operation in the east of Ukraine, resulting in the current conflict, which is significantly broadening in scope.

F.I.L.A. Group management consider that the economic and financial impacts from the conflict between Russia and Ukraine on its Russian commercial subsidiary FILA Stationary O.O.O will not be significant at Group level, as the turnover of the subsidiary accounts for approx. 0.2% at Group level and the Russian company has demonstrated financial independence in running its operations, confirming its estimates for 2022. The net trade exposure of the Russian subsidiary amounts to Euro 4,289 thousand at December 31, 2021.

At the same time, the parent F.I.L.A. S.p.A. at December 31, 2021 has not indicated impairment test difficulties with investees and the recoverability of the financial and commercial positions with FILA Stationary O.O.O.. The investment held by F.I.L.A. S.p.A. in FILA Stationary O.O.O. amount to Euro 945 thousand. The net trade exposure of the subsidiaries towards the Russian subsidiary amounts to Euro 382 thousand, while the net financial debt amounts to Euro 1,518 thousand.

There are no companies of the F.I.L.A. Group in Ukraine at December 31, 2021.

At Group level, the effects and the criticalities generated by the general inflation of raw and ancillary materials for production are being monitored, assessing the possibility of identifying alternative procurement sources where needed or undertaking adequate compensatory measures. Moreover, the vertical integration of the Group should enable these pressures to be mitigated.

On the basis of the information available, the potential effects deriving from the conflict in Ukraine, in line with the application of the International Financial Reporting Standards (IAS 10), have been considered a "Non Adjusting" event. With reference to the valuations made for the purposes of the financial statements (recoverability of intangible assets, recoverability of deferred tax assets, fair value of financial instruments, liabilities for employee defined benefits etc.), the Directors consider that, given the information currently available, these factors of uncertainty are already included in the main sensitivity analyses provided with reference to the main financial statement captions subject to estimates. With particular reference to the uncertainties related to the developing conflict, it may not be excluded however that, should the crisis extend at an international level, the general economic consequences and specific consequences for the Group could be more severe than that envisaged at present, requiring a new estimate to be made, with a negative impact on the financial statement captions subject to estimate and in terms of the scenarios considered for the sensitivity analysis at December 31, 2021.

Atypical and/or Unusual Transactions

In accordance with Consob Communication of July 28, 2006, during 2021, F.I.L.A. S.p.A. did not undertake any atypical and/or unusual transactions as defined by this communication, whereby atypical and/or unusual transactions refers to transactions which for size/importance, nature of the counterparties, nature of the transaction, method in determining the transfer price or time period (close to year-end) may give rise to doubts in relation to: the correctness/completeness of the information in the financial statements, conflicts of interest, the safeguarding of the Company's assets and the protection of non-controlling interests.

The Board of Directors
THE CHAIRPERSON
Mr. Giovanni Gorno Tempini
(signed on the original)

Final Considerations

These notes, as is the case for the financial statements, as a whole, of which they are an integral part, provide a true and fair view of the financial position of F.I.L.A. S.p.A. at December 31, 2021 and its financial performance for the year then ended.

These separate financial statements as at and for the year ended December 31, 2021 comprise the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the notes, and reflect the underlying accounting records.

Statement of the Manager in Charge of financial reporting and the Corporate Bodies

Fabbrica Italiana Lapis ed Affini

F.I.L.A. S.p.A.
Via XXV Aprile, 5
20016 Pero (Milan)

March 22, 2022

Statement of the Manager in Charge of Financial Reporting and the Corporate Bodies - Separate Financial Statements (ref. Article 154-bis, paragraph 5)

The undersigned Massimo Candela, as Chief Executive Officer, and Stefano De Rosa, as Manager in Charge of Financial Reporting of F.I.L.A. S.p.A., confirm, and also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:

- the adequacy in relation to the characteristics of the company and
- the effective application

of the administrative and accounting procedures for the preparation of the financial statements as at December 31, 2021.

The assessment of the adequacy of the administrative-accounting procedures for the preparation of the separate financial statements at December 31, 2021 is based on a process defined by F.I.L.A. S.p.A. in accordance with the Internal Control - Integrated Framework model defined by the Committee of the Sponsoring Organisations of the Treadway Commission, a benchmark framework generally accepted at international level.

It is also declared that:

1. The 2020 Separate Financial Statements of F.I.L.A. S.p.A.:
   - have been drawn up in conformity with the applicable IFRS endorsed by the European Union in conformity with Regulation (CE) No. 1606/2002 of the European Parliament and the Commission of 19 July 2002;
   - correspond to the underlying accounting documents and records;
   - provide a true and fair view of the financial position and results operations of the Issuer.
2. The Directors' Report includes a reliable analysis on the performance and operating result, as well as on the situation of the issuer, together with a description of the principal risks and uncertainties to which they are exposed.

The Chief Executive Officer	Manager in Charge of Financial Reporting
Massimo Candela	Stefano De Rosa
(signed in original)	(signed in original)

F.I.L.A. - Fabbrica Italiana Lapis ed Affini Società per Azioni.
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Il futuro ha i nostri colori. Da 100 anni.

Board of Statutory Auditors' Report on the separate financial statements at December 31, 2021 prepared as per Article 2429 of the Civil Code.

BOARD OF STATUTORY AUDITORS' REPORT
TO THE SHAREHOLDERS' MEETING
OF F.I.L.A. – FABBRICA ITALIANA LAPIS ED AFFINI S.p.A.
AS PER ARTICLE 153, LEGS. DECREE 58/1998

Dear Shareholders,

the Board of Statutory Auditors of F.I.L.A - Fabbrica Italiana Lapis ed Affini S.p.A (hereafter also "FILA S.p.A." or "the Company"), in accordance with Article 153 of Legislative Decree 58/1998 (hereafter the "CFA") is required to report to the Shareholders' Meeting, called for the approval of the financial statements at December 31, 2021, on the result for the year, on the supervisory activities carried out in execution of its duties, on any omissions and citable events, while in addition required to draw up observations and proposals regarding the financial statements, their approval and the matters within its scope.

The Board of Statutory Auditors has fulfilled its oversight duties, as per Article 149 of the CFA and, as the Internal Control and Audit Committee, has executed the duties established by Article 19 of Legislative Decree 39/2010, as amended by Legislative Decree 135/2016, taking account also of the conduct rules for the Boards of Statutory Auditors of listed companies issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili). Moreover, it carried out its supervisory activities in compliance with the provisions and notices issued by Consob concerning corporate controls and the activities of the Board of Statutory Auditors, as well as the guidelines contained in the new Corporate Governance Code of listed companies approved by the Corporate Governance Committee promoted by Borsa Italiana S.p.A. in January 2020 (hereafter the "Corporate Governance Code").

This Report was prepared in compliance with the indications provided by Consob with Communication DEM/1025564 of April 6, 2001 and subsequent amendments and rule Q.7.1. of the Conduct Rules of Boards of Statutory Auditors of listed companies issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).

The audit appointment, as per Legislative Decree 58/1998 and Legislative Decree 39/2010, was undertaken by KPMG S.p.A. (hereafter also "KPMG" or "the Independent Audit Firm"), as awarded by the Shareholders' Meeting of February 20, 2015 for a period of nine years (for the financial years 2015 to 2023 inclusive).

1. *Board of Directors - appointment, duration of office and functioning*

The Board of Directors in office at the date of this Report was appointed by the Shareholders' Meeting of FILA S.p.A. of April 27, 2021 for three financial years and therefore until the Shareholders' Meeting called to approve the 2023 Annual Accounts.

The Board of Directors, immediately after its appointment, on April 27, 2021 and thereafter on March 16, 2022, verified and confirmed fulfilment of the standing requirements set out in the applicable regulation by all of the directors, and of the independence requirements by the Chairperson, Giovanni Gorno Tempini, and the Directors Carlo Paris, Donatella Sciuto and Giorgina Gallo, with regards to Article 148, paragraph 3, of the CFA, as restated in Article 147-*ter*, paragraph 4, of the CFA and Article 2, Recommendation No. 7 of the Corporate Governance Code, also in view of the qualitative and quantitative criteria approved by the Board of Directors at the meeting of March 16, 2021, in accordance with the above Recommendation No. 7, letters c) and d). On these occasions, the Board of Statutory Auditors has verified the correct application of the procedures adopted by the Board of Directors to assess the independence of its members. The Board of Statutory Auditors noted the substantially positive outcomes of the assessments undertaken by the Board of Directors at the same meeting of March 16, 2022 concerning the size, composition and functioning of the Board of Directors and of the sub-committees, communication between the Board of Directors and senior management and governance, communicating a number of indications and improvement proposals emerging from this assessment, which could be implemented immediately.

2. *Board of Statutory Auditors - Appointment, duration of office and functioning.*

The Board of Statutory Auditors in office at the date of this report was appointed by the Shareholders' Meeting of FILA S.p.A. of April 27, 2021, which fully renewed the outgoing Board of Statutory Auditors until the Shareholders' Meeting called to approve the 2023 Annual Accounts.

The Board of Statutory Auditors, immediately after its appointment, on April 27, 2021 and thereafter at the meeting of February 14, 2022, undertook the self-assessment process, declaring the absence of any causes of ineligibility, lapse and incompatibility among its members, as per Article 148 of the CFA and rule Q.1.1. of the conduct rules of Boards of Statutory Auditors of listed companies issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili), in addition to their satisfaction of the independence requirements of the aforementioned parties, in accordance with Article 148, paragraph 3, of the CFA and Article 2, Recommendation No. 7 of the Corporate Governance Code, also in consideration of the qualitative and quantitative criteria approved by the Board of Directors of the company at the meeting of March 16, 2021, in accordance with the above Recommendation No. 7, letters c) and d).

As part of this process, the Board of Statutory Auditors, at the meeting of February 14, 2022, in addition considered itself, overall, adequate to execute the appointment assigned to it regarding its composition, in addition to the preparation, professionalism, experience, gender and age profiles of its members. Finally, the members of the Board of Statutory Auditors have declared compliance with the limit on the number of offices envisaged by Article 144-*terdecies* of the Issuers' Regulation and of the availability of the time and resources necessary to undertake the appointment.

The results of the self-assessment were communicated promptly to the Board of Directors for its consideration and so as to announce to the market, in the Corporate Governance Report, the fulfilment of the independence requirements of the members of the control board.

In executing its duties, the Board of Statutory Auditors in 2021 met 12 times, with the justified absence of one of its members on one occasion. Specifically, 3 in-person meetings and 9 audio and video meetings were held due to restrictions established to tackle the health emergency. In the current year and up to the date of this Report, it has met 6 more times. The Board of Statutory Auditors met informally, on various other occasions, and considered particular matters, examined relevant documents, set out work schedules, and prepared minutes and communications. In addition, the Board of Statutory has attended, always with its Chairperson - and in many cases with at least one other member - the meetings of the Control and Risks and Related Parties Committee and of the Remuneration Committee (meeting respectively on 10 occasions, of which 7 in its new composition, and on 15 occasions, of which 10 in its new composition, in 2021, and respectively on 4 and 6 occasions in 2022), as outlined in greater detail in the tables of the specific sections of the Corporate Governance and Ownership Structure Report 2021. In addition, the Board was invited to and attended the Independent Directors' meeting held on December 14, 2021 for a discussion of corporate governance.

3. *Compliance of the company with the Corporate Governance Code*

The Board of Directors meeting held on February 11, 2021 resolved that FILA S.p.A. will comply with the new Corporate Governance Code from January 1, 2021. During the year 2021, the adjustment process was completed, implementing the necessary measures and assessing whether or not to implement the optional recommendations for FILA S.p.A., which qualifies as a "not large" and "concentrated ownership" company.

The main motions taken in this regard by the relative sitting Board of Directors were as follows:

i. at the meeting of March 16, 2021, the qualitative and quantitative criteria were approved for the analysis of the relationships between the Directors (also applicable to the members of the Board of Statutory Auditors) and the Company when assessing the independence requirements pursuant to Recommendation No. 7, letters c) and d), of the Corporate Governance Code;
ii. at the meeting held on April 27, 2021, the members of the Remuneration Committee and the Risks Committee were appointed, assigning to the latter certain responsibilities regarding sustainability, in addition to all powers regarding related party transactions, in line with the Recommendations and the proportionality criterion contained in the Corporate Governance

Code, particularly with regards the number and presence of independent directors;

iii. at the same meeting mentioned above, it was decided, after appropriate assessment, not to proceed with the setting up of the Appointments Committee and the appointment of the lead independent director;

iv. at the meeting held on May 14, 2021, the "Board of Directors and Committees Regulation" (pursuant to Article 3, Recommendation No. 11 of the Corporate Governance Code) was approved and the Secretary of the Board of Directors was appointed (pursuant to Article 3, Recommendation No. 18 of the Corporate Governance Code);

v. at the meeting of November 12, 2021, on the proposal of the Chairperson, in agreement with the Chief Executive Officer, the "Shareholders and other stakeholders' communication policy" was approved, in compliance with the recommendations of the Corporate Governance Code (Article 1, Recommendation No. 3).

The Board of Statutory Auditors has monitored the correct application by the Company of the corporate governance rules outlined in the Corporate Governance Code and, to the extent of its scope, confirmed that the Company acted in compliance with the code.

4. Oversight and control activities

During the year in question and with reference to duties and activities that fall within the scope of its responsibility, the Board of Statutory Auditors declares to have:

- attended the Shareholders' Meeting of April 27, 2021, which among other matters, approved the financial statements at December 31, 2020 and appointed the Board of Directors and Board of Statutory Auditors;
- attended 7 meetings of the Board of Directors, obtaining appropriate information from the executive directors on the general operating performance and its expected development, in addition to the initiatives undertaken to handle the health emergency and its possible implications;
- acquired the elements of information needed to verify compliance with the law, By-Laws, principles of good administration and suitability of the company's organisational structure of the company, through the acquisition and review of relevant documents, meetings with the heads of the various company departments and periodical exchanges of information with the Independent Audit Firm;
- attended, as previously stated, with its Chairperson and also with at least one other member, all the meetings of the Control and Risks and Related Parties Committee, with which the Board of Statutory Auditors exchanged relevant information for the execution of their respective duties (Article 6, Recommendation No. 37, second paragraph), and all the meetings of the Remuneration Committee;

- met the Supervisory Board, also at the meetings of the Control and Risks and Related Parties Committee;
- monitored the functioning and effectiveness of internal control systems and the suitability of the administrative and accounting system, particularly in terms of the latter's reliability in representing accounting data;
- obtained from the directors at least on a quarterly basis in accordance with Article 150, paragraph 1, of the CFA, adequate information on the activities and significant economic, financial and equity transactions carried out by the Company and its subsidiaries;
- exchanged in a timely manner with the managers of the Independent Audit Firm the relevant data and information for the undertaking of the respective duties as per Article 150, paragraph 3, of the CFA, examining to the extent necessary both the methodological approach and the planning of its activities and the result of the work carried out and acquiring the auditor's report prepared in accordance with Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation (EC) No. 537/2014;
- exchanged information on administration and control systems and on the general operating performance with the Board of Statutory Auditors of the Italian subsidiaries in accordance with Article 151, paragraph 1 and 2 of the CFA and requested from the Executive Director, the Internal Audit function and the independent audit firm information concerning the most significant matters regarding the main overseas investees of the FILA Group (hereafter also the "Group");
- reviewed (as outlined in greater detail below) the content of the Additional report to the Board of Statutory Auditors on the functioning of the Internal Control and Audit Committee prepared by the Independent Audit Firm as per Article 11 of Regulation (EC) 537/2014, whose review did not indicate any aspects requiring reporting herein;
- monitored the functionality of the control system on Group companies and the suitability of the instructions imparted to them, also pursuant to Article 114, paragraph 2 of the CFA;
- noted the preparation of the Remuneration Report pursuant to Article 123-*ter* of the CFA, as amended by Legislative Decree No. 49 of May 10, 2019, and Article 84-*quater* and Annex 7-*bis* of the Issuers' Regulation, as amended by Consob motion No. 2163 of December 10, 2020 without any particular observations to report;
- ascertained the compliance of statutory provisions with legal and regulatory provisions;
- supervised compliance with the Related Party Transactions Policy adopted by the company (latterly amended with Board of Directors motion of May 14, 2021), with the principles indicated in the regulation approved by Consob with motion No. 17221 of March 12, 2010 and subsequent amendments (motions No. 17389 of June 23, 2010, No. 19925 of March 22, 2017, No. 19974 of April 27, 2017, No. 21396 of June 10, 2020 and No. 21624 of December 10,

2000), and its observance, pursuant to Article 4, paragraph 6 of this Regulation, attending, as stated, the periodic meetings of the Control and Risks and Related Parties Committee called to review these transactions;

- supervised the corporate information process, verifying the directors' compliance with procedural rules concerning the drafting, approval and publication of the statutory and consolidated financial statements;
- ascertained the methodological suitability and the reasonableness of the criteria and parameters utilised for the impairment test implemented by the competent company functions and approved by the Board of Directors in order to verify the possible existence of impairment losses on the assets recorded to the consolidated financial statements and the separate financial statements;
- verified that the Directors' Report for the financial year 2021 complies with applicable legislation and was consistent with the decisions taken by the Board of Directors and with the facts represented in the statutory and consolidated financial statements;
- noted the content of the Consolidated Half-Year Report, without the need to report any observations, and also ascertained that the latter was published in accordance with the procedures laid down;
- noted that the company continued to publish on a voluntary basis the Quarterly Reports according to the deadlines established by the pre-existing rules;
- in the role of Internal Control and Audit Committee, pursuant to Art. 19, paragraph 1 of Legislative Decree 39/2010, as amended by Legislative Decree 135/2016, performed the specific information, monitoring, control and audit functions envisaged therein and accomplished the duties and tasks indicated by the aforesaid legislation;
- supervised compliance with the provisions set forth in Legislative Decree No. 254/2016 by examining, inter alia, the Non-Financial Consolidated Statement, while also ascertaining compliance with the provisions governing its preparation pursuant to the above-mentioned decree;
- as part of the Board's activities, it took part in the Board Induction sessions organised for the benefit of Directors and Statutory Auditors concerning 1) Organisational Structure and Governance, 2) Remuneration Policy, 3) Internal Control and Risk Management System and 4) Activities and operating aspects of the main subsidiaries;
- held, on its own initiative, meetings with the Chief Executive Officer, and with a number of central function managers, for a close examination (organisational structure, key roles, and operating aspects concerning activities, products, commercial organisation and relations with other Group companies) of the main overseas subsidiaries;
- oversaw the activities concerning Regulation (EC) 2016/679 concerning personal data protection (GDPR).

Following the supervisory activities carried out within the scope of and in accordance with the methods described above, no facts emerged from which to deduce non-compliance with the law and the By-Laws, nor to justify reports to the Supervisory Authorities or a mention in this report.

In addition, the Board of Statutory Auditors, on the basis of the information and findings, reasonably consider that these operations comply with law and the By-Laws and were not manifestly imprudent or hazardous, in potential conflict of interest, or against the motions undertaken by the Shareholders' Meeting or such as to compromise the integrity of the company's assets.

With regards to the transactions undertaken in the recent past (Arches business unit on March 2, 2020, Pacon Group on June 7, 2018, Daler-Rowney-Lukas on February 3, 2016, Canson Group - France on October 5, 2016 and St. Cuthberts Holding Limited on September 14, 2016), the Board of Statutory Auditors, within its supervisory activities regarding the adequacy of the organisational, administrative and accounting structure of the company, consistently monitored the integration of the groups and the companies acquired, from an organisational and operating viewpoint and with regards to the collation of financial information and, on the basis of the findings and activities carried out, does not highlight any particular matters in this regard.

The Board of Statutory Auditors has constantly monitored with particular attention the functioning of the governance processes and bodies and, in this regard, highlights how the Company, also in FY 2021, has made significant progress in the direction of a strengthening of the governance and control structures in line with best practices among listed companies, in particular with the adoption of a new Group Organisational Model, approved by the Board of Directors on May 15, 2020, and now fully operative.

5. *Oversight on atypical or unusual transactions and related party transactions*

In 2021, the Board of Statutory Auditors did not report, nor received information, on any atypical or unusual transactions with Group companies, third parties or with other related parties.

The Board of Statutory Auditors had not received in 2021 and until the date of the present report any communication from the control boards of the subsidiaries, associates or investees, or from the independent audit firm containing issues which require disclosure in this report.

The Board of Statutory Auditors, in addition, noted that the statement of financial position and income statement balances of infragroup transactions and those with related parties undertaken by the company and its subsidiaries in 2021, are respectively indicated in the "Statement of financial position with indication of transactions with related parties in accordance with Consob Resolution No. 15519 of July 27, 2006", and in the "Statement of comprehensive income with indication of transactions with related parties in accordance with Consob Resolution No. 15519 of July 27, 2006", and in greater detail in the "Related party transactions" paragraph of the Consolidated Financial Statements of the FILA Group at December 31, 2021, to which reference should be made.

In particular, in this paragraph the transactions executed by the FILA Group with related parties in the course of ordinary operations and based on market conditions are outlined and were undertaken in the interests of the Group.

The Board of Statutory Auditors assesses the overall adequacy of the information, provided in the manner indicated above, concerning the above transactions and, also on the basis of the analyses and periodic checks carried out by the Control and Risks and Related Parties Committee, considers that they are adequate and in line with the company's interests. The Related Party Transactions, identified on the basis of international accounting standards and Consob's provisions, were governed by a specific "Related Party Transactions Policy" adopted by the Board of Directors of Space S.p.A. (now F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A.) on October 15, 2013 and amended, latterly, with Board of Directors' motion of May 14, 2021. The Board of Statutory Auditors reviewed the Policy, declaring its compliance with the regulation adopted by Consob with Resolution No. 17221 of March 12, 2010, as latterly amended with Resolution No. 21624 of December 10, 2020, in force since July 1, 2021.

6. *Relations with the Independent Audit Firm, in accordance with Legislative Decree 39/2010 and observations on its independence*

The Board of Statutory Auditors oversaw the efficacy of the legal audit, discussing and examining through specific meetings with the Independent Audit Firm aspects concerning:

- the planning of activities, the methodological approach and the supervision and co-ordination of works carried out by the auditors of the overseas subsidiaries;
- the particularly significant areas in terms of audit risks;
- the efficacy and reliability of the internal control system;
- the periodic checks on the proper keeping of accounting records;
- the results emerging from the work carried out.

The Independent Audit Firm communicated the fees accruing in 2021 for audit services and non-audit services (NAS) provided to FILA S.p.A. and to its subsidiaries by KPMG S.p.A. and its network. These fees are summarised in the "Information provided as per Article 149-*duodecies* of Consob Issuers' Regulation" of the Consolidated Financial Statements of the F.I.L.A. Group at December 31, 2021, in compliance with Article 149-*duodecies* of the Issuers' Regulation.

In particular, the fees for non-audit services, according to that confirmed by the Independent Audit Firm, for 2021 totalled Euro 147 thousand, at consolidated level, of which Euro 89 thousand concerning the services provided by KPMG S.p.A. and Euro 58 thousand the services provided by parties belonging to the KPMG network in favour of the overseas Group subsidiaries. In this regard, in all of those cases in which, in accordance with Article 5, paragraph 4 of Regulation (EC) 537/2014, the prior review of the Internal Control and Audit Committee was requested, the Board of Statutory Auditors, in that role, reviewed in accordance with Articles 4, 5 and 6 of the above Regulation and considering the relative research and interpretation documents the requests to receive and adopt its decisions after assessing: i) the subject, method of execution of the appointment and fees; ii) the documents and relevant professional technical principles and iii) the declarations of the independent audit firm concerning the absence of risks regarding its independence.

In carrying out its investigatory activities, the Board of Statutory Auditors took into consideration the overall rationale of the rules stated, and assumed a more prudent approach in order to accept and guarantee the complete independence of the auditor.

With reference to the so-called 70% fee-cap rule provided for by Article 4 of Regulation (EC) 537/14, applicable starting from the financial year ended December 31, 2020, the Board of Statutory Auditors found that the fee for NAS services paid to KPMG S.p.A. in 2021 compared to the average fee for the legal audit in the three-year period 2018-2020 is well below the established percentage limit. Incidentally, it should be noted that the company, on the request of the Board of Statutory Auditors, prepared and approved with Board of Directors' motion of May 15, 2019, both the new procedure for the "Conferment to the independent audit firm of non-audit services" and with regards to the "Selection of the Audit Firm" to which the audit appointment is assigned. With regards also to the independence of the audit firm, the Board of Statutory Auditors, as previously indicated, in its role also as Internal Control and Audit Committee:

a) fulfilled the duties required of Article 19, paragraph 1, letter E) of Legislative Decree 39/2010, as amended by Legislative Decree 135/2016, verifying and monitoring i) the independence of the Audit Firm, in accordance with Article 10, 10-*bis*, 10-*ter* and 10-*quater* and 17 of Legislative Decree 39/2010 and Article 6 of Regulation (EC) No. 537/2014; ii) the adequacy of the provision of non-audit services in accordance with Article 5 of the above Regulation;
b) examined the Additional Report for the Internal Control and Audit Committee established by Article 11 of Regulation (EC) 537/2014 and noted that contained in the Transparency Report published by the Independent Audit Firm on its website in compliance with the criteria outlined in the Regulation;
c) received as an annex to the above Additional Report, the "Annual confirmation of independence in accordance with Article 6, paragraph 2, letter a) of Regulation 537/2014 and in accordance with paragraph 17 of international audit principle (ISA Italy) 260" where the independent Audit Firm, among others, declares that, in the period between January 1, 2021 and the issue of the Confirmation, no situations which would compromise its independence with regards to FILA S.p.A. arose in accordance with Articles 10 and 17 of Legislative Decree 39/2010 and Articles 4 and 5 of Regulation (EC) 537/2014;
d) discussed with the Independent Audit Firm, the risks regarding its independence and the measures taken to mitigate them, pursuant to Art. 6, para. 2(b) of EU Regulation No. 537/2014.

On the basis of the information acquired and the activities carried out, no aspects or situations emerged indicating risks to the independence of the Independent Audit Firm, and in this regard the Board of

Statutory Auditors does not report any observations for the Shareholders' Meeting.

7. Supervisory activities on the financial disclosure process and internal control system

The Board of Statutory Auditors supervised the adequacy of the administrative and accounting system, in addition to its reliability to correctly represent the operating events, obtaining information from the administrative department managers and exchanging information with the Control and Risks and Related Parties Committee, the Internal Audit department and the Independent Audit Firm.

The Board of Statutory Auditors in addition supervised, also through periodic meetings with the Executive Officer responsible for financial reporting, the organisation and company procedures and the instruments adopted for the collation of the information and the data necessary for the drawing up of the statutory financial statements, the consolidated financial statements and the periodic financial reports, in addition to other financial communications, in order to: i) assess the adequacy and the effective adoption and ii) verify the adequacy and the suitability of the powers and the means assigned by the Board of Directors to the Executive Officer for the undertaking of his/her role.

In this regard, the Board of Statutory Auditors notes that in relation to the statements issued by the Executive Bodies (specifically the Chief Executive Officer) and the Executive officer for financial reporting in accordance with Article 154-*bis*, paragraph 5 of the CFA, on the statutory financial statements and on the consolidated financial statements of the Group at December 31, 2021, in addition to the Half-Year Financial Report at June 30, 2021 and on the quarterly reports, no citable matters or annotations emerged.

The Board of Statutory Auditors considers the administration and accounting system overall to be substantially adequate and reliable in view of the size and complexity of the company and of the Group. Considering that responsibility for the audit of the accounts is assigned to the Independent Audit Firm, the Board of Statutory Auditors supervised the general lay-out of the statutory financial statements and the consolidated financial statements and their compliance with the rules governing their formation and structure. The Board of Statutory Auditors also verified their consistency with the events and information noted during the execution of their duties. In this regard, the Board of Statutory Auditors does not highlight any particular observations.

The Board of Statutory Auditors supervised, within the extent of its remit, the adequacy of the internal control and risk management system: a) obtaining information from the managers of the various company departments, so as to verify the existence, adequacy and proper implementation of the procedures; b) attended the meetings of the Control and Risks and Related Parties Committee; c) met periodically with the Internal Audit manager and acquired information regarding the results of work carried out, actions recommended and subsequent initiatives undertaken to solve specific problems and/or for the improvement of the procedures; ii) exchanged information with the Independent Audit Firm.

In this regard, the Board of Statutory Auditors noted the information provided periodically by the Executive Director as the Director in charge of setting up and maintaining an effective internal control system and the periodic reports prepared by the Control and Risks and Related Parties Committee, in compliance with Article 6, Recommendation No. 35 of the Corporate Governance Code on the activities undertaken where, among other matters, a positive assessment was expressed on the adequacy and efficacy of the internal control and risk management system.

The Board of Statutory Auditors, on the basis of that reported above and considering the control activities put in place and the improvement actions taken and being implemented, considers that the internal control system should be considered in overall terms adequate to the size, complexity and operations undertaken by the Company and by the Group.

In this regard and considering the major acquisitions of overseas companies in the recent past, and the consequent expansion of the FILA Group internationally, the Board of Statutory Auditors in various circumstances expressed its opinion on the completion within a short timeframe of the integration process and to further strengthen the control functions and the governance system of the main subsidiaries.

In this regard, the Board of Statutory Auditors reports that during the year i) the activities to fine-tune and improve the Group's single ERP system continued at the subsidiaries that have already adopted it, ii) its implementation was completed at FILA S.p.A. on January 1, 2022, and iii) the new Organizational Model became operative, which, as mentioned above, provides for, among other matters, the strengthening of the role and responsibilities of the central functions, the better functioning of the strategic committees with the tasks of controlling, supervising and monitoring the activities and operating performance of the subsidiaries and an operating control manager (Group Controlling VP), appointed on December 1, 2020.

8. *Oversight of the non-financial disclosure process*

As previously indicated, the Board of Statutory Auditors oversaw compliance with Legislative Decree 254/2016 and the enactment regulation adopted by Consob with Motion No. 20267 of 18/01/2018, with regards to the Non-financial statement (hereafter "NFS") and regarding the existence of an adequate organisational, administrative, reporting and control system of the company to permit the correct and complete presentation of non-financial disclosure.

In this regard, the Board of Statutory Auditors met with the Executive Director, in addition to the various company structures and outsourcers which were part of the work group under its responsibility involved in the preparation of the NFS, acquiring information regarding the materiality analysis carried out by the company to establish the relevant non-financial reporting scopes for the FILA Group, the involvement of the subsidiaries and the operating procedures and instruments adopted for the collation of data/information and their subsequent analysis, control and consolidation.

The Board of Statutory Auditors in addition discussed with the independent audit firm the content of the Non-Financial Statement, taking account also of the priorities indicated by ESMA - European Securities and Market Authority, of the procedures undertaken and the operating means for the planning and execution of works.

On the basis of the information and the evidence acquired and according to the terms reported above, the Board of Statutory Auditors considers the procedures, processes, and structures for the production, reporting, measuring and presentation of this information to be adequate and does not highlight any particular matters for the Shareholders' Meeting.

9. Additional information requested by Consob Communication No. DEM/1025564 of April 6, 2001 and subsequent supplements

In accordance with that required by Consob, the Board of Statutory Auditors also reports:

a) the Board of Statutory Auditors did not receive any petitions as per Article 2408 of the Civil Code, nor notices from third parties;

b) the Company and the Board of Statutory Auditors, during 2021, did not receive any disclosure requests from Consob, neither as per Article 115 of the CFA, nor as per Article 114 of the CFA;

c) The Board of Statutory Auditors issued its opinion as per Article 2389, paragraph 3 of the Civil Code, on the application of the Remuneration Policy 2021 and on the Remuneration Policy 2022, with regards to the senior directors (motion of the Board of Directors of March 22, 2022);

d) the Board of Statutory Auditors issued a favourable opinion as per Article *154-bis*, paragraph 1 of the Consolidated Finance Act with regard to the appointment of the Manager in charge of financial reporting, as approved by the Board of Directors on April 27, 2021;

e) the Board of Statutory Auditors expressed its opinion on the motions within the scope of the Board of Directors, concerning i) the 2022 activity plan prepared by the Internal Audit function (as per Article 6, Recommendation No. 33, letter c) of the Corporate Governance Code) and ii) the correct use of the accounting standards and their uniformity for the purposes of the Report on the separate and consolidated annual and half-year accounts (as per Article 6, Recommendation No. 35, letter a) of the Corporate Governance Code).

10. Significant events indicated in the Directors' Report, in the separate financial statements and in the consolidated financial statements

Among the significant events outlined in the Directors' Report, in the separate financial statements and in the consolidated financial statements at December 31, 2021, during the year ending at that date, the Board of Statutory Auditors indicates only the impacts from the COVID-19 emergency. In this regard, the Directors have outlined the measures adopted and the initiatives taken at all levels of the organisation to deal with the situation, to mitigate its effects and to guarantee the health and safety of workers as much as possible. In addition, they report on the development of the situation in the various countries, the economic and financial effects caused by the pandemic at Group level and on the main subsidiaries, highlighting, in particular, that: i) the attention paid to cash flow management and the improvement in operating results have made it possible to achieve an excellent level of cash generation; and ii) at the date of preparation of the financial statements, all the Group's plants are fully operational.

11. Subsequent events

The Board of Statutory Auditors has acknowledged and points out that in the “Subsequent events" paragraph of the Directors’ Report, the Directors provide adequate disclosure on the potential effects of the conflict between Russia and Ukraine, specifying that this is an event occurring after the reporting date and therefore does not require any adjustment ("non-adjustment") to the financial statements for the year ended December 31, 2021. In particular, the Directors state that they consider the economic and financial impact of the conflict, which is currently limited to the Russian subsidiary that carries out only commercial activities, is not significant, although it may not be excluded that where the crisis worsens or spreads internationally, the consequences for the Company and the Group could be more severe than apparent at present.

12. Independent Auditors’ Report and Board of Statutory Auditors’ Report

The Independent Audit Firm issued on March 30, 2022 the Reports as per Article 14 of Legislative Decree No. 39/2010 and Article 10 of Regulation (EC) 537/2014, on the separate financial statements and on the consolidated financial statements at December 31, 2021 where, in particular, it certified that:

- the separate financial statements and the consolidated financial statements provide a true and fair view of the statement of financial position of the Company and of the Group at December 31, 2021 and of the economic result and cash flow for the year ended at that date in compliance with International Financial Reporting Standards adopted by the European Union and the provisions issued in implementation of Article 9 of Legislative Decree 38/05;
- the opinion on the statutory financial statements and the consolidated financial statements is in line with that indicated in the Additional Report drawn up pursuant to Article 11 of Regulation (EC) 537/2014 and in accordance with Article 19 of Legislative Decree 39/2010;
- the Directors’ Report and certain specific information contained in the Corporate Governance and Ownership Structure Report indicated in Article 123-*bis*, paragraph 4 of Legislative Decree 58/1998, are consistent with the company’s statutory financial statements and Group consolidated financial statements and are drawn up in accordance with law;
- the separate financial statements and the consolidated financial statements have been prepared in XHTML format (and limited to the consolidated financial statements, have been marked in all significant aspects) in accordance with the provisions of Delegated Regulation (EU) 2019/815.

It is recalled for informational purposes alone that in the Reports on the financial statements, the Independent Audit Firm considered it beneficial to identify as key aspects of the audit, for the statutory financial statements of FILA S.p.A., the process to measure the recoverable value of the investments while, with regards to the consolidated financial statements of the Group, a) the process to measure the recoverable value of goodwill and b) the recognition and valuation of inventory. In the Auditors' Report on the consolidated financial statements, the Independent Audit Firm also stated that it had verified the approval of FILA S.p.A.'s directors of the Consolidated Non-Financial Statement for the year 2021.

In the above Reports of the Independent Audit Firm, no issues or requests for disclosure were raised, nor were declarations issued in accordance with Article 14, paragraph 2, letters d) and e) of Legislative Decree 39/2010.

The Board of Statutory Auditors, during various meetings with the competent corporate functions and with the Independent Audit, examined in-depth the various aspects related to the obligation, established by Delegated Regulation (EU) 2019/815 ("ESEF Regulation"), to prepare the Annual Financial Report in xHTML format (instead of PDF) and the financial statements marked with iXBRL language according to the ESEF taxonomy. It therefore monitored the process put in place by the Company to comply with this obligation and acknowledged the opinion expressed by the Independent Audit Firm on compliance with the provisions of the above-mentioned Regulations on the basis of International Auditing Standard (ISA Italia) 700B.

In addition, also on March 30, 2022, the Independent Audit Firm:

- sent to the Board of Statutory Auditors, as the Internal Control and Audit Committee, the additional report as per Article 11 of Regulation (EC) No. 537/2014, which does not contradict that outlined in the Reports on the financial statements indicated above and reports on other significant aspects, and that the Board of Statutory Auditors will send, without observations, to the Board of Directors;
- issued, in accordance with Article 3, paragraph 10 of Legislative Decree 254/2016 and Article 5 of Consob Regulation 20267/2018, the Consolidated Non-Financial Statement, regarding which the Independent Audit Firm declares that, on the basis of the work carried out, no matters came to its attention to suggest that the FILA Group's Consolidated Non-Financial Statement for the year ended December 31, 2021 was not drawn up, in all significant aspects, in compliance with the requirements of Articles 3 and 4 of the Decree and selected GRI Standards.

The regular meetings held by the Board of Statutory Auditors with the Independent Audit Firm, pursuant to Article 150, paragraph 3 of Legislative Decree 58/1998, did not reveal aspects that should be highlighted in this Report.

Moreover, the Board did not receive any disclosures from the Independent Audit Firm on reprehensible facts detected during the audit activity on the separate and consolidated financial statements.

13. Note on the next Shareholders' Meeting

The Board of Statutory Auditors points out that the extraordinary legal provisions and regulations to enable the remote holding of Shareholders' Meetings, and the exercise of votes at such meetings, remain in force, which FILA S.p.A. has decided to utilise. In this regard, the Board of Statutory Auditors will work in close coordination with the Board of Directors so that the next Shareholders' Meeting, called for April 27, 2022, can be held properly held, and the rights of Shareholders duly exercised, in compliance with the above provisions.

14. Final considerations

Considering all that stated above, the Board of Statutory Auditors does not raise specific critical matters, omissions, reportable events or irregularities, nor observations or proposals to be submitted to the Shareholders’ Meeting in accordance with Article 153 of Legislative Decree 58/1998, to the extent of its remit, and therefore does not indicate any reasons to prevent approval of the separate financial statements at December 31, 2021 and the proposals for the allocation of the profit drawn up by the Board of Directors for the Shareholders’ Meeting.

Rome, March 30, 2022

Gianfranco Consorti, Chairperson of the Board of Statutory Auditors
(signed on the original)

Elena Spagnol, Statutory Auditor
(signed on the original)

Pietro Michele Villa, Statutory Auditor
(signed on the original)

Independent Auditors’ Report pursuant to Article 14 of Legislative Decree No. 39 of January 27, 2010

KPMG S.p.A.
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(The accompanying translated separate financial statements of F.I.L.A. S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditors’ report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors’ report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
F.I.L.A. S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of F.I.L.A. S.p.A. (the “company”), which comprise the statement of financial position as at 31 December 2021, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of F.I.L.A S.p.A. as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the “*Auditors’ responsibilities for the audit of the separate financial statements*” section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of equity investments

Notes to the separate financial statements: section "Basis of preparation " and note 4 "Equity investments"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2021 include equity investments of €372.4 million, mainly relating to the US subsidiary Dixon Ticonderoga Company (€107.6 million), the UK subsidiary Renoir Topco Limited (€97.3 million), the Indian subsidiary DOMS Industries Pvt. Ltd. (€57.3 million), the French subsidiary Canson S.A.S. (€37.8 million) and the French subsidiary FILA Arches SAS (€22.6 million). When they identify indicators of impairment and, in any case, at least annually, the directors test these equity investments for impairment, checking their recoverability by comparing their carrying amounts with their value in use calculated using the discounted cash flow model. The directors have forecast the expected cash flows used to estimate the recoverable amount on the basis of the projections derived from the 2022 budget and the business plan approved by the board of directors on 11 February and 16 March 2022, respectively. Calculating the recoverable amount of these equity investments requires significant estimates. Specifically, in addition to the uncertainty inherent in any forecast, this process has the following characteristics: — valuation assumptions affected by the reference market trends (including the US, UK, Indian and French markets), due to the specific economic and political conditions that are difficult to predict and unstable; — assumptions about the synergies expected, as set out by the directors in the business plan; — estimate of the long-term growth rate and the discount rate applied to the	Our audit procedures, which also involved our own specialists, included: — understanding the process adopted to prepare the impairment test approved by the company's board of directors; — understanding the process adopted to prepare the forecasts from which the expected cash flows used for impairment testing have been derived; — analysing the reasonableness of the assumptions used to prepare the forecasts; — checking any discrepancies between the previous year forecast and actual figures, in order to check the accuracy of the estimation process; — checking the consistency of the expected cash flows used for impairment testing with those used for the forecasts and analysing the reasonableness of any discrepancies; — analysing the expected cash flows and main assumptions used to calculate value in use, especially the key assumptions, which include: the revenue increase in the United States, the United Kingdom, India and France, expected synergies and the calculation of the discount and long-term growth rates; — assessing the appropriateness of the disclosures provided in the notes about the measurement of equity investments.

Key audit matter	Audit procedures addressing the key audit matter
projected cash flows, which require a high level of judgement. For the above reasons, we believe that the measurement of the above equity investments is a key audit matter.	

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 20 February 2015, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2015 to 31 December 2023.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The company's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the separate financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the separate financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the separate financial statements have been prepared in XHTML format in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2021 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2021 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2021 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 30 March 2022

KPMG S.p.A.

(signed on the original)

Annalisa Violante
Director of Audit