



Illustrative Report of the Board of Directors on point 1 of the Agenda of the Ordinary Shareholders' Meeting, called for April 27, 2017 in single call

Financial Statements for the year ended December 31, 2016 of the Company, including the Board of Directors' Report, the Board of Statutory Auditors' Report and the Independent Auditors' Report; presentation of the consolidated financial statements for the year ended December 31, 2015; resolutions thereon

Dear Shareholders,

with reference to the first point on the Agenda of the Ordinary Shareholders' Meeting, the Board of Directors proposes for your approval, in accordance with law, the Financial Statements for the year ended December 31, 2016 (consisting of the Statement of Financial Position, the Income Statement, the Statement of Cash Flows, the Statement of Changes of Equity and the Explanatory Notes), together with the Directors' Report.

These documents, within the terms required by applicable provisions and regulations, will be made available to the public at the registered office of the Company, on the website www.filagroup.it, on the website of Borsa Italiana S.p.A. and on the authorised storage mechanism "NIS-STORAGE" at www.emarketstorage.com, together with the Board of Statutory Auditors' Report, the Independent Auditors' Report on the Financial Statements for the year ended December 31, 2016, and the consolidated financial statements for the year ended December 31, 2016.

The company financial statements at December 31, 2016 present:

- total revenue of Euro 87,841 thousand (of which revenue from sales and services of Euro 85,272 and other revenue and income of Euro 2,569);
- operating costs of Euro 80,426 thousand; and
- an operating profit of Euro 7,415 thousand.

Net financial income of Euro 6,278 thousand. The pre-tax profit was Euro 13,693 thousand; the net profit was Euro 11,426,285.42.

In terms of the consolidated financial statements, we report:

- core business revenue of Euro 422,609 thousand (+53.5% on Euro 275.3 million in 2015, with organic growth of 9.3%, excluding the currency effect and the change in the consolidation scope);
- normalised EBITDA of Euro 67,222 thousand (+41.2% on Euro 47.6 million in 2015, with organic growth of 12.8%, exceeding organic revenue growth);
- normalised net profit, after extraordinary costs and the tax effects, increasing to Euro 28,225 thousand (Euro 24.8 million in 2015);
- net debt of Euro 223,437 thousand (M&A effect of Euro 204 million; net debt in 2015 of Euro 38,744 thousand).

In view of the results for the year, the Board of Directors will propose the distribution of a dividend totalling Euro 3,710,907 and, therefore, Euro 0.09 for each of the 41,232,296 ordinary shares currently in circulation, while it should be noted that in the case where the total number of shares of the Company currently in circulation should increase, the total amount of dividend will remain unchanged and the unitary amount will be automatically adjusted to the new number of shares.

The dividend will be paid with coupon, record and payment date, respectively of May 22, 23 and 24, 2017.

Considering that stated above, we present the following proposal:

“The Shareholders’ Meeting of F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A.:

- *having noted the Directors’ Report;*
- *having noted the Board of Statutory Auditors’ Report and the Independent Auditors’ Report;*
- *having reviewed the financial statements of the Company for the year ended December 31, 2016 and the consolidated financial statements for the year ended December 31, 2016;*
- *in view of the proposals of the Board of Directors*

resolves

- *to approve the financial statements of the Company for the year ended December 31, 2016, as proposed and illustrated by the Board of Directors, together with the Directors’ Report, relating to the financial statements, which report a profit of Euro 11,426,285.42 and also takes note of the consolidated financial statements of the Company for the year ended December 31, 2016;*
- *to distribute the residual “Profit” of Euro 3,710,907 as dividend and, therefore, to distribute a dividend of Euro 0.09 for each of the 41,232,296 ordinary shares currently in circulation, while it should be noted that in the case where the total number of shares of the Company currently in circulation should increase, the total amount of dividend will remain unchanged and the unitary amount will be automatically adjusted to the new number of shares; the dividend will be issued with coupon, record and payment dates respectively of May 22, 23 and 24, 2017.*

Pero, March 24, 2017

For the Board of Directors
The Chairman of the Board of Directors
Gianni Mion