



**Board of Directors' Illustrative Report on Item 2 of the agenda of the
Shareholders' Meeting in extraordinary session, called for 27 April 2017 in
single call**

Proposal for a free and indivisible share capital increase pursuant to Article 2349 of the Civil Code, for an amount of EUR 90,314.00 to be fully ascribed to share capital through the issue of 100,181 ordinary shares, to be allocated to the beneficiaries of the *one-off* Extraordinary Bonus; consequent amendment of Article 5 of the By-laws; related and resulting resolutions

Dear Shareholders,

The Board of Directors of 21 March 2017 resolved to present the approval of a *one-off* extraordinary bonus (the **Extraordinary Bonus**) to the Shareholders' Meeting, entailing the free assignment of F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A. (**FILA** or the **Company**) ordinary shares to the Executive Director Dr. Luca Pelosin and to other key management personnel and management personnel of the Group, described in the disclosure document drawn up pursuant to Article 84-*bis* of the regulation adopted by Consob with Resolution No. 11971 of 14 May 1999, as subsequently amended, and made available to the Shareholders for the examination of Item 2 on the agenda of the ordinary session of today's Shareholders' Meeting (the **Disclosure Document**).

The Disclosure Document, which you are requested to refer to for more information, lists the criteria for the identification of the beneficiaries and the characteristics of the Extraordinary Bonus. The reasons underpinning its adoption have also been described in detail.

The Extraordinary Bonus provides for the free assignment of ordinary shares of the Company to the beneficiaries. It is envisaged that these shares will be derived from a share capital increase to be carried out through the use of profits or retained profits, pursuant to Article 2349 of the Civil Code.

To this end, the Board intends to submit to your attention the proposal to increase share capital free of charge by a nominal value of EUR 90,314.00 through the allocation, pursuant to Article 2349 of the Civil Code, of a corresponding maximum amount drawn from retained profits (equivalent to EUR 19,192,885.32 as resulting from the financial statements at 31 December 2015 and EUR 34,321,874.92 as resulting from the draft financial statements at 31 December 2016), with the issue of 100,181 ordinary shares (currently equal to 0.289% of share capital), all without nominal value, to be reserved for the Executive Director Dr. Luca Pelosin and executives, management personnel and an employee of the Group, as better described in the Disclosure Document.

It should be noted that, pursuant to Article 5 of the By-laws as amended by today's Shareholders' Meeting, *"it is permissible, in the manner provided for by law, to allocate profits and/or retained profits to employees of the Company or subsidiary companies, through the issue of shares pursuant to the first paragraph of Article 2349 of the Civil Code"*. It is specified in this regard that the effectiveness of the resolution to increase the share capital that should be taken by Shareholders as described below, must be understood as being subject to the Shareholders' approval of the amendment of Article 5 of the By-laws referred to in Point 1 of the extraordinary session of the Shareholders' Meeting and the subsequent registration in the Register of Companies of the FILA By-laws' new version which includes the amendment to Article 5 in the aforementioned terms.

1. The reasons and purpose of the share capital increase

The Board of Directors considers that the Extraordinary Bonus is designed to reward the significant efforts made by certain Company managers with higher corporate seniority, and who have played a key role in the Group's growth and development, from the merger by incorporation of FILA in Space S.p.A. – which took place in May 2015 – to-date.

The share capital increase is for the exclusive use of the aforementioned Extraordinary Bonus and is, therefore, exclusively reserved for the employees of FILA and its subsidiaries, pursuant to Article 2349 of the Civil Code, including the Executive Director of the Company Dr. Luca Pelosin. In this regard, it should be noted that:

- (i) The proposal for the adoption of the Scheme; and
- (ii) The proposal to insert in the By-laws of the Company, the authority to allocate profits and/or retained profits to employees through the issue of shares reserved for them pursuant to Article 2349, paragraph 1 of the Civil Code, is presented in a special report drawn up in accordance with applicable legislation and presented to the examination and approval of today's Shareholder's Meeting.

The free allocation of shares to Extraordinary Bonus beneficiaries will take place in a single payment after the date of today's Shareholders' Meeting and its registration in the Register of Companies. With this allocation, the Extraordinary Bonus will be considered to be depleted.

2. Characteristics of the shares

Company shares that can be allocated to Extraordinary Bonus beneficiaries will have the same rights as those of the ordinary shares of the Company that are currently in circulation and, therefore, with the coupons applicable on that date.

3. Statutory amendment following the resolution on the proposed share capital increase

The described transaction involves an amendment to Article 5 of the By-laws in order to adopt the resolution for the increase in share capital.

In particular, a new paragraph will be added to Article 5 of the By-laws as follows:

"The Extraordinary Shareholders' Meeting on 27 April 2017 has resolved to increase the share capital, pursuant to Article 2349, by a nominal value of EUR 90,314.00, through the issue of 100,181 new ordinary shares, without nominal value, to be released through the use of a corresponding part of the existing retained profits and to be allocated free of charge to employees of F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A. and its subsidiaries, to the beneficiaries of the extraordinary bonus approved by the ordinary shareholders' meeting of 27 April 2017, which should be carried out by the final deadline of 31 December 2017".

Below is the comparison between the current text of Article 5 of the By-laws with the amended text as described above, which is presented for the approval of the Extraordinary Shareholders' Meeting:

BY-LAWS	
CURRENT TEXT	PROPOSED TEXT
5.1 The share capital amounts to EUR	<i>Unchanged</i>

37,170,830 and is divided into 41,232,296 shares of 34,665,788 ordinary shares and 6,566,508 special B shares (the "B Shares"), all without nominal value.

The Extraordinary Shareholders' Meeting of October 2013 has - inter alia - approved the divisible paid-in share capital increase for a total maximum amount, including share premium, of EUR 7,788,750, to be reserved for the issue of 750,000 F.I.L.A. S.p.A. Sponsor Warrants, in accordance with the terms and conditions of the relative regulations approved by the same Extraordinary Shareholders' Meeting (as amended by the Board of Directors on 15 January 2015 pursuant to Article 6.2 of the same regulations), through the issue of a maximum number of 750,000 ordinary shares without nominal value, at the price of EUR 10.385; the time period as per Art. 2439 of the Civil Code, the dividend rights and the effectiveness of this latter increase are regulated in the relative resolution.

5.2 The ordinary shares, B shares and Warrants are subject to the dematerialisation rules pursuant to Articles 83-bis et seq. of Legislative Decree No. 58/1998.

5.3 It is permissible, in the manner provided for by law, to allocate profits and/or retained profits to employees of the Company or subsidiary companies, through the issue of shares pursuant to the first subparagraph of Article 2349 of the Civil Code.

Unchanged

Unchanged

Unchanged

5.4 The Extraordinary Shareholders' Meeting of 27 April 2017 has resolved to increase the share capital, pursuant to Article 2349, for a nominal value of EUR 90,314.00, through the issue of 100,181 new ordinary shares, without nominal value, to be released through the use of a corresponding part of the existing retained profits and to be allocated free of charge to employees of F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A. and its subsidiaries, to the beneficiaries of the extraordinary

	bonus approved by the ordinary shareholders' meeting of 27 April 2017, which should be carried out by the final deadline of 31 December 2017.
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The amendments described do not constitute a case of withdrawal as per Article 2437 of the Civil Code.

In view of the above, the following resolution is therefore presented for the approval of the Extraordinary Shareholders' Meeting:

"The Extraordinary Shareholders' Meeting of F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A., having seen and approved the Board of Directors' Explanatory Report as well as the proposals to adopt the "Extraordinary Bonus" and the insertion in the Company's By-laws of the authority to allocate profits and/or retained profit to employees through the issue of shares reserved for them, pursuant to Article 2349, paragraph 1 of the Civil Code, referred to in the first and second items on the agenda

resolves

- *To increase the share capital, pursuant to Article 2349, by a nominal value of EUR 90,314.00, through the issue of 100,181 new ordinary shares, without nominal value, to be released through the use of a corresponding part of the existing retained profits and to be allocated free of charge to employees of F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A. and its subsidiaries, to the beneficiaries of the extraordinary bonus approved by the ordinary shareholders' meeting of 27 April 2017, which should be carried out by the final deadline of 31 December 2017;*
- *To amend Article 5 of the By-laws, by adding the following paragraph (with the re-numbering of subsequent paragraphs and subject to additional resolutions to be taken by the aforementioned Shareholders' Meeting)" The Extraordinary Shareholders' Meeting on 27 April 2017 has resolved to increase the share capital, pursuant to Article 2349, by a nominal value of EUR 90,314.00, through the issue of 100,181 new ordinary shares, without nominal value, to be released through the use of a corresponding part of the existing retained profits and to be allocated free of charge to employees of F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A. and its subsidiaries, to the beneficiaries of the extraordinary bonus approved by the ordinary shareholders' meeting of 27 April 2017, which should be carried out by the final deadline of 31 December 2017";*
- *To grant the Board of Directors, and on its behalf, to the Chairman and to the Chief Executive Officer pro tempore in office, severally, the powers to implement the above resolutions, including:*
 - i) *The powers to place the newly issued shares with the relative bonus beneficiaries with a mandate to eventually update Article 5 of the By-laws, in the part relating to the amount of share capital and the number of shares it is composed of, as a result of the transaction;*
 - ii) *The powers to perform any activity, prepare, present, sign any document, or act, as required, necessary or appropriate for the*

implementation of the approved share capital increase and the performance of any activity that is preparatory, ancillary, instrumental, or consequent to it, with a separate mandate to the Chairman and to the Chief Executive Officer pro tempore in office, for all activities not reserved by law or by internal regulations to the competence of the collective corporate body;

- iii) The powers to perform all acts necessary or appropriate for the implementation of the resolution, also conferring a separate mandate on the Chairman and the Chief Executive Officer pro tempore in office for the insertion of the agreed changes or required changes for registration in the Register of Companies."*

Pero, 24 March 2017

For the Board of Directors
The Chairman of the Board of Directors