CONSOLIDATED FINANCIAL STATEMENTS OF THE F.I.L.A. GROUP
at DECEMBER 31, 2016

SEPARATE FINANCIAL STATEMENTS OF F.I.L.A. S.p.A.
at DECEMBER 31, 2016

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 Boards

Board of Directors

Chairman	Gianni Mion
Chief Executive Officer	Massimo Candela
Executive Director	Luca Pelosin
Director & Honorary Chairman	Alberto Candela
Director (**)	Fabio Zucchetti
Director (**)	Annalisa Barbera
Director (*)	Sergio Ravagli
Director (*)(***)	Gerolamo Caccia Dominioni
Director (*)	Francesca Prandstraller

(*) Independent director in accordance with Article 148 of the CFA and Article 3 of the Self-Governance Code.
(**) Non-Executive Director.
(***) Lead Independent Director.

Control and Risks Committee

Gerolamo Caccia Dominioni
Fabio Zucchetti
Sergio Ravagli

Board of Statutory Auditors

Chairman	Claudia Mezzabotta
Standing Auditor	Stefano Amoroso
Standing Auditor	Rosalba Casiraghi
Alternate Auditor	Pietro Villa
Alternate Auditor	Sonia Ferrero

Independent Audit Firm

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 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, 2016 operates through 21 production facilities and 39 subsidiaries across the globe and employs approx. 7,000, becoming a pinnacle for creative solutions in many countries with brands such as GIOTTO, DAS, LYRA, Canson, Maimeri, Daler & Rowney Lukas and Ticonderoga.

Founded in Florence in 1920, F.I.L.A. has achieved strong growth over the last twenty years, supported by a series of strategic acquisitions: the Italian Company Adica Pongo in 1994, the US Group Dixon Ticonderoga in 2005, the German Group LYRA in 2008, the Mexican Company Lapiceria Mexicana in 2010, the Brazilian Company Lycin in 2012 and the Maimeri business unit in 2014. In addition to these operations, on the conclusion of an initiative which began with the acquisition of a minority stake in 2011, control was acquired in 2015 of the Indian company Writefine Products Private Limited.

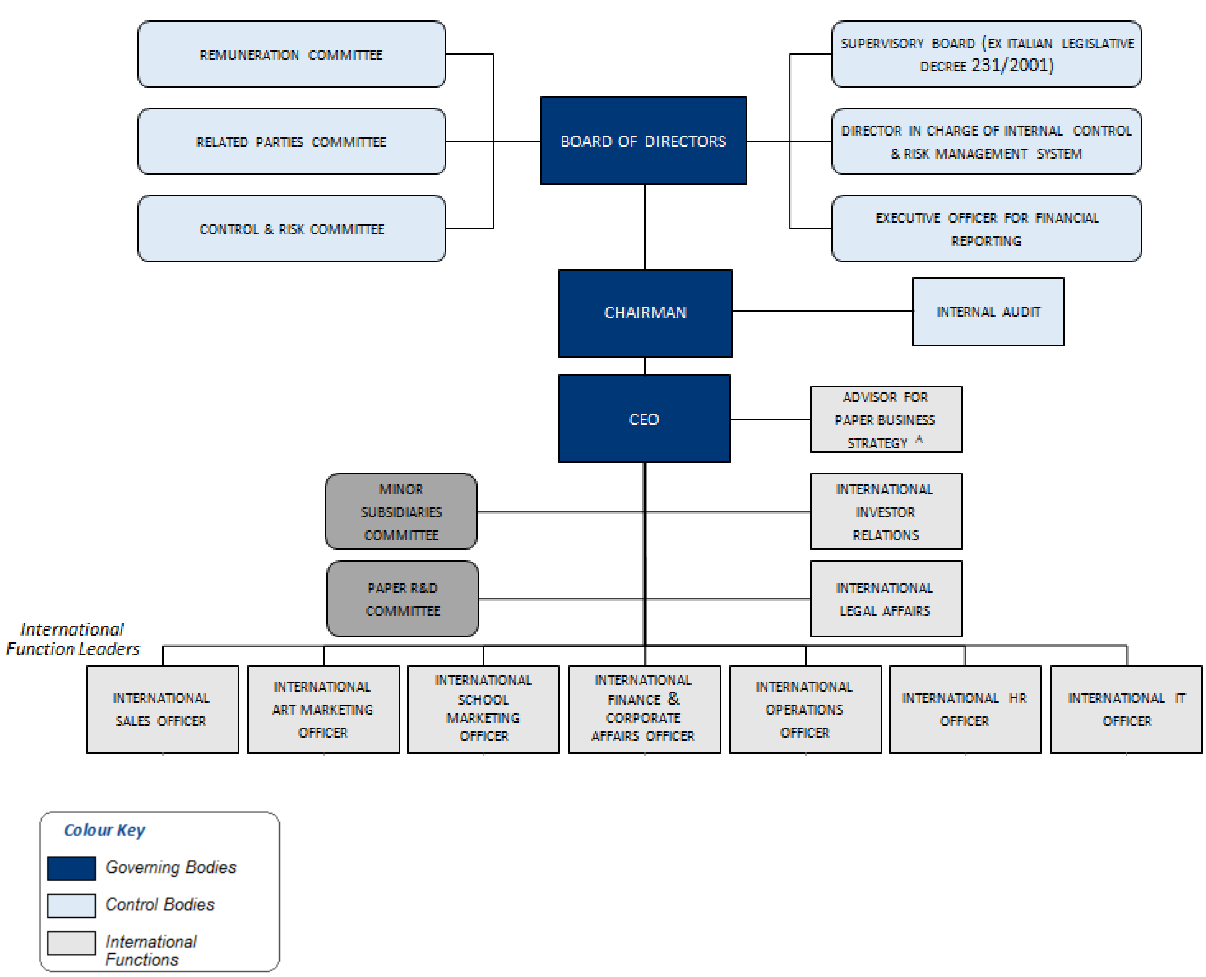
In 2016, the F.I.L.A. Group has focused upon development on strategic art & craft sector acquisitions, seeking to become the leading market player. On February 3, 2016, F.I.L.A. S.p.A. acquired control of the Daler-Rowney Lukas Group, an illustrious brand producing and distributing since 1783 materials and accessories on the arts & crafts market, with a direct presence in the United Kingdom, the Dominican Republic, Germany and the USA.

In September 2016, the F.I.L.A. Group acquired St. Cuthberts, a highly-renowned English paper mill, founded in 1907, located in the south-east of England and involved in the production of high quality artist’s papers.

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, the USA, 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.

Organisational structure

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



2016 DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE F.I.L.A. GROUP AND THE SEPARATE FINANCIAL STATEMENTS OF F.I.L.A. S.p.A. AT DECEMBER 31, 2016

II - Directors' Report

Economic overview

2016 featured moderate global economic growth, which was more vibrant in certain countries such as China and India.

The F.I.L.A. Group markets experienced stable consumption levels, except for the pencils market which saw very strong growth. The Group again in 2016 grew market share, thanks also to the acquisitions of the Daler-Rowney Lukas Group and Canson, which have strengthened distribution capacity.

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

		2016		2015	
	Country	**Inflation**	**GDP**	**Inflation**	**GDP**
Eurozone	Italy	-0.10%	0.80%	0.20%	0.80%
	Spain	-0.30%	3.10%	-0.30%	3.10%
	Portugal	0.70%	1.00%		
	Greece	-0.10%	0.10%	-0.40%	-2.30%
	France	0.30%	1.30%	0.10%	1.20%
	Turkey	8.40%	3.30%	7.40%	3.00%
	Germany	0.40%	1.70%	0.20%	1.50%
	Poland	-0.60%	3.10%	-0.80%	3.50%
	Sweden	1.10%	3.60%	0.50%	2.80%
North America	USA	1.20%	1.60%	0.10%	2.60%
	Canada	1.60%	1.20%	1.00%	1.00%
Latin America	Mexico	2.80%	2.10%	2.80%	2.30%
	Chile	4.00%	1.70%	4.40%	2.30%
	Argentina	n.a.	-1.80%	16.80%	0.40%
BRICs	China	2.10%	6.60%	1.50%	6.80%
	India	5.50%	7.60%	5.40%	7.30%
	Brazil	9.00%	-3.30%	8.90%	-3.00%
	Russia	7.20%	-0.80%	15.80%	-3.80%
Other	Africa	6.40%	0.10%	4.80%	1.40%
	Australia	1.30%	2.90%		

Source: International Monetary Fund, October 2016

Key Financial Highlights

The F.I.L.A. Group key financial highlights for 2016 are reported below.

Euro thousands	December 2016	% core business	December 2015	% core business	Change 2016 - 2015		*of which:* D&R Group(1)	*of which:* Canson(1)	*of which:* Writefine(1)(5)	*of which:* Pioneer(1)	*of which:* St. Cuthberts(1)
Core Business Revenue	422,609	*100.0%*	275,333	*100.0%*	147,276	*53.5%*	72,595	21,353	37,168	602	1,611
EBITDA (3)	56,824	*13.4%*	41,780	*15.2%*	15,044	*36.0%*	6,591	(176)	5,535	6	566
EBIT	41,086	*9.7%*	33,999	*12.3%*	7,088	*20.8%*	2,546	(1,090)	1,560	(45)	401
Net financial charges	(5,780)	*-1.4%*	(42,166)	*-15.3%*	36,386	*86.3%*	(980)	748	(173)	(52)	(18)
Total income taxes	(13,334)	*-3.2%*	(8,286)	*-3.0%*	(5,048)	*-60.9%*	418	(36)	(841)	10	(73)
F.I.L.A. Group Net Profit/(loss)	20,993	*5.0%*	(16,663)	*-6.1%*	37,657	*226.0%*	1,984	(378)	278	(23)	310
Earnings per share (€ cents)											
basic	*0.51*		*(0.49)*								
diluted	*0.50*		*(0.49)*								

NORMALISED *- Euro thousands*	December 2016	% core business	December 2015	% core business	Change 2016 - 2015		*of which:* D&R Group(1)	*of which:* Canson(1)	*of which:* Writefine(1)(2)	*of which:* Pioneer(1)	*of which:* St. Cuthberts(1)
Core Business Revenue	422,609	*100.0%*	275,333	*100.0%*	147,276	*53.5%*	72,595	21,353	37,168	602	1,611
EBITDA (3)	67,222	*15.9%*	47,622	*17.3%*	19,600	*41.2%*	7,829	696	5,557	6	566
EBIT	51,484	*12.2%*	39,841	*14.5%*	11,643	*29.2%*	3,784	(219)	1,582	(45)	401
Net financial charges	(6,062)	*-1.4%*	(4,733)	*-1.7%*	(1,329)	*-28.1%*	(980)	748	(173)	(52)	(18)
Total income taxes	(16,211)	*-3.8%*	(10,110)	*-3.7%*	(6,101)	*-60.3%*	678	246	(841)	10	(73)
F.I.L.A. Group Net Profit	28,225	*6.7%*	24,788	*9.0%*	3,437	*13.9%*	2,962	212	286	(23)	310
Earnings per share (€ cents)											
basic	*0.69*		*0.73*								
diluted	*0.67*		*0.67*								

Euro thousands	December 31, 2016	December 31, 2015	Change 2016 - 2015
Cash Flow from operating activities	41,696	292	41,404
Investments	12,446	7,625	4,821
% core business revenue	*2.9%*	*2.8%*	

Euro thousands	December 31, 2016	December 31, 2015	Change 2016 - 2015	*of which:* D&R Group	*of which:* Canson	*of which:* Pioneer	*of which:* St. Cuthbert
Net capital employed	462,407	271,975	190,432	97,059	57,153	1,022	4,852
Net Financial Instruments	-	(21,504)	21,504	-	-	-	-
Net Financial Position (4)	(223,437)	(38,744)	(184,693)	(582)	(29,298)	(736)	470
Equity	(238,970)	(211,727)	(27,243)	(96,477)	(27,855)	(287)	(5,322)

(1) "Core Business Revenue" and "Net financial charges" are reported net of Intercompany transactions

(2) The figures are adjusted in terms of the normalisations required relating to companies subject to deconsolidation

(3) The Gross Operating Margin (EBITDA) corresponds to the operating result before amortisation and depreciation and write-downs;

(4) Indicator of the net financial structure, 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 asset. The net financial position as per CONSOB Communication DEM/6064293 of July 28, 2006 excludes non-current financial assets. The non-current financial assets of the F.I.L.A. Group at December 31, 2016 amount to Euro 3,247 thousand, of which Euro 355 thousand included in the calculation of the net financial position; therefore the F.I.L.A. Group financial indicator does not equate, for this amount, with the net financial position as defined in the above-mentioned Consob communication. For

(5) The income statement figures for Writefine Products Private Limited (India) concern 10 months of operations and are not considered for like-for-like scope analysis as in 2015 consolidated only from November 1, 2015.

2016 Normalisations:

- The normalisation of the 2016 EBITDA relates to non-recurring operating costs of approx. Euro 10.4 million, principally for consultancy in support of M&A operations carried out by the Group, in addition to reorganisation charges.

- The normalisation of Net financial charges regards the elimination of net financial income of Euro 0.3 million, principally related to the Sterling hedge undertaken for the acquisition of the Daler-Rowney Lukas Group.

- The normalisation of the 2016 Group Result concerns the above-stated normalisations, net of the tax effect.

2015 Normalisations:

- The normalisation of the 2015 EBITDA relates to non-recurring operating costs of approx. Euro 5.8 million, principally for consultancy on the merger between F.I.L.A. S.p.A. and Space S.p.A. and for Group M&A operations in 2015.

- The normalisation of Net Financial Charges mainly concerns the Fair Value measurement of Space S.p.A. equity at May 31, 2015 (Euro 45.8 million) and of market warrants at December 31, 2015 (Euro 5.2 million), offset by the Fair Value remeasurement of the investment held in Writefine Products Private Limited (India, Euro 13.9 million).

- The normalisation of the 2015 Group Result concerns the above-stated normalisations, net of the tax effect.

F.I.L.A Group Key Financial Highlights

The F.I.L.A. Group Key Financial Highlights for 2016 are reported below.

Normalised operating results

The 2016 F.I.L.A. Group results report EBITDA growth of 41.2% on 2015 (12.81% excluding the currency and "M&A" effects[1]).

NORMALISED *- Euro thousands*	**2016**	***% core business revenue***	**2015**	***% core business revenue***	**Change 2016 - 2015**	
Core Business Revenue	422,609	*100%*	275,333	*100%*	147,276	*53.5%*
Other Revenue and Income	19,652		7,210		12,442	*172.6%*
Total Revenue	**442,261**		**282,543**		**159,718**	***56.5%***
Total operating costs	(375,039)	*-88.7%*	(234,921)	*-85.3%*	(140,118)	*-59.6%*
EBITDA	**67,222**	***15.9%***	**47,622**	***17.3%***	**19,600**	***41.2%***
Amortisation, depreciation and write-downs	(15,738)	*-3.7%*	(7,781)	*-2.8%*	(7,957)	*-102.3%*
EBIT	**51,484**	***12.2%***	**39,841**	***14.5%***	**11,643**	***29.2%***
Net financial charges	(6,062)	*-1.4%*	(4,733)	*-1.7%*	(1,329)	*-28.1%*
Pre-tax profit	**45,422**	***10.7%***	**35,108**	***12.8%***	**10,314**	***29.4%***
Total income taxes	(16,211)	*-3.8%*	(10,110)	*-3.7%*	(6,101)	*-60.3%*
NET PROFIT - CONTINUING OPERATIONS	**29,211**	***6.9%***	**24,998**	***9.1%***	**4,213**	***16.9%***
NET PROFIT - DISCONTINUED OPERATIONS	**-**	***0.0%***	**53**	***0.0%***	**(53)**	***-100.0%***
Net Profit	**29,211**	***6.9%***	**25,051**	***9.1%***	**4,160**	***16.6%***
Non-controlling interest profit	986	*0.2%*	263	*0.1%*	723	*274.8%*
F.I.L.A. Group Net Profit	**28,225**	***6.7%***	**24,788**	***9.0%***	**3,437**	***13.9%***

The principal changes compared to 2015 are illustrated below:

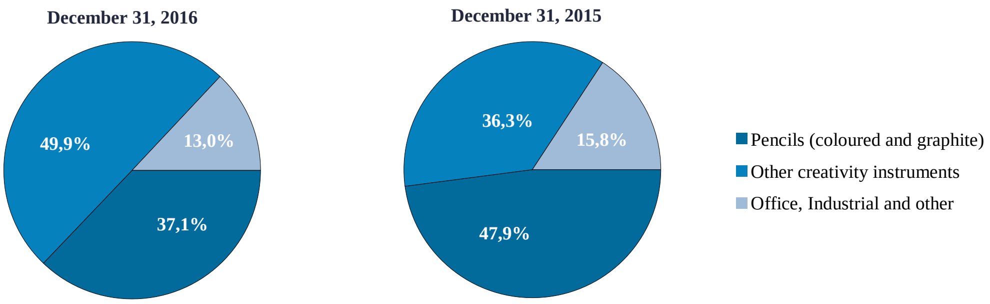
"Core Business Revenue" of Euro 422,609 thousand was up Euro 147,276 thousand on 2015 (+53.5%).

Organic growth totalled Euro 25,723 thousand (+9.3%), excluding the negative currency impact of Euro 11,776 thousand (principally on the Central-South American currencies) and the M&A effect of approx. Euro 133,329 thousand (of which Euro 72,595 thousand concerning the English Daler-Rowney Lukas Group, consolidated from February 2016; Euro 37,168 thousand concerning the Indian company Writefine Products PVT Ltd (India), consolidated in November 2015; Euro 602 thousand concerning the Indian company Stationery Private Ltd (India), consolidated in May 2016; Euro 1,611 thousand concerning the English St. Cuthberts Holding Limited, consolidated from September 2016; Euro 21,353 thousand concerning the Canson Group, consolidated from October 2016). This

[1] *M&A effect from companies acquired in 2016: Daler-Rowney Lukas Group, Pioneer Stationery Private Ltd, St. Cuthberts Holding Limited and Canson Group.*

expansion relates to the Central-South American region for Euro 10,533 thousand, up 19.3% (in particular Mexico, Argentina and Chile), Europe for Euro 6,889 thousand, up 5.5% (in particular Italy, Russia, Poland, Spain and Greece), North America for Euro 3,913 thousand, up 4.6% (United States) and Asia for Euro 3,784 thousand (India).

In order to better illustrate F.I.L.A. Group developments, reference should be made to the table below highlighting revenue compared with the previous year by "*Strategic Segments*".



Other Revenue and Income of Euro 19,652 thousand increased on the previous year Euro 12,442 thousand on the basis of the consolidation of exchange gains on commercial operations of the Daler-Rowney Lukas Group.

"Operating Costs" of Euro 375,039 thousand increased Euro 140,118 thousand on 2015, due to the M&A effect stated above. The increase in acquisition and commercial costs in support of higher revenue was in fact offset by the depreciation of the Mexican and Chinese currencies, savings on air transport incurred in 2015 to ensure punctual procurement and leaner production at the main Group facilities.

The normalised "EBITDA" in 2016 of Euro 67,222 thousand therefore improved Euro 19,600 thousand on 2015 (+41.2%, of which +12.8% entirely organic growth), greater therefore than organic revenue growth (+9.3%).
Amortisation, depreciation & write-downs increased Euro 7,957 thousand, entirely due to the above-stated M&A effect.

2016 normalised "Net Financial Charges" were Euro 1,329 thousand higher due to increased "acquisition financing" charges, in part offset by lower financial charges for the South American and Chinese companies following the weakening of the respective currencies.

Group "Income taxes" amounted to Euro 16,211 thousand, with the effective tax rate reducing on the comparative period. The tax benefits stemmed from the use of prior tax losses of the parent, principally for the revaluation of market warrants and the use of the "ACE" assessable tax base.

Excluding the non-controlling interest result, the F.I.L.A. Group normalised net profit in 2016 was Euro 28,225 thousand, compared to Euro 24,788 thousand in the previous year.

Business seasonality

The Group's operations are affected by business seasonality, as reflected in the consolidated results.

The breakdown of the income statement by quarter highlights the concentration of sales in the second and third quarters for the "schools' campaign". Specifically, in June significant sales are made through the "*school suppliers*" traditional channel and in August through the "*retailers*" channel.

The key financial highlights for 2016 and 2015 are reported below.

	2015				2016				2016 - LIKE-FOR-LIKE CONSOL. SCOPE			
Euro thousands	First 3 mth. 2015	First 6 mth. 2015	First 9 mth. 2015	FY 2015	First 3 mth. 2016	First 6 mth. 2016	First 9 mth. 2016	FY 2016	First 3 mth. 2016	First 6 mth. 2016	First 9 mth. 2016	FY 2016
Core Business Revenue	**57,091**	**141,520**	**217,794**	**275,333**	**82,896**	**201,514**	**309,312**	**422,609**	**61,578**	**149,506**	**226,649**	**289,280**
Full year portion	*20.74%*	*51.40%*	*79.10%*	*100.00%*	*19.62%*	*47.68%*	*73.19%*	*100.00%*	*21.29%*	*51.68%*	*78.35%*	*100.00%*
EBITDA	**8,273**	**25,973**	**37,936**	**41,780**	**10,143**	**31,222**	**49,016**	**56,824**	**7,945**	**25,590**	**39,332**	**44,302**
% core business revenue	*14.49%*	*18.35%*	*17.42%*	*15.17%*	*12.24%*	*15.49%*	*15.85%*	*13.45%*	*12.90%*	*17.12%*	*17.35%*	*15.31%*
Full year portion	*19.80%*	*62.17%*	*90.80%*	*100.00%*	*17.85%*	*54.94%*	*86.26%*	*100.00%*	*17.93%*	*57.76%*	*88.78%*	*100.00%*
Normalised EBITDA	**8,516**	**27,860**	**40,938**	**47,622**	**11,870**	**36,572**	**55,169**	**67,222**	**9,672**	**30,766**	**45,147**	**52,568**
% core business revenue	*14.92%*	*19.69%*	*18.80%*	*17.30%*	*14.32%*	*18.15%*	*17.84%*	*15.91%*	*15.71%*	*20.58%*	*19.92%*	*18.17%*
Full year portion	*17.88%*	*58.50%*	*85.96%*	*100.00%*	*17.66%*	*54.41%*	*82.07%*	*100.00%*	*18.40%*	*58.53%*	*85.88%*	*100.00%*
Net Financial Position	**(91,369)**	**(55,632)**	**(30,131)**	**(38,744)**	**(166,344)**	**(188,895)**	**(175,798)**	**(223,437)**	**NA**	**NA**	**NA**	**NA**

(1) 2016 at like-for-like consolidation scope. Figures net of the contribution of the Daler-Rowney Lukas Group, Writefine Products Private Limited, Pioneer Products Stationary Ltd, the St. Cuthberts Group and the Canson Group

Statement of Financial Position

The F.I.L.A. Group Key Statement of Financial Position accounts at December 31, 2016 are reported below.

Euro thousands	December 2016	December 2015	Change 2016 - 2015
Intangible Assets	218,440	88,156	130,284
Property, plant & equipment	81,321	47,901	33,420
Financial Assets	3,656	1,785	1,871
Net Fixed Assets	**303,416**	**137,842**	**165,574**
Other Assets - Non-Current Liabilities	**20,737**	**13,901**	**6,836**
Inventories	177,406	118,519	58,887
Trade and Other Receivables	113,582	77,731	35,851
Trade and Other Payables	(90,445)	(52,985)	(37,460)
Other Current Assets and Liabilities	154	3,180	(3,026)
Net Working Capital	**200,697**	**146,445**	**54,252**
Provisions	**(62,444)**	**(26,213)**	**(36,231)**
Net Capital Employed	**462,407**	**271,975**	**190,432**
Equity	**(238,970)**	**(211,727)**	**(27,243)**
Net Financial Instruments	**-**	**(21,504)**	**21,504**
Net Financial Position	**(223,437)**	**(38,744)**	**(184,693)**
Net Funding Sources	**(462,407)**	**(271,975)**	**(190,432)**

The “Net Capital Employed” of the F.I.L.A. Group at December 31, 2016 of Euro 462,407 thousand principally comprised “Net Fixed Assets” of Euro 303,416 thousand (increasing on December 31, 2015 Euro 165,574 thousand) and the “Net Working Capital” totalling Euro 200,697 (increasing on December 31, 2015 Euro 54,252 thousand). These increases include the change in the consolidation scope concerning “M&A” operations in the year for Euro 160,086 thousand, mainly concerning the Daler-Rowney Lukas group acquired on February 3, 2016, St. Cuthbert Holding acquired on September 14, 2016 and the Canson Group on October 5, 2016.

The increase in “Net Fixed Assets” of Euro 165,574 thousand, principally concerns the increase in “Intangible Assets” (Euro 130,284 thousand) and “Property, Plant and Equipment” (Euro 33,420 thousand) and is due to the change in the consolidation scope in 2016 for Euro 140,256 thousand, substantially relating to the Daler-Rowney Lukas Group and the Canson Group and net investments in the year by Group companies.

The increase in “Intangible Assets” of Euro 130,284 thousand is principally due to the change in the consolidation scope. The contribution on the acquisition date of the companies involved in the “Business Combinations” amounted in fact to Euro 107,200 thousand, substantially for “Brands” and “Development Technology”; the goodwill recognised to the F.I.L.A. Group consolidated financial statements from the operations in question is also considered (Euro 35,540 thousand). Net of the effects from the acquisitions and negative currency differences of Euro 7,720 thousand, the net carrying amount of "Intangible Assets" overall reduced Euro 4,736 thousand. The effect principally relates to the amortisation of "Brands and Other Intangible Assets" of Writefine Products Private Limited (India), Grupo F.I.L.A. – Dixon, S.A. de C.V. (Mexico) and the Daler-Rowney Lukas Group. Investments by Group companies totalled Euro 834 thousand, principally by F.I.L.A. S.p.A. (Euro 691 thousand) and largely relating to the installation of the new ERP.

The increase in "Property, Plant and Equipment" of Euro 33,420 thousand principally relates to the value of the Daler-Rowney Lukas Group assets, those of the Canson Group and of St. Cuthberts, with a total contribution at the acquisition date of Euro 33,057 thousand. Excluding the effects from "Business Combinations" and the negative currency differences of Euro 1,947 thousand, the increase in the year was Euro 2,310 thousand, principally due to investments in the year of Euro 11,759 thousand, less depreciation of Euro 9,163 thousand. The principal investments by the Group in 2016 concerned Writefine Products Private Limited (Euro 3,328 thousand), F.I.L.A. S.p.A. (Euro 2,925 thousand), Daler Rowney Ltd (Euro 1,007 thousand), Fila Dixon Stationery (Kunshan) Co., Ltd. (Euro 757 thousand), Grupo F.I.L.A. – Dixon, S.A. de C.V. (Euro 572 thousand) and Canson SAS (Euro 477 thousand).

The increase in "Financial Assets" of Euro 1,871 thousand is due both to the change in the consolidation scope and the Fair Value recognition of hedging derivatives (Euro 462 thousand) undertaken by F.I.L.A. S.p.A. on the loan disbursed in 2016 for the execution of the M&A operations.

The principal "Net Working Capital" changes related to the increase in "Inventories" (Euro 58,887 thousand), of which Euro 44,242 thousand concerning the contribution at the acquisition date of the Daler-Rowney Lukas Group and the Canson Group and the increase in inventories at the US, Indian, Dominican, French and German and English subsidiaries, principally due to the demand for a broader "Art & Craft" product range and improved customer service.

The increase in "Trade and Other Receivables" for Euro 35,851 thousand, substantially concerning the increased revenue and the seasonality of the "Art & Craft Business", is offset by the increase in "Trade and Other Payables" of Euro 37,460 thousand, primarily due to increased purchases in support of expanding production volumes and extraordinary consultancy for the M&A operations, mainly relating to the parent.

The account "Provisions", amounting to Euro 62,444 thousand, mainly refers to "Deferred Tax Liabilities", "Post-Employment Benefits and Employee Benefits" and "Provisions for risks and charges". The increase on December 31, 2015 was Euro 36,231 thousand and principally concerned deferred tax liabilities (Euro 47,034 thousand at December 31, 2016, increasing Euro 27,549 thousand on 2015), against a contribution at the acquisition date by the Daler-Rowney Lukas Group (February 3, 2016), by St. Cuthberts Holding (September 14, 2016) and by the Canson Group (October 5, 2016) of a total of Euro 30,244 thousand, arising during the respective "Business Combination" processes under IFRS 3 and substantially concerning the tax effect generated by the fair value adjustment of "Brands", "Development Technology" and "Plant and Machinery". Excluding the Deferred Tax movements, "Provisions" increased Euro 8,682 thousand, of which Euro 5,991 thousand concerning "Post-Employment Benefits and Employee Benefits" (primarily the plans put in place by Daler Rowney Ltd and Canson SAS) and Euro 2,691 thousand relating to "Provisions for Risks and Charges", principally concerning the Restructuring Provisions of Euro 1,845 thousand established for the integration and adjustment of the Group structure following the acquisition in 2016).

The "Equity" of the F.I.L.A. Group, amounting to Euro 238,970 thousand at December 31, 2016, increased Euro 27,243 thousand on the previous year. This is principally due to the exercise of "Market Warrants" for Euro 21,444 thousand and the comprehensive net profit in 2016 of the Group companies, totalling Euro 21,972 thousand, offset by the "Translation Reserve" concerning the conversion of the Group companies financial statements for Euro 10,384 thousand, recorded principally in UK Sterling and Mexican Pesos, the distribution of dividends to shareholders of the F.I.L.A. Group of Euro 4,462 thousand, in addition to the "IAS 19 Reserve" for Euro 1,961 thousand and the fair value measurement of derivative instruments related to the loan issued in support of the acquisitions of the Canson Group and the Daler-Rowney Lukas Group for Euro 462 thousand.

Following the conclusion of the Market Warrants exercise period, the "Net Financial Instruments" account amounted to zero, which at December 31, 2015 amounted to Euro 21,504 thousand. The effect of the conversion into shares of the Market Warrants resulted in a change to equity as previously described of Euro 21,444 thousand; the residual non-exercised portion was recognised to the income statement as financial income for Euro 60 thousand.

The F.I.L.A. Group "Net Financial Position" at December 31, 2016 was a net debt of Euro 223,437 thousand, increasing Euro 184,693 thousand on December 31, 2015. For greater details, reference should be made to the "Financial Overview" paragraph.

Financial Overview

The overview of the 2016 Group operating and financial performance is completed by the Group Net Financial Position and Statement of Cash Flow reported below.

The **Net Financial Position** at December 31, 2016 reports a debt of Euro 223,437 thousand.

Euro thousands		December 31, 2016	December 31, 2015	Change
A	Cash	73	132	(59)
B	Other cash equivalents	59,446	30,551	28,895
C	Securities held-for-trading	-	-	-
D	**Liquidity (A + B + C)**	**59,519**	**30,683**	**28,836**
E	**Current financial receivables**	**275**	**268**	**7**
F	Current bank payables	(52,879)	(67,319)	14,440
G	Current portion of non-current debt	(24,158)	(715)	(23,443)
H	Other current financial payables	(16,497)	(505)	(15,992)
I	**Current financial debt (F + G + H)**	**(93,534)**	**(68,539)**	**(24,995)**
J	**Net current financial debt (I + E+ D)**	**(33,740)**	**(37,588)**	**3,848**
K	Non-current bank payables	(189,902)	(1,404)	(188,498)
L	Bonds issued	-	-	-
M	Other non-current financial payables	(150)	(106)	(44)
N	**Non-current financial debt (K + L + M)**	**(190,052)**	**(1,510)**	**(188,542)**
O	**Net financial debt (J+N)**	**(223,792)**	**(39,098)**	**(184,694)**
P	**Loans issued to third parties**	**355**	**354**	**1**
Q	**Net financial debt (O + P) - F.I.L.A. Group**	**(223,437)**	**(38,744)**	**(184,693)**

Note:

1) The net financial debt calculated at point "O" complies with Consob Communication DEM/6064293 of July 28, 2006, which excludes non-current financial assets. The net financial debt of the F.I.L.A. Group differs from the above communication by Euro 355 thousand in relation to the non-current loans granted to third parties by F.I.L.A. S.p.A. (Euro 350 thousand) and Omyacolor S.A. (Euro 5 thousand)

2) The Market Warrants recognised to the financial statements at December 31, 2015 of Euro 21,504 thousand are not considered an integral part of the net financial debt as cashless financial instruments.

3) At December 31, 2016 there were no transactions with related parties which impacted the net financial debt.

Compared to December 31, 2015 (debt of Euro 38,744 thousand), net debt increased Euro 184,693 thousand, as outlined below in the Statement of Cash Flow.

Euro thousands	December 2016	December 2015
EBIT	41,086	33,999
Adjustments for non-cash items	15,689	7,735
Integrations for income taxes	(11,987)	(15,522)
Cash Flow from Operating Activities Before Changes in NWC	**44,788**	**26,212**
Change NWC	**(4,260)**	**(24,665)**
Change in Inventories	(16,470)	(18,545)
Change in Trade and Other Receivables	(4,607)	(2,382)
Change in Trade and Other Payables	15,409	(3,978)
Change in Other Current Assets/Liabilities	1,407	239
Cash Flow from Operating Activities	**40,527**	**1,546**
Investments in tangible and intangible assets	(12,446)	(7,625)
Other Investments	105	467
Equity Investments	(84,938)	(36,110)
Cash Flow from Investing Activities	**(97,280)**	**(43,269)**
Change in Equity	(4,461)	(271)
Interest Expense	(5,761)	(3,775)
Cash Flow from Financing Activities	**(10,223)**	**(4,046)**
Other changes	1,090	(194)
Total Net Cash Flow	**(65,886)**	**(45,962)**
Effect from exchange rate changes	1,132	1,783
NFP from M&A operations (Cge. Consolidation Scope)	(119,939)	63,871
Change in Net Financial Position	**(184,693)**	**19,692**

The net cash flow absorbed in 2016 by "Net Operating Activities" was Euro 40,527 thousand (Euro 1,546 thousand in 2015) and concerned:

- generation of Euro 44,788 thousand (Euro 26,212 thousand in 2015) from "EBIT", based on the difference of the "Value" and the "Costs of Cash Generation" and the remaining ordinary income components, excluding financial management;
- for a negative Euro 4,260 thousand (Euro 24,665 thousand in 2015) from movements in "Working Capital Management". The increase in the value of inventories relates principally to the subsidiaries Dixon Ticonderoga Company (U.S.A.), Brideshore S.r.l. (Dominican Republic), Writefine Products PVT LTD (India), Lyra Gmbh & Co. KG (Germany), Daler Rowney Ltd (UK), Lukas-Nerchau GmbH (Germany) and Canson SAS (France). The above-stated absorption of cash is offset by the increase in "Trade and Other Payables", principally at the US subsidiaries and the Mexican, Indian, French and English subsidiaries operating in the "Art & Craft" sector, in addition to the parent. This increase principally follows increased Group purchases in support of higher production volumes and inventories, in addition to extraordinary consultancy on M&A operations, mainly by the parent.

"Investing Activities" absorbed liquidity of Euro 97,280 thousand (Euro 43,269 thousand in 2015), of which:

- Euro 84,938 thousand (Euro 36,110 thousand at in 2015) concerning the acquisition of the Daler-Rowney Lukas Group, the Canson Group, Pioneer Stationery Private Ltd (India), St. Cuthberts Holding Limited (U.K.) and Uniwrite Pens and Plastic Pvt Ltd (India);
- Euro 12,446 thousand (Euro 7,625 thousand in 2015) for net investment in plant and machinery, principally by Writefine Products PVT LTD (India), Fila Dixon Stationery (Kunshan) Co., Ltd. (China), F.I.L.A. S.p.A. (Italy), Grupo F.I.L.A. – Dixon, S.A. de C.V. (Mexico), Brideshore srl (Dominican Republic), Canson SAS (France) and Daler Rowney Ltd (United Kingdom), both to support production and the relative updating of plant.

"Financing Activities" absorbed net liquidity of Euro 10,223 thousand (Euro 4,046 thousand in 2015), of which:

- Euro 4,461 thousand (Euro 271 thousand in 2015) concerning the distribution of dividends to F.I.L.A. S.p.A. shareholders and Group non-controlling interests;
- Euro 5,761 thousand (Euro 3,775 thousand in 2015) from interest paid on loans and credit lines granted to Group companies, principally F.I.L.A. S.p.A. (Italy), Dixon Ticonderoga Company (U.S.A.), Grupo F.I.L.A. –Dixon, S.A. de C.V. (Mexico) and Writefine Products PVT LTD (India).

Excluding the net debt of the Daler-Rowney Lukas Group, of the Canson Group, of Pioneer Stationery Private Ltd (India) and St. Cuthberts Holding LTD (United Kingdom) at the acquisition date, totalling Euro 119,939 thousand, and the currency effect from the translation of the net financial position items in currencies other than the Euro, generating cash of Euro 1,132 thousand, the increase in the net debt was therefore Euro 184,693 thousand (Euro +19,692 thousand at December 31, 2015).

Following "Cash and cash equivalents" at the beginning of the year of Euro 17,542 thousand and the "Cash and cash equivalents" from the change in consolidation scope at the contribution date for a negative Euro 119,939 thousand, the "Cash and cash equivalents" at year-end was Euro 53,973 thousand.

Euro thousands	December 2016	December 2015
Opening Cash and Cash Equivalents	**17,542**	**30,663**
Cash and cash equivalents	30,683	32,473
Bank overdrafts	(13,141)	(1,810)
Closing Cash and Cash Equivalents	**53,973**	**17,542**
Cash and cash equivalents	59,519	30,683
Bank overdrafts	(5,546)	(13,141)

Operating segments

In terms of segment reporting, the F.I.L.A. Group has adopted IFRS 8, obligatory from January 1, 2009.

IFRS 8 requires an entity to base segment reporting on internal reporting, which is constantly reviewed by the highest level of management in order to allocate resources to the various segments and to analyse performance.

Geographic region is the primary basis of analysis and of decision-making by F.I.L.A. Group Management, therefore fully in line with the internal reporting prepared for these purposes.

The products of the F.I.L.A. Group are similar in terms of quality and production, target market, margins, sales network and clients, even with reference to the different brands which the Group markets. No diversification is therefore deemed to be present within the Segment, in consideration of the substantial uniformity of the risks and benefits relating to the products produced by the F.I.L.A. Group.

The segment disclosure accounting standards are in line with those utilised for the consolidated financial statements.

Segment disclosure was therefore based on the location of operations ("Entity Locations"), broken down as follows: "Europe", "North America", "Central and South America" and "Rest of the World". The "Rest of the World" includes the subsidiaries in South Africa and Australia.

The "Business Segment Reporting" of the F.I.L.A. Group aggregates companies by region on the basis of the *"operating location"*.

For disclosure upon the association between the regions and F.I.L.A. group companies, reference should be made to the attachments to the report in the "List of companies included in the consolidation scope and other investments" paragraph.

Reporting by region, required in accordance with IFRS 8, is presented below. For the purposes of providing comparable financial statements, the figures are shown net of the change in the consolidation scope during 2016 following the acquisition of Pioneer Stationery Private Limited, St. Cuthberts Holding Limited and the companies of the Daler-Rowney Lukas and Canson Groups.

The segment reporting required in accordance with IFRS 8 is presented below.

Business Segments – Statement of Financial Position

The key statement of financial position figures for the F.I.L.A. Group by region, at December 31, 2016 and December 31, 2015, are reported below:

December 2016 *Euro thousands*	**Europe**	**North America**	**Central & South America**	**Asia**	**Rest of the World**	**Consolidation**	**F.I.L.A. Group**
Intangible Assets	140,368	6,085	4,976	66,980	107	(76)	218,440
Property, plant & equipment	44,788	3,035	6,820	26,323	355		81,321
Total Intangible and Tangible Assets	**185,156**	**9,120**	**11,796**	**93,303**	**463**	**(76)**	**299,761**
of which Intercompany	*(76)*						
Inventories	77,053	47,859	33,391	25,147	2,690	(8,734)	177,406
Trade and Other Receivables	91,382	32,166	62,315	8,431	1,979	(82,691)	113,582
Trade and Other Payables	(98,518)	(24,623)	(33,283)	(13,056)	(3,656)	82,691	(90,445)
Other Current Assets and Liabilities	(907)	1,524	(356)	(107)			154
Net Working Capital	**69,010**	**56,926**	**62,067**	**20,415**	**1,013**	**(8,734)**	**200,697**
of which Intercompany	*(3,677)*	*(3,892)*	*(689)*	*(290)*	*(185)*		
Net Financial Position	**(184,961)**	**(14,052)**	**(20,923)**	**(776)**	**(2,725)**		**(223,437)**

December 2015 *Euro thousands*	**Europe**	**North America**	**Central - South America**	**Asia**	**Rest of the World**	**Consolidation**	**F.I.L.A. Group**
Intangible Assets	8,383	4,251	7,089	68,545	112	(224)	88,156
Property, plant & equipment	16,014	1,233	6,412	24,178	64		47,901
Total Intangible and Tangible Assets	**24,397**	**5,484**	**13,501**	**92,723**	**176**	**(224)**	**136,057**
of which Intercompany	*(76)*			*(148)*			
Inventories	49,134	24,804	26,285	22,118	925	(4,747)	118,518
Trade and Other Receivables	39,064	12,375	36,536	15,375	337	(25,957)	77,731
Trade and Other Payables	(36,235)	(4,827)	(16,130)	(20,163)	(1,328)	25,698	(52,985)
Other Current Assets and Liabilities	1,869	1,488	(10)	(167)			3,179
Net Working Capital	**53,832**	**33,840**	**46,681**	**17,163**	**(66)**	**(5,006)**	**146,445**
of which Intercompany	*(2,350)*	*(2,003)*	*(411)*	*(3)*	*20*		
Net Financial Position	**(5,505)**	**(5,524)**	**(22,831)**	**(4,126)**	**(1,017)**	**259**	**(38,744)**
of which Intercompany		*2,981*		*947*			

For a better understanding of the changes between the comparative periods, the F.I.L.A. Group Business Segments for 2016 at like-for-like consolidation scope are reported below.

December 2016 - LIKE-FOR-LIKE CONSOLIDATION SCOPE *Euro thousands*	**Europe**	**North America**	**Central - South America**	**Asia**	**Rest of the World**	**Consolidation**	**F.I.L.A. Group**
Intangible Assets	8,385	6,085	4,969	66,979	107	(76)	86,449
Property, plant & equipment	17,096	1,813	5,519	25,256	52		49,736
Total Intangible and Tangible Assets	**25,481**	**7,898**	**10,488**	**92,235**	**159**	**(76)**	**136,185**
of which Intercompany	*(76)*						
Inventories	50,398	33,100	25,423	24,018	1,472	(5,872)	128,539
Trade and Other Receivables	37,222	13,583	34,083	6,412	513	(21,635)	70,178
Trade and Other Payables	(38,201)	(8,308)	(17,638)	(12,414)	(2,133)	21,635	(57,059)
Other Current Assets and Liabilities	(615)	1,407	(173)	20			639
Net Working Capital	**48,804**	**39,782**	**41,695**	**18,036**	**(148)**	**(5,872)**	**142,297**
of which Intercompany	*(2,668)*	*(2,735)*	*(289)*	*(86)*	*(93)*		
Net Financial Position	**(169,006)**	**(2,621)**	**(17,659)**	**(3,099)**	**(906)**		**(193,291)**

The main changes in the accounts at December 31, 2016 excluding the changes in the consolidation scope and compared with December 31, 2015, for performance assessment are illustrated below:

“Intangible Assets” amount to Euro 86,449 thousand and decreased on December 31, 2015 Euro 1,707 thousand, principally due to the amortisation of Group company “Intangible assets” (Euro 3,395 thousand); we particularly highlight those of the subsidiary Writefine Products Limited (India) of Euro 1,902 thousand, concerning the amortisation of the “DOMS” brand and of the “Customer List”, measured as part of the company’s acquisition on October 31, 2015. Investments in the year totalled Euro 831 thousand and principally concern F.I.L.A. S.p.A. (Euro 691 thousand) for the installation of the new ERP.

“Property, Plant and Equipment” amounted to Euro 49,736 thousand, with the Euro 1,835 thousand increase principally relating to net investments of Euro 8,483 thousand, offset by depreciation of Euro 6,487 thousand. The main Group companies incurring investment charges in the year were F.I.L.A. S.p.A. (Euro 2,925 thousand) for the acquisition of machinery for the Rufina facility and Writefine Products Limited (Euro 3,328 thousand) for the extension of the local production facility.

F.I.L.A. Group “Net Working Capital” at December 31, 2016 was Euro 142,297 thousand, broken down among “Inventories” (Euro 128,539 thousand), increasing on December 31, 2015 Euro 10,021 thousand, “Trade and Other Receivables” (Euro 70,178 thousand), reducing on December 31, 2015 Euro 7,553 thousand and “Trade and Other Payables” (Euro 57,059 thousand), increasing on the previous year (Euro 4,074 thousand).

- The increase in “Inventories” of Euro 10,021 thousand mainly relates to Dixon Ticonderoga Company (U.S.A.), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and Writefine Products Limited (India) against future sales orders to be filled;
- the decrease in “Trade and Other Receivables” of Euro 7,553 thousand relates both to the currency effect, particularly on the Mexican Peso, and improved receipt times, principally at F.I.L.A. S.p.A. and Dixon Ticonderoga Company (U.S.A.);
- The increase in “Trade and Other Payables” for Euro 4,074 thousand mainly concerned Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and F.I.L.A. S.p.A.. This follows both increased Group purchases in support of higher production volumes and inventory, in addition to extraordinary consultancy for the “M&A” operations executed by the parent.

For the “Net Financial Position”, reference should be made to the” Financial overview” paragraph of the Directors’ Report.

Business Segments – Income Statement

The income statement for the F.I.L.A. Group by region for 2016 and 2015 is reported below:

December 2016 *Euro thousands*	**Europe**	**North America**	**Central - South America**	**Asia**	**Rest of the World**	**Consolidation**	**F.I.L.A. Group**
Core Business Revenue	247,063	135,588	96,159	89,942	2,621	(148,764)	422,609
of which Intercompany	*(68,904)*	*(2,064)*	*(39,173)*	*(38,593)*	*(29)*		
EBITDA	20,717	17,623	13,641	10,162	305	(5,624)	56,824
Net financial charges	6,666	3,328	(1,575)	(487)	145	(13,857)	(5,780)
of which Intercompany	*(11,064)*	*(2,949)*	*112*	*-*	*44*		
Net Profit/(loss)	15,432	13,225	8,437	3,192	396	(18,709)	21,972
Non-controlling interest profit	268	-	-	693	18		979
F.I.L.A. Group Net Profit	15,164	13,225	8,437	2,499	378	(18,709)	20,993

December 2015 *Euro thousands*	**Europe**	**North America**	**Central - South America**	**Asia**	**Rest of the World**	**Consolidation**	**F.I.L.A. Group**
Core Business Revenue	150,253	86,582	76,647	49,638	521	(88,308)	275,333
of which Intercompany	*(24,611)*	*(727)*	*(22,159)*	*(40,809)*	*(3)*		
EBITDA	16,505	15,394	9,271	5,421	(642)	(4,169)	41,780
Net financial charges	(31,779)	1,530	(2,710)	(466)	(243)	(8,498)	(42,166)
of which Intercompany	*(6,577)*	*(1,985)*	*48*	*-*	*16*		
Net Profit/(loss)	(21,509)	11,313	3,017	3,428	(906)	(11,743)	(16,400)
Non-controlling interest profit/(loss)	157	(89)	-	195			263
F.I.L.A. Group Net Profit/(loss)	(21,666)	11,402	3,017	3,233	(906)	(11,743)	(16,663)

For a better understanding of the changes between the comparative periods, the F.I.L.A. Group Business Segments for 2016 are presented below, net of corporate operation related changes.

December 2016 - LIKE-FOR-LIKE CONSOLIDATION *Euro thousands*	**Europe**	**North America**	**Central-South America**	**Asia**	**Rest of the World**	**Consolidation**	**F.I.L.A. Group**
Core Business Revenue	155,863	90,978	73,513	49,733	976	(81,783)	289,280
of which Intercompany	*(24,108)*	*(1,247)*	*(18,845)*	*(37,583)*	*-*		
EBITDA	19,001	17,142	8,802	4,219	47	(4,907)	44,302
Net financial charges	6,936	2,590	(1,751)	(273)	172	(12,979)	(5,305)
of which Intercompany	*(10,156)*	*(2,949)*	*88*	*-*	*38*		
Net Profit	17,610	12,917	3,844	2,434	184	(17,392)	19,597
Non-controlling interest profit	266			491	18		775
F.I.L.A. Group Net Profit	17,344	12,917	3,844	1,943	166	(17,392)	18,822

The main changes in the income statement accounts for the year 2016 ("Core Business Revenue", "EBITDA" and "Net Financial Charges") compared to the previous year, excluding the changes in the consolidation scope, are illustrated below:

"Core Business Revenue" of Euro 289,280 thousand increased on 2015 by Euro 13,947 thousand (+5.1%), principally relating to "Europe" and "North America".

The increase in core business revenues before intercompany eliminations is attributable to the following regional performances:

- "Europe" reported growth of Euro 5,610 thousand, mainly due to increased sales of coloured pencils, paints, felt-tip pens, glues, plasticine and modelling clay by F.I.L.A. S.p.A, Fila Stationary O.O.O. (Russia), Fila Hellas SA (Greece) and Fila Polska Sp. Z.o.o (Poland);
- "North America" saw an improvement of Euro 4,396 thousand, principally by the subsidiary Dixon Ticonderoga Company (U.S.A.) regarding sales of pencils and coloured felt-tip pens, watercolours and industrial products;
- "Central-South America" reported a contraction of Euro 3,134 thousand, principally due to movements of the South American currencies against the Euro. Excluding this effect, all of the South American branches delivered improved revenues on the main product families, in particular for glues, paints and industrial products by the Mexican branch;
- "Asia" reported revenue in line with the previous year.

"EBITDA" of Euro 44,302 thousand increased Euro 2,522 thousand, principally due to "Europe" and "North America", despite incurring in 2016 higher extraordinary charges of Euro 2,416 thousand (mainly in "Europe" against the acquisitions made in the year).

"Net Financial Charges" in 2016 of Euro 5,305 thousand improved Euro 36,861 thousand on 2015, principally due to the charges incurred in 2015 for the Fair Value measurement of Space S.p.A. equity at May 31, 2015 (Euro 45.8 million) and of the market warrants at December 31, 2015 (Euro 5.2 million), offset by the Fair Value re-measurement of the investment held in Writefine Products Private Limited (India, Euro 13.9 million).

Business Segments – Other Information

The "other information", concerning tangible and intangible fixed asset investments of Group companies by region for December 31, 2016 and December 31, 2015 is reported below:

December 2016 *Euro thousands*	**Europe**	**North America**	**Central - South America**	**Asia**	**Rest of the World**	**F.I.L.A. Group**
Intangible Assets	756			75		831
Property, Plant and Equipment	5,257	755	1,173	4,311	119	11,615
Net Investments	**6,013**	**755**	**1,173**	**4,386**	**119**	**12,446**

** Allocation by "Entity Location"*

December 2015 *Euro thousands*	**Europe**	**North America**	**Central - South America**	**Asia**	**Rest of the World**	**F.I.L.A. Group**
Intangible Assets	119			6	3	128
Property, Plant and Equipment	2,695	676	2,464	1,581	81	7,497
Net Investments	**2,814**	**676**	**2,464**	**1,587**	**84**	**7,625**

** Allocation by "Entity Location"*

Investments

Group investments for the year totalled Euro 12,593 thousand, broken down between “Intangible Assets” for Euro 834 thousand and “Property, Plant and Equipment” for Euro 11,759 thousand, undertaken both to achieve leaner production and to support sales volume growth.

The main intangible investments concerned F.I.L.A. S.p.A. for the installation of the new ERP and residually “Concessions, Licenses, Trademarks and Similar Rights”.

Investments in “Plant and Machinery” by the F.I.L.A. Group concerned the ongoing production facility expansion and production process streamlining. We particularly highlight in 2016 the investments of the parent F.I.L.A. S.p.A. (Euro 1,329 thousand) for the purchase of machinery at the Rufina Scopeti facility, by Writefine Products Private Limited (India, Euro 2,485 thousand) and by Daler Rowney Ltd (United Kingdom, Euro 804 thousand).

Investments in “Industrial and Commercial Equipment” in 2015 amounted to Euro 635 thousand, of which Euro 325 thousand by the Parent F.I.L.A. S.p.A. at the production facilities of Rufina Scopeti (Florence– Italy).

“Assets in Progress” at December 31, 2016 amount to Euro 3,610 thousand and related to F.I.L.A. S.p.A. (Euro 1,065 thousand), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Euro 680 thousand), Dixon Stationery (Kunshan) Co. Ltd. (Euro 538 thousand) and Canson SAS (Euro 477 thousand).

Other Information

Management and control

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

Treasury shares

At December 31, 2016, the Company did not hold any treasury shares.

Research and development

The Research and Development Department of the F.I.L.A. Group carries out activity in this regard and comprises a team of 12 dedicated employees operating within the production facilities.
The Research and Development Department avails of, where necessary, the support of technicians and production staff for the execution and verification of specific projects.
Specifically, research and development is carried out principally in Europe and in Central America.
These operations 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.

Research costs in 2016 incurred by the F.I.L.A. Group totalled Euro 488 thousand (Euro 701 thousand in 2015), of which Euro 344 thousand concerning Grupo F.I.L.A.- Dixon, S.A. de C.V. (Mexico) and Euro 144 thousand concerning the Parent F.I.L.A. S.p.A. and were entirely charged to the income statement.

In 2016, research and development costs were not capitalised as the requirements of IAS 38 had not been satisfied.

RESEARCH AND DEVELOPMENT

Euro thousands	2016	2015	Change
Development Costs Capitalised in Statement Fin. Pos.	-	-	-
Research Costs expensed to Income Statement	(488)	(701)	213

Transactions with Related Parties

For the procedures adopted in relation to transactions with related parties, also in accordance with Article 2391-bis of the Civil Code, reference should be made to the procedure adopted by the Parent pursuant to the Regulation approved by Consob with motion No. 17221 of March 12, 2010 and subsequent amendments, published on the website of the company www.filagroup.it in the "Governance" section.

Significant Events in the year

- On January 4, 2016, the period for the exercise of the "F.I.L.A. S.p.A. Market Warrants" concluded. Overall, 8,153,609 Market Warrants were exercised between December 1, 2015 and January 4, 2016 ("Deadline" as communicated by the Issuer on December 1, 2015) against the subscription of 2,201,454 ordinary shares. As established by paragraph 5.1 of the "F.I.L.A. S.p.A. Market Warrants" Regulation, the remaining 22,685 unexercised "F.I.L.A. S.p.A. Market Warrants" are cancelled and entirely invalid;

- On February 3, 2016, F.I.L.A. S.p.A. acquired 100% of the entire share capital - comprising "ordinary shares" and "preference shares" - of Renoir TopCo Ltd, the holding company of the Daler-Rowney Lukas Group, from the private equity fund Electra Partners LLP and the management team of Daler-Rowney.

  The Daler-Rowney Group has produced and distributed since 1783 materials and accessories for the art & craft sector. With a direct presence in the UK, the Dominican Republic (production), Germany and the USA (distribution), Daler-Rowney Lukas appeals to a wide consumer base and presents a perfectly complementary range to that of F.I.L.A. S.p.A.. In the US, Daler-Rowney Lukas since 2009 has been the principal supplier of art materials to Walmart.

  The acquisition of the entire share capital of Renoir TopCo Ltd involved total consideration of Euro 80.8 million, of which Euro 2.6 million as payment for the "ordinary shares", Euro 12.7 million as payment for the "preference shares" and Euro 65.5 million for redemption of the Loan Notes held by the sellers, in addition to the price adjustment of Euro 0.3 million in March 2016, in accordance with the purchase contract.

  The acquisition of the Daler-Rowney Lukas Group represents a further concrete step towards FILA's strengthening of its presence on the art & craft market, significantly increasing distribution and commercial synergies with the colour and creative instruments market, in line with F.I.L.A. S.p.A.`s acquisition-led growth strategy.
  The integration with the Daler-Rowney Lukas Group is undertaken in fact to tap into significant cost synergies - through optimising the production structure, the sales force and overhead costs - in addition to revenue synergies through increasing the sales of the Group's products.

  The operation was entirely financed through a medium-term bank loan, issued in February 2016, by Unicredit S.p.A., Intesa Sanpaolo S.p.A., Mediobanca Banca di Credito Finanziario

S.p.A. and Banca Nazionale del Lavoro S.p.A. for a total amount of Euro 130 million, which includes a revolving line to cover any needs generated by Group working capital.

- Within the completion of the range of products, on August 1, 2015 Writefine Products Limited (India) acquired 49% of the share capital of the Indian company Pioneer Stationary Pvt Ltd. (India) for approx. Euro 290 thousand, specialised in the production, marketing and distribution of stationary paper, prevalently on the domestic market.

  On May 1, 2016, Writefine Products Limited (India) acquired an additional 2%, for a value of approx. Euro 13 thousand. The non-controlling shareholders have the option to sell to Writefine Products Limited (India) the remaining 49% between the third and fourth year from the date of the contract; at the end of this period Writefine Products Limited (India) will have the right to exercise an option to acquire this share capital. The operation therefore resulted in the acquisition of a majority stake in Pioneer Stationery Pvt Ltd, previously recognised as an associate, which from May 1, 2016 was consolidated “line-by-line”.

- On May 12, 2016, F.I.L.A. S.p.A. presented a binding offer for the full acquisition of the Canson Group, held by the French Group Hamelin. This operation was completed on October 5, 2016 following the positive conclusion of the disclosure and consultation process involving the main trade unions representing the workers of the French companies.

  The Enterprise Value for the acquisition of the Canson Group was estimated at Euro 85 million.

  According to the contractual price adjustment mechanism, based on the net working capital and net financial position at the acquisition date, F.I.L.A. S.p.A. in February made a payment of Euro 15.6 million.

  The acquisition of the Canson Group, with a brand whose importance and distinction can provide a key contribution to the growth of the F.I.L.A. Group in the coming years, marries perfectly with the Group’s range of products.
  In 2015, Canson generated revenue of over Euro 100 million (+5.2% on 2014), relying on a workforce numbering more than 450.

  The acquisition was financed through the extension, for Euro 93 million, of the loan undertaken in February 2016 with a banking syndicate comprising Unicredit S.p.A., Intesa

Sanpaolo S.p.A., Mediobanca Banca di Credito Finanziario S.p.A. and Banca Nazionale del Lavoro S.p.A..

- On July 1, 2016, the subsidiary Writefine Products Limited (India) acquired for INR 20 million 35% of Uniwrite Pens and Plastics Pvt Ltd, an Indian company specialised in writing tools and in particular ballpoint pens.

- On September 14, 2016, F.I.L.A. S.p.A. acquired full control of the company St. Cuthberts Holding Limited and its operating company (St. Cuthberts Mill Limited). The operation was executed against total payment of GBP 5.4 million, financed through the extension in October 2016, for Euro 6.9 million, of the loan signed in February 2016 with a syndicate of banks comprising Unicredit S.p.A., Intesa Sanpaolo S.p.A., Mediobanca Banca di Credito Finanziario S.p.A. and Banca Nazionale del Lavoro S.p.A..

  St Cuthberts, founded in 1907, is a highly-renowned English paper mill located in the south-east of England and involved in the production of high quality papers. Over time, the company has specialised in papers for watercolours, for printmaking and for fine arts, creating its products utilising a particular “cylinder mould” technique which ensures the delivery of a highly crafted product.

Subsequent events

- On January 20, 2017, 52% of the share capital of FILA Art Products AG (Switzerland) was acquired, a company involved in the sale of F.I.L.A. Group writing, art and design products in Switzerland;

- On February 8, 2017, Lyra KG (Germany), a F.I.L.A. Group company held directly by F.I.L.A. S.p.A., sold 30% of its investment in Fila Nordic AB to non-controlling interests. The holding of Lyra KG (Germany) at December 31, 2016 was 50% and therefore is considered a F.I.L.A. Group subsidiary as per the definition of control in IFRS 10.

2017 Group Outlook

For 2017, amid a substantially stable market with the exception of certain regions where sustained growth (India) or recoveries (Russia, China and Brazil) are expected, the Group strategy will continue to focus on acquiring market share through strengthening distribution following the acquisition of the English Group Daler-Rowney Lukas and the French Group Canson.

Commercial and strategic focus will concern both “colour” and “Art & Craft” products, in order to broaden the customer base, thanks to the recent acquisitions of the company Industria Maimeri S.p.A., the Daler-Rowney Lukas Group and the Canson Group.

Management will closely focus on the integration of these latter entities acquired, both in production and commercial terms and eliminating products with insufficient margins.

Scheduled investments for 2016 concern, in addition to new plant and production machinery and industrial equipment, the extension of the French warehouse and the installation of the SAP system for a single Group level ERP.

Going Concern

The Directors of F.I.L.A. S.p.A. reasonably expect that F.I.L.A. S.p.A. and all of the other Group companies will continue operations into the foreseeable future and have prepared the consolidated financial statements of F.I.L.A. S.p.A. on the going concern basis and in line with the long-term economic and financial 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 payables. The objective is to finance the ordinary and extraordinary operations 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" operations.

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 by the CFO of 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 client advances.

The average cost of debt was in line with the Euribor/Libor at 3 and 6 months, with the addition of a spread which depends on the type of financial instrument utilised.

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

Loans obtained by the Parent Company F.I.L.A. S.p.A. provide for financial "covenants", in relation to which reference should be made to paragraph: "Note 13 - Financial Liabilities" of the Explanatory Notes to the Consolidated Financial Statements.

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 movements, 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 company 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 result and on the net equity.

The principal 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 undertake 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 revenues in currencies other than the Euro and in US Dollars, Mexican Pesos and British Sterling.

The F.I.LA. Group generally adopts an implied hedging policy to protect against this risk through the offsetting of costs and revenues 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 movements in the Euro may impact the economic, financial and equity position of the Group companies, in addition to the comparability between periods.

Also in relation to the commercial activities, the companies of the Group may hold commercial receivables or payables in currencies other than the operational 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, Mexico, the United Kingdom, Scandinavia, China, Argentina, Chile, Singapore, Indonesia, South Africa, Russia and India. As the Group's functional currency is the Euro, the income statements of these companies are converted into Euro at the average exchange rate and, at like-for-like revenues and margins of the local currency, changes in the exchange rate may result in effects on the value in Euro of revenues, costs and results recognised in the consolidation phase directly to equity in the account "Translation Differences" (See Note 12).

In 2016, the nature and the structure of the exchange risk exposures and the Group 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 guarantee 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 from operating and financial activities, will permit the Group to satisfy its requirements deriving from investment 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 the minimum, which concerns the difficulty in sourcing funding to ensure the on time discharge of financial debts.

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 therefore on the net financial charges of the Group.

The Parent F.I.L.A. SpA issues loans almost exclusively to Group companies, drawing on directly held funding.

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

The company chose to hedge the interest rate risk on the loan undertaken by F.I.L.A. S.p.A. in 2016 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, 2016 is the carrying value of the commercial assets recorded in the accounts, and the nominal value of the guarantees given on debts 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 historic data, linked to exposure limits by individual clients, in addition to insurance coverage on overseas clients (at Group level), ensure a good level of credit control and therefore minimise the relative 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 clients.

The individual positions are written down, if individually significant, with a provision which reflects the partial or total non-recovery of the receivable. The amount of the write-down 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 written down, an individual and general provision is made, taking into account historical experience and statistical data.

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 payables. The objective is to finance the ordinary and extraordinary operations 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” operations.

Disclosure in accordance with IFRS 7

The table below reports the carrying amounts for each category identified by IAS 39, as required by IFRS 7, with regard to the years ended December 31, 2016 and 2015.

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

Euro thousands	December 31, 2016	Measurement basis	Level 1	Level 2	Level 3
Financial assets					
Cash and Cash Equivalents	59,519	*Fair Value*			
Current and Non-Current Financial Assets	3,984	*Fair Value*			3,984
Trade and Other Receivables	113,582	*Fair Value*			
Total financial assets	**177,085**		**-**	**-**	**3,984**
Financial liabilities					
Financial Payables to banks	261,360	*Amortised Cost*			261,360
Other Lenders	16,647	*Fair Value*			16,647
Bank Overdrafts	5,580	*Fair Value*			
Financial Instruments	-	*Fair Value*			
Trade and Other Payables	90,445	*Fair Value*			
Total financial liabilities	**374,032**		**-**	**-**	**278,007**

Euro thousands	December 31, 2015	Measurement basis	Level 1	Level 2	Level 3
Financial assets					
Cash and Cash Equivalents	30,683	*Fair Value*			
Current and Non-Current Financial Assets	2,055	*Fair Value*			2,055
Trade and Other Receivables	77,731	*Fair Value*			
Total financial assets	**110,469**		**-**	**-**	**2,055**
Financial liabilities					
Financial Payables to banks	56,267	*Fair Value*			56,267
Other Lenders	611	*Fair Value*			611
Bank Overdrafts	13,171	*Fair Value*			
Financial Instruments	21,504	*Fair Value*	21,504		
Trade and Other Payables	52,985	*Fair Value*			
Total financial liabilities	**144,538**		**21,504**	**-**	**56,878**

Financial liabilities measured at amortised cost principally concern the loan undertaken by F.I.L.A. S.p.A. in 2016, issued by a banking syndicate comprising UniCredit S.p.A. as “Global coordinator - Mandated Lead Arranger”, Intesa Sanpaolo S.p.A. – Banca IMI, Mediobanca Banca di Credito Finanziario S.p.A. and Banca Nazionale del Lavoro S.p.A. as “Mandated Lead Arranger”. The loan was disbursed in February 2016 for Euro 109,357 thousand, against the total granting of Euro 130,000 thousand, including a “Revolving Credit Facility” of Euro 10,000 thousand in support of the acquisition of the Daler-Rowney Lukas Group. In May 2016, the company obtained an extension to the loan for a total nominal amount of Euro 236,900 thousand, following the acquisition of the Canson Group (hereafter “Facility A2” and “Facility B”).

Related to the above loan, the parent F.I.L.A. S.p.A. undertook derivative hedges upon the future cash flows, indexing the interest rate at Euribor at 3 months. The Interest Rate Swaps, structured with fixed rate payments against variable payments, qualified as derivative hedges and were considered as per the hedge accounting provisions of IAS 39. The Fair Value at December 31, 2016 was Euro 462 thousand and was recognised to "Non-Current Financial Assets", with the Fair Value adjustment at December 31 recognised as an equity reserve.

The F.I.L.A. S.p.A. Market Warrants at December 31, 2015 totalled Euro 21,504 thousand and were measured at "level 1" fair value, while at December 31, 2016 had been settled.

In accordance with IFRS 7, the effects on the income statement and equity in relation to each category of financial instruments of the Group in the years 2016 and 2015 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 gains and losses are recognised to the income statement:

Euro thousands	December 31, 2016	December 31, 2015
Interest Income from Bank Deposits	141	467
Total financial income	**141**	**467**
Financial Assets and Liabilities at Amortised Cost	(488)	0
Exchange Gains/(Losses) on Financial Operations	1,169	(1,255)
Total financial charges	**681**	**(1,255)**
Total net financial charges	**823**	**(788)**

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".

Euro thousands	December 31, 2016	December 31, 2015
Non-current financial payables	**190,052**	**1,510**
Loans - beyond one year	**190,052**	**1,510**
Banks - Principal third parties	194,768	1,404
Banks - Interest third parties	(4,866)	-
Banks	**189,902**	**1,404**
Other Lenders - Principal third parties	164	106
Other Lenders - Interest third parties	(14)	-
Other lenders	**150**	**106**

The account "Other lenders" includes the non-current portion of loans issued by banks and other lenders.

The balance at December 31, 2016 was Euro 190,052 thousand, of which Euro 189,902 thousand concerning bank loans and Euro 150 thousand loans from other lenders.

Euro thousands	December 31, 2016	December 31, 2015
Current financial payables	**93,534**	**68,539**
Loans - due within one year	**87,954**	**55,369**
Banks - Principal third parties	71,252	54,764
Banks - Interest third parties	205	99
Banks	**71,458**	**54,862**
Other Lenders - Principal third parties	16,485	501
Other Lenders - Interest third parties	12	5
Other lenders	**16,497**	**506**
Bank Overdrafts - Principal third parties	5,546	13,141
Bank Overdrafts - Interest third parties	34	30
Bank overdrafts	**5,580**	**13,171**

The balance at December 31, 2016 was Euro 93,534 thousand, of which Euro 71,458 thousand concerning bank loans, Euro 16,497 thousand concerning loans issued by other lenders and Euro 5,580 thousand bank overdrafts;

Financial liabilities to “Other lenders” principally concern the price adjustment contractual mechanism, based on the net working capital and net financial position at the acquisition date, adopted for the acquisition of the Canson Group, with F.I.L.A. S.p.A. recognising Euro 15,572 thousand to the counterparties involved in the business combination.

Receivables at December 31, 2015 and 2016 were as follows:

Euro thousands	December 31, 2016	December 31, 2015
Trade Receivables	102,689	69,598
Tax Receivables	4,070	3,375
Other Receivables	4,314	3,838
Prepayments and Accrued Income	2,509	920
Total	**113,582**	**77,731**

Payables at December 31, 2016 were as follows:

Euro thousands	December 31, 2016	December 31, 2015
Trade Payables	63,170	38,412
Tax Payables	5,291	4,775
Other Payables	20,490	8,787
Accrued Liabilities & Def.Income	1,494	1,011
Total	**90,445**	**52,985**

In relation to “Trade and Other Payables” and “Trade and Other Receivables”, reference should be made to “Note 9.A - Trade and Other Receivables” and “Note 20.A - Trade and Other Payables”.

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 of the main currencies:

	December 31, 2016			December 31, 2015		
(in Euro thousands)	**USD**	**MXN**	**CNY**	**USD**	**MXN**	**CNY**
Trade Receivables	25,309	519,389	7,960	9,036	509,860	0
Financial Assets	60,285	7,378	1,761	541	6,314	381
Financial Liabilities	(15,037)	(389,424)	(29,913)	(17,958)	(435,952)	(41,536)
Trade Payables	(10,430)	(147,461)	(22,756)	(2,888)	(79,127)	(26,574)
Net Balance sheet Exposure	**60,126**	**(10,118)**	**(42,949)**	**(11,269)**	**1,095**	**(67,729)**

The impact on the income statement and balance sheet, both negative, following an increase of 10% in the exchange rate of the main foreign currencies against the Euro, would total approx. Euro 4,611 thousand (Euro 1,807 thousand at December 31, 2015).

Closing exchange rates applied:

Year-End Exchange Rate		
Currency	**December 31, 2016**	**December 31, 2015**
USD /€	1.054	1.089
MXN /€	21.772	18.915
CNY /€	7.320	7.061

effect of a 10% increase on the Euro exchange rate:

Change in Equity		
Currency	**December 31, 2016**	**December 31, 2015**
USD /€	5,185	(941)
MXN /€	(42)	5
CNY /€	(533)	(872)
Total	**4,611**	**(1,807)**

Interest rate risk

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

The financial assets and liabilities at variable rates are reported below:

Euro thousands	**December 31, 2016**	**December 31, 2015**
Financial Liabilities	283,586	70,049
Financial assets/liabilities at variable rate	**283,586**	**70,049**

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

A change of 100 "basis points" in the interest rates applicable to financial assets and liabilities at variable rates in place at December 31, 2016 would result in the following income statement and balance sheet impacts on an annualised basis.

Euro thousands	**Equity** Change 100 bps	
	+ 100 bps	**- 100 bps**
December 31, 2016		
Financial Assets/Liabilities at Variable Rate	2,836	(2,836)
December 31, 2015		
Financial Assets/Liabilities at Variable Rate	700	(700)

The same variables are maintained to establish the income statement and balance sheet impact at December 31, 2016.

The capital portions of financial assets and liabilities of the F.I.L.A. Group are broken down by contractual maturity for 2016 and 2015, in line with "Note 13.A – Financial Liabilities":

December 31, 2016 *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	59,519	-	-	-	-	59,519
Loans and Receivables	-	355	-	-	-	355
Financial liabilities						
Financial liabilities - Banks [1]	71,252	18,836	29,449	36,123	105,494	261,154
Other Lenders	16,485	123	20	15	6	16,650
Expected cash flow	**(28,219)**	**(18,604)**	**(29,469)**	**(36,138)**	**(105,500)**	**(217,930)**

[1] The capital portion of Financial Liabilities - Banks amounts to Euro 266,020 thousand, with an amortized cost adjustment of the medium/long-term portion of Euro 4,866 thousand. The net carrying amount in the table is therefore Euro 261,154 thousand.

December 31, 2015 *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	30,683	-	-	-	-	30,683
Loans and Receivables	-	-	354	-	-	354
Financial liabilities						
Financial liabilities - Banks	54,764	395	378	408	223	56,168
Other Lenders	501	106				607
Expected cash flow	**(24,582)**	**(501)**	**(24)**	**(408)**	**(223)**	**(25,738)**

Credit Risk

At December 31, 2016, the account "Trade and Other Receivables" totalling Euro 113,582 thousand (Euro 77,731 thousand at December 31, 2015) is reported net of the relative doubtful debt provision of Euro 4,794 thousand (Euro 3,966 thousand at December 31, 2015).

The aging of trade receivables at December 31, 2016 (Euro 102,689 thousand) compared with December 31, 2015 is reported below:

GROSS TRADE RECEIVABLES: AGEING

Euro thousands	**December 31, 2016**	**December 31, 2015**	**Change**
Overdue between 0-60 days	20,448	11,902	8,546
Overdue between 60-120 days	7,267	7,468	(201)
Overdue beyond 120 days	5,930	5,278	652
Not yet due	69,044	44,950	24,094
Total amount	**102,689**	**69,598**	**33,091**

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

TRADE RECEIVABLES THIRD PARTIES - DISTRIBUTION CHANNEL

Euro thousands	December 31, 2016	December 31, 2015	Change
Wholesalers	33,230	29,422	3,809
School/Office Suppliers	11,861	4,481	7,379
Supermarkets	36,414	16,467	19,947
Retailers	7,722	6,152	1,570
Distributors	5,668	7,375	(1,707)
Promotional & B2B	4,713	2,698	2,016
Other	3,081	3,004	77
Third parties	**102,689**	**69,598**	**33,091**

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

TRADE RECEIVABLES: REGION

Euro thousands	December 31, 2016	December 31, 2015	Change
Europe	34,162	23,537	10,625
North America	26,156	9,206	16,950
Central/South America	33,785	33,004	781
Asia	4,278	1,452	2,826
Rest of the world	4,308	2,399	1,909
Total	**102,689**	**69,598**	**33,091**

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 General Managers, who in turn report to the Parent Company 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 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. F.I.L.A. S.p.A. holds the OHSAS 18001: 2007 certification with validity until 2019, and the last Audit concluded positively without any issues arising in December 2016. All employees are assigned a competent workplace doctor (under Legislative Decree No. 81/08) and obligatory visits are provided for.

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..

Personnel

The F.I.L.A. Group workforce at December 31, 2016 numbered 7,789 FTE compared to 6,036 at December 31, 2015.

The changes are principally attributable to the change in the consolidation scope. In fact, the employees stemming from corporate operations number 1,295.

The following table reports the breakdown of the F.I.L.A. Group workforce at December 31, 2016 and 2015.

	Europe	North America	Central - South America	Asia	Rest of the World	Total
December 31, 2015	527	92	1,322	4,083	12	6,036
December 31, 2016	1,106	186	1,753	4,709	35	7,789
Change	**579**	**94**	**431**	**626**	**23**	**1,753**

and the breakdown by worker category:

PERSONNEL - FULL TIME EQUIVALENT				
	Manager	**White-collar**	**Blue-collar**	**Total**
December 31, 2015	**41**	**1,323**	**4,672**	**6,036**
December 31, 2016	**138**	**1,710**	**5,941**	**7,789**
of which change in consolidation scope	**83**	**240**	**972**	**1,295**

The 2016 average workforce of the F.I.L.A. Group was 7,548, increasing 1,952 on December 31, 2015, of which 1,295 concerning the change in the consolidation scope.

	Europe	North America	Central/South America	Asia	Rest of the World	Total
Executives	70	30	13	19	9	141
Manager/White-collar	429	87	384	741	13	1,654
Blue-collar	602	69	1,402	3,667	13	5,753
Total at December 31, 2016	**1,101**	**186**	**1,799**	**4,427**	**35**	**7,548**
	Europe	**North America**	**Central/South America**	**Asia**	**Rest of the World**	**Total**
Executives	18	18	9	7	1	53
Manager/White-collar	254	63	367	475	8	1,167
Blue-collar	250	11	943	3,169	3	4,376
Total at December 31, 2015	**522**	**92**	**1,319**	**3,651**	**12**	**5,596**

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 2016**	**December 2015**	**Nature**
Bonus	1,851	1,199	Perfomance Bonus
Total amount	**1,851**	**1,199**	

In 2016, 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 CFA, approved by the Board of Directors of the Company, together with the Directors' Report made available by the Company at the registered office of the Company, 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 these reports, approved by the Board of Directors, are published in accordance with the terms required by regulations on the website of the Company 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 conferment of assets in kind, acquisitions and sales.

The following table outlines the total emoluments 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 nature, in the case of "performance bonuses and one-off remuneration" received in 2016.

Euro thousands	**Emoluments for Office**	**Other Remuneration (Bonus)**
Directors	1,466	1,829
Statutory Auditors	76	-
Total amount	**1,542**	**1,829**

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

The Shareholders' Meeting of F.I.L.A. S.p.A. approved on January 14, 2015 the appointment of KPMG S.p.A. for the years 2015-2023 for the auditing duties as per Article 2409-ter of the Civil Code and the audit of the 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 Consolidated Equity and Result

Euro thousands	Equity December 31, 2015	Equity changes	Net Result 2016	Equity December 31, 2016
F.I.L.A. S.p.A. Financial Statements	**131,320**	**19,095**	**11,426**	**161,840**
Consolidation effect of the financial statements of subsid	56,819	(2,842)	9,567	63,544
Translation Reserve	(379)	(10,525)		(10,904)
F.I.L.A. Group Consolidated Financial Statements	**187,760**	**5,728**	**20,993**	**214,480**
Non-controlling interest equity	23,967	(457)	979	24,489
Consolidated Financial Statements	**211,727**	**5,271**	**21,972**	**238,970**

****

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

we submit for Your approval the Financial Statements for the year ended December 31, 2016, comprising the statement of financial position, the statement of comprehensive income, the statement of change in equity and the statement of cash flows and the explanatory notes, with the relative attachments, which report a profit of Euro 11,426,285.42 and we propose:

1. to allocate the profit to "Retained Earnings" for Euro 7,715,378.42;
2. 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.

The Board of Directors
THE CHAIRMAN
Mr. GIANNI MION

CONSOLIDATED FINANCIAL STATEMENTS OF THE F.I.L.A. GROUP AND THE SEPARATE FINANCIAL STATEMENTS OF F.I.L.A. S.p.A. AT DECEMBER 31, 2016

III Consolidated Financial Statements of the F.I.L.A. Group at December 31, 2016

Consolidated Financial Statements

Statement of Financial Position

Euro thousands		December 31, 2016	December 31, 2015
Assets		**680,501**	**384,450**
Non-Current Assets		**324,614**	**152,229**
Intangible Assets	Note 1	218,440	88,156
Property, Plant and Equipment	Note 2	81,321	47,901
Non-Current Financial Assets	Note 3	3,709	1,787
Investments Measured at Equity	Note 4	271	322
Investments Measured at Cost	Note 5	31	31
Deferred Tax Assets	Note 6	20,842	14,032
Current Assets		**355,887**	**232,221**
Current Tax Receivables	Note 3	275	268
Deferred Tax Assets	Note 7	5,105	5,020
Inventories	Note 8	177,406	118,519
Trade and Other Receivables	Note 9	113,582	77,731
Cash and Cash Equivalents	Note 10	59,519	30,683
LIABILITIES AND EQUITY		**680,501**	**384,450**
Equity	Note 12	**238,970**	**211,727**
Share Capital		37,171	37,171
Reserves		35,550	80,828
Retained Earnings		120,767	86,424
Net Profit for the year		20,993	(16,663)
Group Equity		**214,481**	**187,760**
Non-controlling interest equity		**24,489**	**23,967**
Non-Current Liabilities		**250,152**	**27,421**
Non-Current Financial Liabilities	Note 13	190,052	1,510
Financial Instruments	Note 17	-	-
Employee Benefits	Note 14	11,343	5,352
Provisions for Risks and Charges	Note 15	1,618	942
Deferred Tax Liabilities	Note 16	47,034	19,485
Other Payables	Note 19	105	132
Current Liabilities		**191,379**	**145,302**
Current Financial Liabilities	Note 13	93,534	68,539
Financial Instruments	Note 17	-	21,504
Provisions for Risks and Sharges	Note 15	2,449	434
Current Tax Payables	Note 18	4,951	1,840
Trade and Other Payables	Note 19	90,445	52,985

Statement of Comprehensive Income

Euro thousands		December 31, 2016	December 31, 2015
Revenue from Sales and Service	Note 20	422,609	275,333
Other Revenue and Income	Note 21	19,652	7,210
Total Revenue		**442,261**	**282,543**
Raw Materials, Ancillary, Consumables and Goods	Note 22	(196,991)	(126,609)
Services and Rent, Leases and Similar Costs	Note 23	(101,731)	(68,477)
Other Operating Costs	Note 24	(20,313)	(8,188)
Change in Raw Materials, Semi-Finished, Work-in-progress & Finished Prod.	Note 22	15,997	18,175
Labour Costs	Note 25	(82,399)	(55,664)
Amortisation & Depreciation	Note 26	(14,910)	(6,792)
Write-downs	Note 27	(828)	(989)
Total Operating Costs		**(401,175)**	**(248,544)**
EBIT		**41,086**	**33,999**
Financial Income	Note 28:	4,470	15,695
Financial Expense	Note 29	(10,231)	(58,281)
Income/Expense from Investments at Equity	Note 31	(19)	420
NET FINANCIAL CHARGES		**(5,780)**	**(42,166)**
Pre-Tax Profit/(loss)		**35,306**	**(8,167)**
Income Taxes		(14,385)	(10,444)
Deferred Tax Income and Charges		1,051	2,158
Total Income Taxes	Note 32	**(13,334)**	**(8,286)**
NET PROFIT/(LOSS) - CONTINUING OPERATIONS		**21,972**	**(16,453)**
NET PROFIT - DISCONTINUED OPERATIONS		**-**	**53**
Net Profit/(Loss) for the Year		**21,972**	**(16,400)**
Attributable to:			
Profit attributable to non-controlling interests		**979**	**263**
Profit/(loss) attributable to shareholders of the parent		**20,993**	**(16,663)**
Other Comprehensive Income Items which may be reclassified subsequently in the P&L account		**(9,922)**	**1,426**
Translation Difference recorded in Equity		(10,384)	1,426
Adjustment Fair value of Hedges		462	-
Other Comprehensive Income Items which may not be reclassified subsequently in the P&L account		**(1,961)**	**36**
Actuarial Gains/(Losses) for Employee Benefits recorded directly to Equity		(2,216)	14
Income Taxes on income and charges recorded directly to Equity		255	22
Other Comprehensive Income Items (net of tax effect)		**(11,883)**	**1,462**
Total Comprehensive Income		**10,089**	**(14,938)**
Attributable to:			
Profit attributable to non-controlling interests		**1,100**	**340**
Profit/(loss) attributable to shareholders of the parent		**8,989**	**(15,278)**
Earnings per share:			
	basic	*0.51*	*(0.49)*
	diluted	*0.50*	*(0.49)*

Statement of changes in Equity

Euro thousands	Share capital	Legal Reserve	Share Premium Reserve	IAS 19 Reserve	Other Reserves	Translation Difference	Retained Earnings	Group Profit/(loss)	Group Equity	Non-Control. Int. Capital and Reserves	Non-Control. Int. Profit/Loss	Non-Control. Int. Equity	Total Equity
December 31, 2015	**37,171**	**-**	**109,879**	**(1,361)**	**(27,311)**	**(379)**	**86,424**	**(16,663)**	**187,760**	**23,704**	**263**	**23,967**	**211,727**
Net Profit								20,993	20,993		979	979	21,972
Other Changes in the year			4,503	(1,942)	462	(10,525)	16,941		9,439	294		294	9,733
Gains/(losses) recorded directly to equity	-	-	**4,503**	**(1,942)**	**462**	**(10,525)**	**16,941**	**20,993**	**30,432**	**294**	**979**	**1,273**	**31,705**
Allocation of the 2015 result							(16,663)	16,663	-	263	(263)	-	-
Allocation to reserves		7,434	(49,033)		3,823		37,776		-			-	-
Dividends							(3,711)		(3,711)	(751)		(751)	(4,462)
December 31, 2016	**37,171**	**7,434**	**65,349**	**(3,303)**	**(23,026)**	**(10,904)**	**120,767**	**20,993**	**214,481**	**23,510**	**979**	**24,489**	**238,970**

Note:
1) The figures at December 31, 2015 correspond to the consolidated financial statements of F.I.L.A. S.p.A. for the year ended December 31, 2015, as approved by the Shareholders' Meeting of F.I.L.A. S.p.A. on April 29, 2016.
2) For information on the changes in the equity account, reference should be made to Note 12 of the Explanatory Notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

Euro thousands		December 31, 2016	December 31, 2015
EBIT		**41,086**	**33,999**
Adjustments for non-cash items:		**16,772**	**9,695**
Amortisation & Depreciation	Note 1 - 2	14,910	6,792
Write-down and Recovery in Value	Note 1 - 2	10	3
Doubtful Debt Provision	Note 9	819	985
Exch. effect on Assets and Liabilities in Foreign Curr. of Commercial Transactions	Note 24	1,083	1,960
Gain/Loss on Fixed Asset Disposals	Note 21 - 24	(49)	(46)
Integrations for:		**(11,901)**	**(18,736)**
Income Taxes Paid	Note 7 - 18	(11,987)	(15,522)
Unrealised Exchange Differences on Assets and Liabilities in Foreign Currencies	Note 28 - 29	3,871	(2,053)
Realised Exchange Differences on Assets and Liabilities in Foreign Currencies	Note 28 - 29	(3,785)	(1,161)
Cash Flow from Operating Activities Before Changes in NWC		**45,957**	**24,957**
Changes in Net Working Capital:		**(4,260)**	**(24,665)**
Change in Inventories	Note 8	(16,470)	(18,545)
Change in Trade and Other Receivables	Note 9	(4,607)	(2,382)
Change in Trade and Other Payables	Note 19	15,409	(3,978)
Change in Other Assets/Liabilities	Note 15 - 16 - 6	348	118
Change in Post-Employment and Employee Benefits	Note 14	1,060	121
Cash Flow from Operating Activities		**41,696**	**292**
Total Investment/Divestment in Intangible Assets	Note 1	(831)	(128)
Total Investment/Divestment in Property, Plant and Equipment	Note 2	(11,615)	(7,497)
Total Investment/Divestment of Investments measured at Equity, net of Income/Charges & Adjustments (Uniwrite Pens and Plastics Pvt Ltd)		(290)	-
Total Investment/Divestment in Other Financial Assets	Note 3	1,799	(503)
Acquisition of investment in Writefine Products Private Limited		-	(36,110)
Acquisition of investment in Daler & Rowney Lukas Group		(16,875)	-
Acquisition of investment in Pioneer Stationary Pvt Ltd		(13)	-
Acquisition of investment in St Cuthberts		(6,727)	-
Acquisition of investment in Canson		(61,034)	-
Interest Received		105	467
Cash Flow from Investing Activities		**(95,481)**	**(43,772)**
Total Change in Equity	Note 12	(4,461)	(271)
Interest paid	Note 29	(5,761)	(3,775)
Total Increase/Decrease Loans and Other Financial Liabilities	Note 13	226,566	(65,450)
Cash Flow from Financing Activities		**216,343**	**(69,495)**
Translation difference	Note 12	(10,384)	1,426
Other non-cash equity changes		4,157	2,673
NET CASH FLOW IN THE YEAR		**156,331**	**(108,877)**
Changes in Consolidation Scope			
Cash and Cash Equivalents net of Bank Overdrafts at beginning of the year		17,542	30,663
Cash and Cash Equivalents net of Bank Overdrafts at beginning of the year (merger contribution)		-	93,333
Cash and Cash Equivalents net of Bank Overdrafts at beginning of the year (change in consolidation scope)		(119,901)	2,423
Cash and Cash Equivalents net of Bank Overdrafts at end of the year		**53,973**	**17,542**

1) *Cash and cash equivalents at December 31, 2016 totalled Euro 59,519 thousand; current account overdrafts amounted to Euro 5,546 thousand net of relative interest.*
2) *Cash and cash equivalents at December 31, 2015 totalled Euro 30,683 thousand; current account overdrafts amounted to Euro 13,141 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 from non-cash operations were eliminated (including the conversion of statement of financial position items in currencies other than the Euro), where significant. These effects were aggregated and included in the account "Other non-cash changes".*

Euro thousands	December 2016	December 2015
Opening Cash and Cash Equivalents	**17,542**	**30,663**
Cash and cash equivalents	30,683	32,473
Bank overdrafts	(13,141)	(1,810)
Closing Cash and Cash Equivalents	**53,973**	**17,542**
Cash and cash equivalents	59,519	30,683
Bank overdrafts	(5,546)	(13,141)

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

Euro thousands		December 31, 2016	*of which:* Related Parties	December 31, 2015	*of which:* Related Parties
Assets		**680,501**	**12**	**384,450**	
Non-Current Assets		**324,614**	**12**	**152,229**	
Intangible Assets	Note 1	218,440		88,156	
Property, Plant and Equipment	Note 2	81,321	12	47,901	
Non-Current Financial Assets	Note 3	3,709		1,787	
Investments Measured at Equity	Note 4	271		322	
Investments Measured at Cost	Note 5	31		31	
Deferred Tax Assets	Note 6	20,842		14,032	
Current Assets		**355,887**		**232,221**	
Current Tax Receivables	Note 3	275		268	
Deferred Tax Assets	Note 7	5,105		5,020	
Inventories	Note 8	177,406		118,519	
Trade and Other Receivables	Note 9	113,582		77,731	
Cash and Cash Equivalents	Note 10	59,519		30,683	
Liabilities and Equity		**680,501**	**802**	**384,450**	**637**
Equity	Note 12	**238,970**		**211,727**	
Share Capital		37,171		37,171	
Reserves		35,550		80,828	
Retained Earnings		120,767		86,424	
Net Profit for the year		20,993		(16,663)	
Group Equity		**214,481**		**187,760**	
Non-Control. Int. Equity		**24,489**		**23,967**	
Non-Current Liabilities		**250,152**		**27,421**	
Non-Current Financial Liabilities	Note 13	190,052		1,510	
Financial Instruments	Note 17	-		-	
Employee Benefits	Note 14	11,343		5,352	
Provisions for Risks and Charges	Note 15	1,618		942	
Deferred Tax Liabilities	Note 16	47,034		19,485	
Other Payables	Note 19	105		132	
Current Liabilities		**191,379**	**802**	**145,302**	**637**
Current Financial Liabilities	Note 13	93,534		68,539	
Financial Instruments	Note 17	-		21,504	
Provisions for Risks and Charges	Note 15	2,449		434	
Current Tax Payables	Note 18	4,951		1,840	
Trade and Other Payables	Note 19	90,445	802	52,985	637

Income statement with indication of transactions with related parties pursuant to CONSOB motion No. 15519 of July 27, 2006

Euro thousands		December 31, 2016	*of which:* Related Parties	*of which:* Non-Recurring Charges	December 31, 2015	*of which:* Related Parties	*of which:* Non-Recurring Charges
Revenue from Sales and Service	Note 20	422,609	14		275,333		
Other Revenue and Income	Note 21	19,652			7,210		
Total Revenue		**442,261**			**282,543**		
Raw Materials, Ancillary, Consumables and Goods	Note 22	(196,991)	(2,379)		(126,609)	(1,107)	
Services and Rent, Leases and Similar Costs	Note 23	(101,731)	(601)	(7,519)	(68,477)	(695)	(5,339)
Other Operating Costs	Note 24	(20,313)		(983)	(8,188)		(443)
Change in Raw Materials, Semi-Finished, Work-in-progress & Finished Prod.	Note 22	15,997			18,175		
Labour Costs	Note 25	(82,399)		(1,897)	(55,664)		(61)
Amortisation & Depreciation	Note 26	(14,910)			(6,792)		
Write-downs	Note 27	(828)			(989)		
Total Operating Costs		**(401,175)**			**(248,544)**		
EBIT		**41,086**			**33,999**		
Financial Income	Note 28	4,470			15,695	1	
Financial Expense	Note 29	(10,231)			(58,281)	(106)	
Income/Expense from Investments at Equity	Note 31	(19)			420		
Net financial charges		**(5,780)**			**(42,166)**		
Pre-Tax Profit/(loss)		**35,306**			**(8,167)**		
Income Taxes		(14,385)			(10,444)		
Deferred Tax Income and Charges		1,051			2,158		
Total Income Taxes	Note 32	**(13,334)**			**(8,286)**		
Net Profit/(loss) - Continuing Operations		**21,972**			**(16,453)**		
Net Profit - Discontinued Operations		-			**53**		
Net Profit/(loss) for the year		**21,972**			**(16,400)**		
Attributable to:							
Profit attributable to non-controlling interests		**979**			**263**		
Profit/(loss) attributable to shareholders of the parent		**20,993**			**(16,663)**		
Other Comprehensive Income Items which may be reclassified subsequently in the P&L account		**(9,922)**			**1,426**		
Translation Difference recorded in Equity		(10,384)			1,426		
Adjustment Fair value of Hedges		462			-		
Other Comprehensive Income Items which may not be reclassified subsequently in the P&L account		**(1,961)**			**36**		
Actuarial Gains/(Losses) for Employee Benefits recorded directly to Equity		(2,216)			14		
Income Taxes on income and charges recorded directly to Equity		255			22		
Other Comprehensive Income Items (net of tax effect)		**(11,883)**			**1,462**		
Total Comprehensive Income		**10,089**			**(14,938)**		
Attributable to:							
Profit attributable to non-controlling interests		**1,100**			**340**		
Profit/(loss) attributable to shareholders of the parent		**8,989**			**(15,278)**		
Earnings per share:							
basic		*0.51*			*(0.49)*		
diluted		*0.50*			*(0.49)*		

Explanatory 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 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 Company") is a limited liability company with registered office in Pero (Italy), Via XXV April, 5. The ordinary shares of the Company were admitted for trading on the MTA, STAR Segment, organised and managed by Borsa Italiana S.p.A. from November 12, 2015.

The consolidated financial statements of the F.I.L.A. Group were 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 Group financial statements, in order to comply with international accounting standards (IFRS).

The present consolidated financial statements are presented in Euro, as the functional currency in which the Group operates and comprise the Consolidated Statement of Financial Position, in which assets and liabilities are classified under current and non-current, the Statement of Comprehensive Income, the Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Explanatory Notes and are accompanied by the Directors' Report.
All amounts reported in the Consolidated Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Consolidated Statement of Changes in Equity and in the Explanatory Notes are expressed in thousands of Euro, except where otherwise stated.

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

Accounting principles and policies

The consolidated financial statements of the F.I.L.A. Group and of the Parent F.I.L.A. S.p.A. (hereafter also “Parent”, “Company”) at December 31, 2016, 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 approved by the European Union.

The IFRS were applied consistently for all the periods presented in the present 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.

The accounting standards, amendments and interpretations applied from January 1, 2016 are reported below.

Amendments to *IAS 19 Employee Benefits* - Defined benefit plans: employee contributions

The amendment, issued by the IASB in November 2013, introduces simplifications for the accounting of defined benefit plans which include contributions by employees or third parties. In particular, the amendments to IAS 19 enable the recognition of these contributions as a reduction of service costs in the period in which the services are rendered, where the contributions are:

- formally established under the plan conditions;
- related to the services provided; and
- independent from the number of years of service.

In all other cases, these contributions must be attributed to the individual periods of the plan through the actuarial calculation of the relative liability. For the IASB, the amendments entered into force from financial statements beginning or subsequent to July 1, 2014. For the European Union, the entry into force was postponed to financial statements beginning or subsequent to February 1, 2015.

Improvements to IFRS: 2010-2012 Cycle

On December 12, 2013, the IASB published the “Annual Improvements to IFRS’s: *2010-2012 Cycle*” document, which includes the amendments to the standards within the annual improvement process. For the IASB, the amendments entered into force from financial statements beginning or subsequent to July 1, 2014. For the European Union, the entry into force was postponed to financial statements beginning or subsequent to February 1, 2015.

The principal changes relate to:

- IFRS 2 *Share-based payments* - The definition of "vesting conditions" and "market conditions" were clarified and the concepts of "performance conditions" and "service conditions" were defined separately.

- *IFRS 3 Business combinations* - The amendments clarify that a contingent consideration classified as an asset or as a liability must be measured at fair value at each reporting date, whether the contingent consideration is a financial instrument in application of IAS 39 or a non-financial asset or liability. The changes in the fair value must be recognised to the profit/(loss) for the period.

- *IFRS 8 Operating Segments* - The amendments require an entity to provide disclosure on the evaluations made by Management in the application of the operating segment aggregation, including a description of the aggregated operating segments and of the economic indicators considered in determining whether these operating segments have "similar economic characteristics". The amendments also clarify that the reconciliation between the total assets of the operating segments and the total assets of the entity must be presented only if the total assets of the operating segments are regularly reviewed by the Chief Operating Decision-Maker ("CODM").

- *IFRS 13 Fair Value Measurement* - The Basis for Conclusions were modified in order to clarify that with the issue of IFRS 13 current trade receivables and payables may be recorded without recording the effects of discounting, where these effects are not significant.

- *IAS 16 Property, Plant and Equipment and IAS 38 Intangible assets* - The amendments eliminated inconsistencies concerning the recording of accumulated amortisation and depreciation in the case in which the restatement criterion is applied. The new requirements clarify that the gross carrying amount is adjusted consistently with the revaluation of the carrying amount of the asset and that the depreciation or amortisation provision is equal to the difference between the gross carrying amount and the carrying amount, less the impairments recorded.

- *IAS 24 Related party disclosures* - with the amendment to IAS 24, the IASB:
  - extended the definition of "related party" to entities providing within the Group key management services;

- clarified that it is sufficient to provide the total amount of the cost recharged for the provision of management services without breaking down the fees paid or due.

Amendment to IFRS 11 Joint Arrangements

The amendments, published by the IASB in May 2014 and approved by the European Commission in November 2015, provide clarification on the accounting treatment of the acquisition of investments under joint control which constitute a business.

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible assets

The amendments, published by the IASB in May 2014 and approved by the European Commission in December 2015, clarify that revenue-based methods to calculate depreciation are not appropriate as revenues generated from an activity which includes the utilisation of an asset generally reflect factors differing from the consumption of the economic benefits of the asset itself. IASB also clarified that revenues generally are not considered an adequate basis to measure the consumption of the economic benefits generated from an intangible asset. However this presumption may not be applicable in certain limited circumstances.

Improvements to IFRS: 2012-2014 cycle

In September 2014, the IASB published the “Annual Improvements to IFRS’s: 2012-2014 Cycle”, which includes the amendments to the standards within the annual improvement process.

The principal changes relate to:

- *IFRS 5 Non-current Assets Held-for-Sale and Discontinued Operations* - The amendment introduces specific guidelines to IFRS 5 in the case in which an entity reclassifies an asset (or a disposal group) from the held-for-sale category to the held-for-distribution category (or vice versa), or where the requirements to classify an asset as held-for-distribution are no longer present;
- *IAS 19 Employee Benefits* - The amendment to IAS 19 clarifies that high quality corporate bonds utilised to calculate the discount rate of post-employment benefits should be in the same currency as that utilised for the payment of the benefits;
- *IAS 34 Interim Reporting* - The amendment clarifies the requirements where the disclosure is presented in the interim financial report, but outside of the interim financial statements. The amendment requires that this disclosure is included through a cross-reference from the interim financial statements to other parts of the interim financial report and that this document is made

available to readers of the financial statements in the same manner and according to the same timelines as the interim financial statements;

- *IFRS 7 - Financial Instruments: Disclosure -* The document introduces further guidelines to clarify if a servicing contract constitutes a residual involvement in an asset transferred for the purposes of the disclosure required in relation to transferred assets.

The amendments to IAS 1, published in December 2014 and approved by the European Commission in December 2015, are applied from periods beginning January 1, 2016 or subsequently.

The principal changes relate to:

- significance and aggregation of information:
- aggregation/deaggregation of accounts;
- other items of the statement of comprehensive income;
- order of the explanatory notes;
- partial results in the financial statements.

Amendment to IAS 27 Separate Financial Statements

The amendments to IAS 27, published in August 2014 and approved by the European Commission in December 2015, allow entities to use the equity method to measure investments in subsidiaries, joint ventures and associates in the separate financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28

The amendments, published in December 2014 and approved by the European Commission in September 2016, are applied retrospectively from periods beginning January 1, 2016 or subsequently.

The principal changes relate to:

- *IFRS 10 Consolidated Financial Statements* – The amendments to IFRS 10 clarify that the exemption from the presentation of consolidated financial statements applies to a parent in turn controlled by an investment company, when the investment entity measures all its subsidiaries at fair value.
- *IAS 28 Investments in Associates* – The amendment to IAS 28 permits a company which is not an investment entity and that has an investment in an investment entity valued at equity, to maintain the fair value applied by the investment company for its interest in subsidiaries.

- *IFRS 12 Disclosure on investments in other entities* – the amendment to IFRS 12 clarifies that this standard is not applicable to investment entities who prepare their financial statements measuring all subsidiaries at fair value through the income statement.

Accounting standards, amendments and interpretations approved by the EU and applicable from January 1, 2016

IFRS 15 Revenue from Contracts with Customers

The standard, issued by the IASB in May 2014, amended in April 2016 and approved by the European Commission in September 2016, introduces a framework which establishes whether, when and to what extent revenue will be recognised. IFRS 15 is applied from periods beginning January 1, 2018 or consequently (date modified through amendment of September 2015, postponing the application date by one year from January 1, 2017) and permits advanced application. On first application, IFRS 15 must be applied retroactively. A number of simplifications are however permitted ("practical expedients"), in addition to an alternative approach ("cumulative effect approach") which avoids the restatement of periods presented for comparative disclosure; in this latter case, the effects from the application of the new standard must be recognised to the initial equity of the period of first application of IFRS 15. With the amendment of April 2016, the IASB clarified a number of provisions and at the same time additional simplifications, in order to reduce costs and the complexity for those applying the new standard for the first time.

The F.I.L.A. Group is assessing the potential effects from application of IFRS 15 on the consolidated financial statements.

IFRS 9 – Financial instruments

The standard, issued by the IASB in July 2014 approved by the European Commission in November 2016, replaces IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 introduces new provisions for the classification and measurement of financial instruments, including a new model for expected losses from impairments on financial assets, and new general provisions for hedging operations. In addition, the standard includes provisions for the recognition and accounting elimination of financial instruments in line with the current IAS 39. The new standard is applicable from January 1, 2018 and advance adoption is permitted. IFRS 9 indicates as a general rule that application should take place prospectively, although a number of exceptions are permitted.

The F.I.L.A. Group is assessing the potential effects from application of IFRS 15 on the consolidated financial statements.

Accounting standards, amendments and interpretations not yet approved by the EU and applicable from January 1, 2016

IFRS 14 Regulatory Deferral Accounts

IFRS 14, issued by the IASB in January 2014 permits only those adopting IFRS for the first time to continue to recognise amounts concerning Rate Regulation Activities according to the previous accounting standards adopted. In order to improve comparability with entities which already apply IFRS and who do not recognise these amounts, the standard requires that amounts recognised for rate regulation be presented separately from the other accounts. Currently the approval process by the European Union is suspended.

Amendment to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures

The standard issued by the IASB in September 2014 includes amendments which eliminate an inconsistency in the treatment of the sale or conferment of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a profit or loss is fully recognised when the transaction refers to a business. The IASB, with a further amendment in December 2015, cancelled the previous first application date planned for January 1, 2016 to be determined at a future date.

IFRS 16 – Leases

The standard, published by the IASB in January 2016, proposes substantial changes to the accounting treatment of leasing agreements in the lessee's financial statements, which must recognise the assets and liabilities deriving from contracts, without distinction between operating and financial leases, in the statement of financial position. The IASB expects that the standard will be applied for years commencing from January 1, 2019. Advance application is permitted for entities applying IFRS 15 Revenue from Contracts with Customers.

Amendment to IAS 12 - Recognition of deferred tax assets for unrealised losses

The amendment issued by the IASB in January 2016 clarifies the recognition of deferred tax assets on debt instruments measured at fair value. The amendments will be applied from periods beginning January 1, 2017. Earlier application is permitted.

Amendment to IAS 7 - Statement of Cash Flows: *Disclosure Initiative*

The amendment provides clarifications to improve disclosure on financial liabilities. In particular, an entity should provide disclosure which enables the reader of the financial statements to understand the changes to liabilities (and any related assets) recorded to the statement of financial position, whose cash flows are or in the future will be recognised to the statement of cash flows as cash flows from financing activities. The amendments are effective from January 1, 2017, although advance application is permitted. The presentation of comparative disclosure relating to preceding periods is not required.

Amendment to IFRS 2 - Classification and Measurement of Share-based Payment Transactions

In June 2016, the IASB published the amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions, which clarify the recognition of some types of share-based payment transactions. These changes will be applied from January 1, 2018. Earlier application is however permitted.

The Group will adopt these new standards, amendments and interpretations, according to the application date and will evaluate the potential impacts, where they have been approved by the European Union.

Consolidation principles

The 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 as per IFRS 3, as well as on the going concern assumption.

Subsidiaries

The subsidiaries, reported in “Attachment 1 - List of companies included in the consolidation scope and other investments”, are companies where the Group, as per IFRS 10, is exposed to variable income streams, possesses rights to such income streams, based on the relationship with the entity, and at the same time has the capacity to affect such income steams through the exercise of its power over such entities.

The subsidiary companies are consolidated under the line-by-line method 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 result for the year. The share of equity and result for the period relating to non-controlling interests are recorded separately in the statement of financial position and income statement.

Investments recorded under equity method

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.

The investments in associates and joint ventures are recorded in the separate financial statements at cost and in the consolidated financial statements under the equity method. Based on this method, 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 result of associates and joint ventures is recorded in a separate income statement 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 utilising 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 recorded at their fair value at the acquisition date.

Deferred taxes are recorded on adjustments made to book values 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 operation in the consolidated financial statements in the year in which the business combination occurred. The initial recording is completed and adjusted within 12 months from the acquisition date. Amendments to initial payments which derive from events or circumstances subsequent to the acquisition date are recorded in the income statement for the year.

Goodwill is recognised as the difference between:

a) the sum:

- of the payment transferred;
- of the non-controlling interest, measured aggregation by aggregation or at Fair Value (full goodwill) or the share of the net assets identifiable attributable to non-controlling interests;
- and, in a business combination realised in several phases, of the fair value of the interest previously held in the acquisition, recognised to the income statement for the year any resulting profit or loss;

b) the net value 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 recorded in the income statement 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 the income statement. Goodwill is periodically reviewed to verify recovery through comparison with the fair value or the future cash flows generated from the underlying investment.

At the end of the analysis, the goodwill acquired in a business combination is allocated, at the acquisition date, to the individual Group 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 the goodwill is allocated:

- represents the smallest identifiable group of assets that generates cash streams largely independent of the cash streams from 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 values of the activities 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 recorded in the income statement.

On first-time adoption of IFRS, the Group chose not to apply IFRS 3 in retrospective manner for acquisitions prior to the transition date to IAS/IFRS; consequently, the goodwill resulting from the acquisitions prior to this date was maintained at the previous value determined in accordance with Italian GAAP and is periodically subject to an impairment test.

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 attributed to the reduction/increase of the consolidated equity.

Inter-company transactions

Profits arising from transactions between fully consolidated companies, not yet realised with third parties, are eliminated.

The losses deriving from transactions between fully consolidated companies are eliminated except when they represent an impairment in value. The effects deriving from reciprocal payables and receivables, costs and revenues, as well as financial income and charges between consolidated companies are eliminated.

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 recorded in the income statement. The non-monetary accounts measured at historical cost in foreign currencies are not translated.

Foreign entities

The assets and liabilities of foreign entities, including the goodwill and adjustments to Fair Value deriving from the acquisition, are translated into Euro utilising the exchange rate at the reporting date.

The revenues and costs of foreign entities are translated into Euro utilising the exchange rate at the transaction date. The exchange differences are recorded under other items in the statement of comprehensive income and included in the translation reserve, with the exemption of exchange differences which are attributed to non-controlling interests.

The exchange rates adopted for the conversion of local currencies into Euro are as follows (source: Official Italian Exchange Rates):

EXCHANGE RATES

	Average Exchange Rate 2016	Closing Exchange Rate December 31, 2016
Argentinean Peso	16.334	16.749
Canadian Dollar	1.466	1.419
Chilean Peso	748.651	704.945
Renminbi Yuan	7.350	7.320
Euro	1.000	1.000
Pound	0.819	0.856
Mexican Peso	20.655	21.772
US Dollar	1.107	1.054
Indonesian Rupiah	14,720.450	14,173.400
Swedish Krona	9.467	9.553
Singapore Dollar	1.528	1.523
Turkish Lira	3.343	3.707
Brazilian Real	3.862	3.431
Indian Rupee	74.355	71.594
Russian Ruble	74.222	64.300
South Africa Rand	16.277	14.457
Polish Zloty	4.364	4.410
Dominican Peso	50.880	49.186
Australian Dollar	1.489	1.460

Source: Bank of Italy

Accounting policies of the Consolidated Financial Statements

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 charge on loans for the purchase and the construction of intangible assets, which would not have been incurred if the investment was not made, are not capitalised.

Intangible assets with indefinite useful life

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 the "goodwill" account. 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 of business units. The goodwill relating to investments measured at equity is included in the value of the investments.
This is not subject to systematic amortisation but an impairment test is made annually on the carrying amount in the accounts. This test is made with reference to the "cash generating unit" to which the goodwill is attributed. Any reduction in value of the goodwill is recorded where the recoverable value 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 selling costs, and the value in use, represented by the present value of the estimated revenue streams for the years of operation of the cash generating units and deriving from its disposal at the end of the useful life.
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 is 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 utilised the discount rate which it considers correctly expresses the market valuations, at the date of the estimate, of the present 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 events of an extraordinary nature.

The forecasts are based on reasonableness and consistency relating to future general expenses, expected capital investments, financial conditions, as well as macro-economic assumptions, with particular reference to increases in product prices, which take into account expected inflation rates. The results of the "impairment tests" did not generate in the previous year permanent losses in value.
In the event of a write-down for impairment, the value of goodwill may not be restated.
Reference should be made to Note 1 of the separate and consolidated financial statements of the Group for further information on the indicators utilised for the impairment analysis at December 31, 2016.

Intangible assets with definite useful lives

Intangible assets with definite 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 Group provide for:

- Trademarks: based on the useful life
- Concessions, Licences and Patents: based on the duration relating to 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 recorded in the income statement in the year 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 are 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 result generated from the project is commercialised. Amortisation is calculated, on a straight-line basis, over the useful life of the project.

Property, plant and equipment

Property, plant and equipment are measured at purchase cost, net of accumulated depreciation and any loss in value. The cost includes all charges directly incurred for the purchase and/or production. The interest charge on loans for the purchase and the construction of tangible fixed assets, which would not have been incurred if the investment was not made, are not capitalised but expensed to the income statement based on the accruals of the costs. Where an asset relating to 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 are directly charged to the income statement in the year in which they are incurred. The costs for improvements, modernisation and transformation of an incremental nature of tangible fixed assets are allocated as an asset.

The purchase price or construction cost is net of public grants which are recognised when the conditions for their concession are confirmed. At the date of the present financial statements there are no public grants recorded as a reduction within "Property, Plant and Equipment".

The initial value 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 the 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 intangible assets:
    - Office equipment: 8.3 years
    - Furniture and EDP: 5 years
    - Transport vehicles: 5years
    - Motor vehicles: 4 years
    - Other: 4 years

Finance leases

The assets held through finance lease contracts, where the majority of the risks and rewards related to the ownership of an asset have been transferred to the F.I.L.A. Group, are recognised as assets at their fair value or, if lower, at the present value of the minimum lease payments, including any redemption amounts to be paid. The corresponding liability due to the lessor is recorded under "Financial

Liabilities". The assets are depreciated applying the criteria and rates previously indicated for the account "Property, Plant and Equipment", except where the duration of the lease contract is lower than the useful life and there is not a reasonable certainty of the transfer of ownership of the asset at the normal expiry date of the contract; in this case, depreciation is over the duration of the lease contract.

The leased assets where the lessor bears the majority of the risks and rewards related to an asset are recorded as operating leases. Costs related to operating leases are recognised on a straight-line basis over the duration of the lease.

Loss in value of non-financial assets

At each reporting date, the intangible and tangible fixed assets are analysed to identify the existence of any indicators, either internally or externally to the Group, of impairment. Where these indications exist, an estimate of the recoverable value of the above-mentioned assets is made, recording any write-down in the income statement. In the case of goodwill and other indefinite intangible assets, this estimate is made annually independently of the existence of such indicators. The recoverable value 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 utilising 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. A reduction in value is recognised in the income statement when the carrying amount of the asset, or of the cash-generating unit to which it is allocated, is higher than the recoverable amount.

The losses in value of cash generating units are firstly attributed to the reduction in the carrying amount of any goodwill allocated to the cash generating unit and, thereafter, to a reduction of other assets, in proportion to their carrying amount. The losses relating to goodwill may not be restated. In relation to assets other than goodwill, where the reasons for the write-down no longer exist, the carrying amount of the asset is restated through the income statement, up to the value at which the asset would be recorded if no write-down had taken place and amortisation had been recorded.

Financial assets

Financial assets are initially recognised at Fair Value.

After initial recognition, financial assets are measured at Fair Value, without any deduction for transaction costs which may be incurred in the sale or other disposal, with the exception for the following "Financial Assets":

- "Loans and Receivables", as defined in paragraph 9 of IAS 39, which must be measured at amortised cost utilising the effective interest criterion;
- investments held-to-maturity, as defined in paragraph 9 of IAS 39, which must be measured at amortised cost utilising the effective interest criterion;
- investments in equity instruments which do not have a listed market price on an active market and whose Fair Value may not be reliably measured and related derivatives and which must be settled with the delivery of these non-listed equity instruments, which must be measured at cost.

Impairment of financial assets

Financial assets are measured at each reporting date to determine whether there is any indication that an asset may have incurred a loss in value. A financial asset has incurred a loss in value if there is an objective indication that one or more events had a negative impact on the estimated future cash flows of the asset. The loss in value of a financial asset measured at amortised cost corresponds to the difference between the carrying amount and the present value of the estimated cash flows discounted at the original effective interest rate. The loss in value of financial asset available-for-sale is calculated based on the Fair Value of the asset.

Financial assets individually recorded are measured separately to determine if they have incurred a loss in value. The other financial assets are cumulatively measured, for groups with similar credit risk characteristics. All the losses are recognised in the income statement. Any accumulated loss of a financial asset available-for-sale previously recognised in equity is transferred to the income statement.

Losses in value are restated if subsequently the increase in value can be objectively associated to an event which occurred after the reduction in value. For financial assets measured at amortised cost and financial assets available-for-sale corresponding to debt securities, the restated amount is recognised in the income statement. For financial assets available-for-sale corresponding to equity securities, the restated amount is recognised directly to equity.

Cash and cash equivalents

Cash and cash equivalents principally include cash, bank deposits on demand and other highly liquid short-term investments (converted into liquidity within ninety days). They are measured at fair value and the relative changes are recorded in the income statement. Bank overdrafts are classified under "Current Financial Liabilities".

Trade and other receivables

Trade receivables and other receivables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method. They are reduced by an appropriate write-down to reflect the estimate of impairments, which are recognised to the income statement. When, in subsequent periods, the reasons for the write-down no longer exist, the value of the assets is restated up to the value deriving from the application of the amortised cost where no write-down had been applied.

The doubtful debt provision is recognised to state receivables at realisable value, including write-downs for any indicators of a reduction in value of trade receivables. The write-downs, which are based on the most recent information and on the best estimates of the Directors, are made so that the assets are reduced to the present value of the expected future revenue streams.

The doubtful debt provision is recorded as a direct reduction of trade and other receivables. These provisions are classified in the income statement account "Write-downs"; the same classification was used for any utilisations.

Inventories

Inventories of raw materials, semi-finished and finished products are measured at the lower of purchase or production price, including accessory 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 selling costs.

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

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

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

Production costs include, in addition to the costs of the materials used, as defined above, the direct and indirect industrial 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 implied, deriving from a past event and it is probable that compliance with the obligation will result in a charge and the amount of the obligation can be reasonably estimated.

Provisions are recorded at the value representing the best estimate of the amount that the company would pay to discharge the obligation or to transfer it to a third party. When the financial effect of time 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 to each liability. The increase of the provision due to the passage of time is recognised in the income statement account "Financial income/(charges)".

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 revision of estimates are recorded in the same income statement accounts in which the provision was recorded, or when the liability relates to an asset, against the asset account to which it refers.

The notes illustrate the potential 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 incur a charge.

Restructuring provisions

Restructuring provisions are recognised where a detailed formal programme has been approved which has raised a valid expectation among third parties that the company 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 implied obligation to pay further contributions. The contributions to be paid to defined contribution plans are recognised as costs in the income statement 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 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 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 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 utilising 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 services not recognised and the present value of all economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Where improvements are made to the plan benefits, the portion of increased benefits relating to past services is recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits mature immediately, the cost is recognised immediately in the income statement.

The Group records all actuarial gains and losses from a defined benefit plan directly and immediately to equity.

In relation to the Post-Employment Benefit Provision, 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 Company F.I.L.A. S.p.A. adopted the following accounting treatment:

- the Post-Employment Benefit Provision matured at December 31, 2006 is considered a defined benefit plan as per IAS 19. The benefits guaranteed to employees, under the form of the Post-Employment Benefit Provision, paid on the termination of employment, are recognised in the period the right matures.
- the Post-Employment Benefits matured from January 1, 2007 are considered a defined contribution plan and therefore the contributions matured in the period were fully recognised as a cost and recorded as a payable in the account "Post-Employment Benefit Provision", 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 matured 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, of 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 balance sheet in the year in which they arise.

Short-term employee benefits

Short-term employee benefits are recorded as non-discounted expenses when the services to which they arise 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 implicit, 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, including directly attributable transaction costs. Subsequently these liabilities are measured at amortised cost. In accordance with this method all the accessory charges relating to the provision of the loan are recorded as a direct change of the payable, recording any differences between cost and repayment amount in the income statement over the duration of the loan, in accordance with the effective interest rate method.

Financial instruments

Financial instruments are initially recognised at Fair Value and, subsequent to initial recognition, are measured on the basis of classification, as per IAS 39.
For financial assets, this is applied according to the following categories:

- *Financial assets at Fair Value through profit or loss;*
- *Investments held to maturity;*
- *Loans and receivables;*
- *Available-for-sale financial assets.*

For financial liabilities however, only two categories are established:

- *Financial liabilities at Fair Value through profit or loss;*
- *Liabilities at amortised cost.*

In compliance with IAS 39, the derivative financial instruments are recorded in accordance with the "hedge accounting" method only when: (i) at the beginning of the hedge, the formal designation and documentation relating to the hedge exists and it is presumed that the hedge is effective; (ii) such effectiveness can be reliably measured; (iii) the hedge is effective over the accounting periods for which it was designated.
The effectiveness of hedges is documented both at the beginning of the operation 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 to the income statement.
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 recognised to 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 to profit and loss.

All derivative financial instruments are initially measured at fair value, as per IFRS 13 and IAS 39, and the transaction and associated costs are recognised to the income statement when incurred. After initial recognition, the financial instruments are measured at fair value.

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;
- receivables and payables and non-listed financial assets: for the financial instruments with maturity greater than 1 year the discounted cash flow method was applied, therefore 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. Further measurements are made based on the "amortised cost" method;
- listed financial instruments: the market value at the reporting date is utilised.

In relation to financial instruments measured at Fair Value, IFRS 13 requires the classification of these instruments according to the standard's hierarchy levels, which reflect the significance of the inputs utilised in establishing the fair value. The following levels are used:

- Level 1: unadjusted assets or liabilities subject to valuation on an active market;
- Level 2: inputs other than prices listed at the previous point, which are directly observable (prices) or indirectly (derivatives from the prices) on the market;
- Level 3 - input which is not based on observable market data.

Trade and other payables

Trade payables and other payables are initially recognised at fair value, normally equal to the nominal value, net of discounts, returns or invoice adjustments, and are subsequently measured at amortised cost where the financial effect of extended payment terms is significant. When there is a change in the cash flows and it is possible to estimate them reliably, the value of the payables are recalculated to reflect this change, based on the new present value of the cash flows and on the internal yield initially determined.

Current, deferred and other taxes

Income taxes include all the taxes calculated on the assessable income of the Group Companies applying the tax rates in force at the date of the present report.

Income taxes are recorded in the income statement, except those relating to accounts directly credited or debited to equity, in which case the tax effect is recognised directly to equity.

Other taxes not related to income, such as taxes on property and share capital, are included under other operating charges (“Service costs”, “Rent, lease and similar” and “Other charges”). The liabilities related to indirect taxes are classified under “Other Payables”.

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 values recognised for tax purposes, taking into account the tax rate within current fiscal legislation for the years in which the differences will reverse, with the exception of goodwill not fiscally deductible and those differences deriving from investments in subsidiaries for which it is not expected the cancellation in the foreseeable future, and on the tax losses carried forward.

“Deferred Tax Assets” are classified under non-current assets and are recognised only when there exists a high probability of future assessable income to recover the asset.

The recovery of the “Deferred Tax Assets” is reviewed at each reporting date and for the part for which recovery is no longer probable recorded in the income statement.

Revenue and costs

Revenue recognition

The revenues and income are recorded net of returns, discounts, rebates and premiums as well as direct taxes related to the sale of products and services. In particular, the revenues for the sale of products are recognised when the risks and rewards of ownership are transferred to the buyer. This, according to normal contractual conditions, occurs on shipping of the goods.

Recognition of costs

Costs are recorded 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 operations are recorded as a direct reduction of equity.

Commercial costs relating to the acquisition of new clients are expensed to the income statement when incurred.

Financial income and expenses

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 the income statement on an accruals basis utilising 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 charges include interest on loans, discounting of provisions, dividends distributed on preference shares reimbursable, changes in the fair value of financial assets recorded through P&L and losses on financial assets. Finance costs are recorded in the income statement utilising the effective interest method. The currency operations are recorded as the net amount.

Dividends

Dividends recognised to shareholders are recorded on the date of the Shareholders' Meeting resolution.

Earnings per share

The basic earnings/(loss) per share is calculated by dividing the result of the Company by the weighted average shares outstanding during the period.

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 dilution effect.

The net result is also adjusted to account for the effects of conversion, net of taxes.

The diluted earnings/(loss) per share is calculated by dividing the result of the company by the weighted average number of ordinary shares in circulation during the period and those potentially arising from the conversion of all potential ordinary shares with dilutive effect.

Use of estimates

The preparation of the financial statements require the Directors to apply accounting principles and methods that, in some circumstances, are based on difficulties and subjective valuations and estimates based on the historical 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 value of the assets and liabilities of the costs and revenues recognised to the financial statements and the disclosure upon contingent assets and liabilities at the reporting date. Actual results may differ from these estimates.

The accounting principles 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 condensed financial statements are briefly described below.

- Measurement of receivables: trade receivables are adjusted by the doubtful debt provision, taking into account the effective recoverable value. The calculation of the write-downs requires the Directors to make valuations based on the documentation and the information available relating to the solvency of the clients, and from market and historical experience.
- Measurement of goodwill and indefinite intangible assets: in accordance with the accounting principles applied by the Group, the goodwill and the intangible assets are subject to an annual verification ("impairment test") in order to verify whether a reduction in value has taken place. This verification requires the Directors to make valuations based on the information available within the Group and from the market, as well as from historical experience; they in addition depend on factors which may alter over time, affecting the

valuations and estimates made by the Directors. In addition, when it is determined that there may be a potential reduction in value, 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 implied) 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 comply with 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 inventories: inventories of products which are obsolescence or slow moving are periodically subject to valuation tests and written down where the recoverable value is lower than the carrying amount. The write-downs are made based on assumptions and estimates of management deriving from experience and historic 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 utilises 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 utilise 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 the assumptions which the Directors consider reasonable.

Note 1 - Intangible assets

Intangible assets at December 31, 2016 amount to Euro 218,440 thousand (Euro 88,156 thousand at December 31, 2015) and are comprised for Euro 77,865 thousand of indefinite intangible assets – goodwill ("Note 1.B - Intangible Assets with indefinite useful lives) and for Euro 140,575 thousand definite intangible assets ("Note 1.D – Intangible Assets with definite useful lives").

Note 1.A - INTANGIBLE ASSETS

Euro thousands	Goodwill	Industrial Patents & Intellectual Property Rights	Concessions, Licenses, Trademarks & Similar Rights	Other Intangible Assets	Assets in Progress	Total
Change in Historical Cost						
December 31, 2015	**42,212**	**183**	**42,826**	**18,429**	**-**	**103,650**
Increases in the year	**35,653**	**7**	**73,675**	**35,483**	**365**	**145,183**
Increases (Investments)	35,540	7	95	367	365	36,374
of which Change in Consolidation Scope	-	-	-	*3*	-	*3*
Reclassifications Increases	-	-	-	182	-	182
Change in consolidation scope	-	-	73,580	34,934	-	108,514
Increase Translation Differences	113	-	-	-	-	113
Decreases in the year	**-**	**-**	**(4,599)**	**(3,563)**	**-**	**(8,162)**
Decreases (Divestments)	-	-	-	(3)	-	(3)
Decrease Translation Differences	-	-	(4,599)	(3,560)	-	(8,159)
December 31, 2016	**77,865**	**190**	**111,902**	**50,349**	**365**	**240,671**
Change in Amortisation						
December 31, 2015		**(124)**	**(12,422)**	**(2,947)**		**(15,494)**
Increases in the year		**(12)**	**(4,404)**	**(2,656)**		**(7,072)**
Amortisation in Year		(12)	(3,495)	(2,241)		(5,748)
of which Change in Consolidation Scope		-	*(1,432)*	*(921)*		*(2,353)*
Change in consolidation scope		-	(909)	(406)		(1,315)
Increase Translation Differences		-	-	(9)		(9)
Decreases in the year		**-**	**334**	**-**		**334**
Decrease Translation Differences		-	334	-		334
December 31, 2016	**-**	**(136)**	**(16,492)**	**(5,603)**	**-**	**(22,232)**
Net value at December 31, 2015	**42,212**	**59**	**30,404**	**15,482**	**-**	**88,156**
Net value at December 31, 2016	**77,865**	**54**	**95,410**	**44,746**	**365**	**218,440**
Change	**35,653**	**(5)**	**65,006**	**29,264**	**365**	**130,284**

The increase in the net carrying amount of the intangible assets at December 31, 2016 amounted to Euro 130,284 thousand and principally related to the effects of the change in the consolidation scope related to the acquisition of the Daler-Rowney Lukas Group, the Canson Group and the companies St. Cuthberts Holding (United Kingdom) and Pioneer Stationery Pvt Ltd (India).

For further information on the accounting effects of the business combination, reference should be made to the *"Business Combinations"* section.

"Intangible assets with indefinite useful lives" comprise entirely of goodwill for a total amount of Euro 77,865 thousand (Euro 42,212 thousand at December 31, 2015). The increase on the previous year of Euro 35,653 thousand relates for Euro 35,540 thousand to the change in the consolidation scope following the acquisitions by the Group during the year and for Euro 113 thousand to currency differences.

Goodwill is not amortised but subject to an impairment test at least annually and whenever facts or circumstances arise which indicate a loss in value.

In accordance with the provisions of IAS 36, the 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 regional basis, in line with the minimum level at which goodwill is monitored for internal management purposes.

The goodwill allocated to the CGU's is reported below:

NOTE 1.B GOODWILL BY CASH GENERATING UNIT

Euro thousands	December 31, 2016	December 31, 2015	Change	Translation differences	Increases for Changes in Consolidation Scope
Writefine Products Private Limited	33,291	33,290	1	1	-
Canson Group (4)	30,566	-	30,566	-	30,566
Daler-Rowney Lukas Group (5)	3,520	-	3,520	-	3,520
Dixon Group - North America (2)	2,264	2,229	35	116	-
Dixon Group - Central/South America (1)	2,075	1,998	77	(4)	-
Industria Maimeri S.p.A. (Italy)	1,695	1,695	-	-	-
Omyacolor S.A. (France)	1,611	1,611	-	-	-
St. Cuthberts Holding(6)	1,323	-	1,323	-	1,323
Lyra Group(3)	1,217	1,217	-	-	-
Pioneer Stationery PVT Ltd	131	-	131	-	131
FILA SA (South Africa)	101	101	-	-	-
Licyn Mercantil Industrial Ltda (Brazil)	71	71	-	-	-
Total	**77,865**	**42,212**	**35,653**	**113**	**35,540**

(1) - F.I.L.A. Group-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 Ticonderoga Inc. (Canada).
(3) - Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG (Germany); FILA Nordic AB (Sweden); PT. Lyra Akrelux (Indonesia).
(4) - Canson SAS (France); Lodi 12 SAS (France); Eurholdam USA Inc. (U.S.A.), Canson Inc. (U.S.A.); Canson Brasil I.P.E. LTDA (Brazil); Canson Australia PTY LTD (Australia); Canson Qingdao Ltd.(China); Canson Italy (Italy).
(5) - Renoir Topco Ltd (United Kingdom); Renoir Midco Ltd (United Kingdom); Renoir Bidco Ltd (United Kingdom); Daler Rowney Group Ltd (United Kingdom); FILA Benelux SA (Belgium); Daler Rowney Ltd (United Kingdom); Longbeach Arts Ltd (United Kingdom); Daler Board Company Ltd (United Kingdom); Daler Holdings Ltd (United Kingdom); Daler Designs Ltd (United Kingdom); Daler Rowney GmbH (Germany); Lukas-Nerchau GmbH (Germany); Nerchauer Malfarben GmbH (Germany); Lastmill Ltd (United Kingdom); Rowney & Company Pencils Ltd (United Kingdom); Rowney (Artists Brushes) Ltd (United Kingdom); Daler Rowney USA Ltd (U.S.A.); Brideshore srl (Dominican Republic).
(6) - St. Cuthberts Holding (United Kingdom); St. Cuthberts Mill (United Kingdom)

The allocation of the goodwill was made considering individual CGU's or Group's of CGU's based on potential synergies and similar operational strategies on the various markets. Compared to 2015 there were no changes in the criteria for the identification of the cash-generating units and in the method to allocate assets.

The goodwill generated from changes to the consolidation scope was allocated to the CGU's identified as the relative companies or Groups of companies.

The annual impairment test undertaken by the Group has the objective to compare the net book value of the cash-generating units on which the goodwill was allocated with the relative recoverable value. This latter is determined as the higher between the market value net of selling costs and the estimated value in use through discounting the cash flows.

The F.I.L.A. Group identifies the recoverable value 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 region and reflecting the specific risks of the individual CGU's at the measurement date.

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

The projected cash flows for calculation of the "Value in use" are developed according to the 2017 Budget approved by the Group and the 2018-2022 industrial plan (years with explicit forecast), respectively approved by the Board of Directors on January 25, 2017 and May 11, 2016. In particular, the cash flows were determined taking the assumptions from the plan 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 country risk in which each CGU operates. The "Terminal Value" was calculated applying the perpetual yield method.

The discount rate (W.A.C.C.) is the average weighed cost of risk capital and debt capital considering the tax effects generated from the financial structure.

The table below outlines the main assumptions for the impairment test. The discount rate altered on December 31, 2015 to reflect the changed market conditions at December 31, 2016, 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
Writefine Products Private Limited	13.20%	4.80%	5 years	Perpetual Rate
Canson Group (4)	6.50%	1.80%	5 years	Perpetual Rate
Daler-Rowney Lukas Group (5)	7.42%	2.10%	5 years	Perpetual Rate
Dixon Group - North America (2)	7.66%	2.00%	5 years	Perpetual Rate
Dixon Group - Central/South America (1)	11.23%	3.83%	5 years	Perpetual Rate
Industria Maimeri S.p.A. (Italy)	7.57%	1.60%	5 years	Perpetual Rate
Omyacolor S.A. (France)	6.50%	1.80%	5 years	Perpetual Rate
St. Cuthberts Holding(6)	7.42%	2.10%	5 years	Perpetual Rate
Lyra Group(3)	6.24%	1.18%	5 years	Perpetual Rate
Pioneer Stationery PVT Ltd	13.20%	4.80%	5 years	Perpetual Rate
FILA SA (South Africa)	14.11%	5.70%	5 years	Perpetual Rate
Licyn Mercantil Industrial Ltda (Brazil)	14.41%	4.50%	5 years	Perpetual Rate

(1) - F.I.L.A. Group-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 Ticonderoga Inc. (Canada).
(3) - Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG (Germany); FILA Nordic AB (Sweden); PT. Lyra Akrelux (Indonesia).
(4) - Canson SAS (France); Lodi 12 SAS (France); Eurholdam USA Inc. (U.S.A.), Canson Inc. (U.S.A.); Canson Brasil I.P.E. LTDA (Brazil); Canson Australia PTY LTD (Australia); Canson Qingdao Ltd.(China); Canson Italy (Italy).
(5) - Renoir Topco Ltd (United Kingdom); Renoir Midco Ltd (United Kingdom); Renoir Bidco Ltd (United Kingdom); Daler Rowney Group Ltd (United Kingdom); FILA Benelux SA (Belgium); Daler Rowney Ltd (United Kingdom); Longbeach Arts Ltd (United Kingdom); Daler Board Company Ltd (United Kingdom); Daler Holdings Ltd (United Kingdom); Daler Designs Ltd (United Kingdom); Daler Rowney GmbH (Germany); Lukas-Nerchau GmbH (Germany); Nerchauer Malfarben GmbH (Germany); Lastmill Ltd (United Kingdom); Rowney & Company Pencils Ltd (United Kingdom); Rowney (Artists Brushes) Ltd (United Kingdom); Daler Rowney USA Ltd (U.S.A.); Brideshore srl (Dominican Republic).
(6) - St. Cuthberts Holding (United Kingdom); St. Cuthberts Mill (United Kingdom)

The main changes to the W.A.C.C. utilised for the impairment test on the previous year were:

- Writefine Products Private Limited – The W.A.C.C. is 13.20% (15.0% at December 31, 2015), altering on the previous year both due to the reduction in the capital yield component (Ke), principally against the contraction of the business risk ratios (beta levered) and the risk-free rate, due to the reduction in the cost of debt (Kd), also impacted by the reduction in the applied risk-free rates;
- Dixon Group - Central/South America - the discount rate is 11.23% (8.93% at December 31, 2015), increasing on the previous year due to instability in the South American countries, resulting in a deterioration of the risk factors related to the Ke and an increase in the cost of debt (Kd). In particular, the cost of capital (Ke) significantly deteriorated, both for the market risk premium component and the inflation differential applied;
- Dixon Group North America - The W.A.C.C. utilised is 7.66% (7.16% at December 31, 2015). The discount factor increased on the previous year, principally due to an increase in the market risk premium utilised for the calculation of the investor expected yield (Ke). The beta levered, country risk and cost of debt assumptions remain stable against a gradual recovery of the US economy;

- Industria Maimeri S.p.A. (Italy) – the rate utilised was 7.57% (9.46% at December 31, 2015). The change in the year is substantially due to the contraction of the country risk component utilised to calculate the cost of capital (Ke) and the reduction in the cost of debt (Kd);
- Omyacolor S.A. (France) – The W.A.C.C. is 6.50% (6.72% at December 31, 2015). The change on the previous year is principally due to a slight contraction both in the cost of capital (Ke), principally in the risk-free and country risk component, and the cost of debt (Kd);
- Lyra Group – the discount rate utilised was 6.24% (5.82% at December 31, 2015). The change on the previous year is due to a slight increase in the market risk premium applied in the estimate of the cost of capital yield (Ke);
- Omyacolor S.A. (South Africa) – The W.A.C.C. is 14.11% (15.60% at December 31, 2015). The contraction of the discount rate utilised for the purposes of the impairment test principally concerns the reduction in the risk free rate utilised;
- Licyn Mercantil Industrial Ltda (Brazil) – Discount rate equal to 14.41% (10.20% at December 31, 2015). The increase in the W.A.C.C. on the previous year is due to a substantial deterioration of the country risk component, reflecting the instability of the local political-economic system.

Based on the "impairment test" undertaken, no "impairment losses" arose on the value of the Goodwill recognised in the financial statements at December 31, 2016.
Further complementary analysis was also undertaken such as:

- a sensitivity analysis, in order to verify the recoverability of the goodwill against the possibility of changes in the base assumptions utilised for the calculation of the discounted cash flows (assuming changes of +0.5% and -0.5% in the W.A.C.C. rate and the g rate);
- the comparison between the value in use of the CGU for 2016 and 2015 with the analysis of the variations;
- reasonableness test between the overall value in use at Group level and the stock market capitalisation.

The above-mentioned analysis also confirmed the full recoverability of the goodwill and the reasonableness of the assumptions utilised.

The cash flows and assumptions used for the Impairment Test were approved by the Board of Directors on March 16, 2017.

The changes at December 31, 2016 of "Intangible Assets with Finite Useful Lives" are reported below.

Note 1.D - INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

Euro thousands	Industrial Patents & Intellectual Property Rights	Concessions, Licenses, Trademarks & Similar Rights	Other Intangible Assets	Assets in Progress	Total
Change in Historical Cost					
December 31, 2015	**183**	**42,826**	**18,429**	**-**	**61,439**
Increases in the year	**7**	**73,675**	**35,483**	**365**	**109,531**
Increases (Investments)	7	95	367	365	834
of which Change in Consolidation Scope	-	-	*3*	-	*3*
Reclassifications Increases	-	-	182	-	182
Change in consolidation scope	-	73,580	34,934	-	108,515
Decreases in the year	**-**	**(4,599)**	**(3,563)**	**-**	**(8,162)**
Decreases (Divestments)	-	-	(3)	-	(3)
Decrease Translation Differences	-	(4,599)	(3,560)	-	(8,159)
December 31, 2016	**190**	**111,902**	**50,349**	**365**	**162,806**
Change in Amortisation					
December 31, 2015	**(124)**	**(12,422)**	**(2,947)**		**(15,494)**
Increases in the year	**(12)**	**(4,404)**	**(2,655)**		**(7,072)**
Amortisation in Year	(12)	(3,495)	(2,241)		(5,748)
of which Change in Consolidation Scope	-	*(1,432)*	*(921)*		*(2,353)*
Change in consolidation scope	-	(909)	(406)		(1,315)
Increase Translation Differences	-	-	(9)		(9)
Decreases in the year	**-**	**334**	**-**		**334**
Decrease Translation Differences	-	334	-		334
December 31, 2016	**(136)**	**(16,492)**	**(5,603)**	**-**	**(22,231)**
Net Carrying Amount at December 31, 2015	**59**	**30,404**	**15,482**	**-**	**45,944**
Net Carrying Amount at December 31, 2016	**54**	**95,410**	**44,746**	**365**	**140,575**
Change	**(5)**	**65,006**	**29,264**	**365**	**94,631**

"Industrial Patents and Intellectual Property Rights" amount to Euro 54 thousand at December 31, 2016 (Euro 59 thousand at December 31, 2015).

The average residual useful life of the "Industrial Patents and Intellectual Property Rights", recorded in the financial statements at December 31, 2016, is 6 years.

"Concessions, Licences, Trademarks and Similar Rights" amount to Euro 95,410 thousand at December 31, 2016 (Euro 30,404 thousand at December 31, 2015).

The increase on the previous year was Euro 65,006 thousand and principally relates to the change in the consolidation scope, with a contribution at the acquisition date of Euro 72,671 thousand. A significant portion of the "Business Combination" increase relates to the "Purchase Price Allocation" valuation of brands held by the English Group Daler Rowney-Lukas (Euro 40,223 thousand) and by the Canson Group (Euro 32,400 thousand).

Amortisation in the year amounted to Euro 3,495 thousand, of which Euro 1,432 thousand the amount matured by the companies acquired between the acquisition date and December 31, 2016.

The other historic trademarks subject to amortisation refer principally to "*Lapimex*" held by F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and the brands "*Lyra*" held by Lyra KG (Germany) and *"DOMS" held* by Writefine Products Private Limited (India).
The average useful life of the "Concessions, Licenses, Brands and Similar Rights", recorded in the financial statements of December 31, 2016, is 30 years.

"Other Intangible Assets" amount to Euro 44,746 thousand at December 31, 2016 (Euro 15,482 thousand at December 31, 2015). The increase on the previous year is Euro 29,264 thousand and is principally due to the change in the consolidation scope with a net carrying amount contributed at the acquisition date of Euro 34,529 thousand; this amount principally concerns "Development Technology" of the companies of the Daler Rowney-Lukas Group, of the Canson Group and of St. Cuthberts Holding (United Kingdom), identified as a strategic asset through "Purchase Price Allocation".
Amortisation in the period was Euro 2,241 thousand, of which Euro 921 thousand concerning the acquired companies.
The average useful life of "Other Intangible Assets", recorded in the financial assets at December 31, 2016, is 13 years.

Assets in progress totalled Euro 365 thousand, entirely concerning F.I.L.A. S.p.A. and investments for the installation of the new ERP system.

In 2016, the F.I.L.A. Group did not generate any intangible assets internally. There are no intangible assets subject to restrictions.

Note 2 - Property, plant and equipment

At December 31, 2016, "Property, Plant and Equipment" amounted to Euro 81,321 thousand (Euro 47,901 thousand at December 31, 2015).

The movements in the year are shown below:

Note 2.A - PROPERTY, PLANT AND EQUIPMENT

Euro thousands	Land	Buildings	Plant and Machinery	Industrial & Commercial Equipment	Other Assets	Assets in Progress	Total
Change in Historical Cost							
December 31, 2015	**8,165**	**30,119**	**51,951**	**9,828**	**7,332**	**1,336**	**108,731**
Increases in the year	**5,826**	**24,132**	**48,545**	**9,326**	**4,421**	**1,723**	**93,973**
Increases (Investments)	-	646	5,712	710	1,081	3,610	11,759
of which Change in Consolidation Scope	*-*	*24*	*1,186*	*200*	*343*	*585*	*2,338*
Capitalisation from Assets in Progress	-	168	2,377	26	68	(2,639)	0
Change in consolidation scope	5,826	23,318	40,456	8,590	3,160	752	82,102
Increase Translation Differences	-	-	-	-	112	-	112
Decreases in the year	**(525)**	**(855)**	**(2,855)**	**(207)**	**(228)**	**(218)**	**(4,888)**
Decreases (Divestments)	-	-	(643)	(75)	(221)	-	(939)
Reclassifications Decreases	-	-	-	-	-	(182)	(182)
Write-downs	-	-	(2)	-	(7)	-	(9)
Decrease Translation Differences	(525)	(855)	(2,210)	(132)	-	(36)	(3,758)
December 31, 2016	**13,466**	**53,396**	**97,641**	**18,947**	**11,525**	**2,841**	**197,816**
Change in Depreciation							
December 31, 2015		**(15,045)**	**(31,034)**	**(8,909)**	**(5,842)**		**(60,830)**
Increases in the year		**(13,710)**	**(33,110)**	**(8,270)**	**(3,230)**		**(58,320)**
Depreciation in Year		(1,290)	(5,544)	(1,310)	(1,018)		(9,162)
of which Change in Consolidation Scope		*(292)*	*(1,455)*	*(647)*	*(281)*		*(2,675)*
Change in consolidation scope		(12,420)	(27,566)	(6,960)	(2,099)		(49,045)
Increase Translation Differences		-	-	-	(113)		(113)
Decreases in the year		**213**	**2,077**	**164**	**201**		**2,655**
Decreases (Divestments)		-	599	44	201		844
Decrease Translation Differences		213	1,478	120	-		1,811
December 31, 2016	**-**	**(28,542)**	**(62,067)**	**(17,015)**	**(8,870)**	**-**	**(116,495)**
Net Carrying Amount at December 31, 2015	**8,165**	**15,074**	**20,917**	**919**	**1,490**	**1,336**	**47,901**
Net Carrying Amount at December 31, 2016	**13,466**	**24,854**	**35,574**	**1,932**	**2,654**	**2,841**	**81,321**
Change	**5,301**	**9,780**	**14,657**	**1,013**	**1,164**	**1,505**	**33,420**

"Land" at December 31, 2016 amounts to Euro 13,466 thousand (Euro 8,165 thousand at December 31, 2015) 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) and by Writefine Products Private Limited (India). The acquisitions in 2016 resulted in a total contribution of Euro 5,826 thousand and concerned the land owned by Daler Rowney Ltd (United Kingdom) and Canson SAS (France).

"Buildings" at December 31, 2016 amount to Euro 24,854 thousand (Euro 15,074 thousand at December 31, 2015) and principally concern the buildings of the Group production facilities (particularly those in Italy, Mexico, Germany, France, India and the United Kingdom). The increase on December 31, 2015 was Euro 9,780 thousand and principally concerns the accounting effects of the consolidation of the companies acquired in the year. We particularly highlight the contribution at the acquisition date of the Canson Group of a net carrying amount of Euro 7,528 thousand and of Euro 2,834 thousand by the Daler-Rowney Lukas Group.

Group investments totalled Euro 646 thousand and concern in particular Writefine Products Private Limited (India); these investments were undertaken for the development of production facilities in the year.

Group depreciation totalled Euro 1,290 thousand, of which Euro 292 thousand concerning the companies acquired in the year for the period between the acquisition date and December 31, 2016.

"Plant and Machinery" amounted to Euro 35,574 thousand (Euro 20,917 thousand at December 31, 2015). The increase on the previous year totalled Euro 14,657 thousand and principally concerned the net carrying amount contributed by the companies acquired at the consolidation date; in particular, the Canson Group for Euro 6,908 thousand, the Daler-Rowney Lukas Group for Euro 3,433 thousand and St. Cuthberts Mill for Euro 2,498 thousand.

Investments in the year totalled Euro 5,712 thousand and were undertaken to extend plant production capacity at the Group companies, in particular at F.I.L.A. S.p.A. (Euro 1,329 thousand), Writefine Products Private Limited (Euro 2,485 thousand) and Daler Rowney Ltd (Euro 804 thousand).

The increase relating to the entry into use of assets in progress totalled Euro 2,377 thousand and relates to various Group companies, including FILA Dixon Stationery (Kunshan) Co. Ltd. (Euro 650 thousand), F.I.L.A. S.p.A. (Euro 503 thousand), Canson SAS (Euro 360 thousand) and Omyacolor S.A. (Euro 281 thousand).

Depreciation was Euro 5,544 thousand, of which Euro 1,455 thousand concerning the "business combinations" for the period between the acquisition date and December 31, 2016.

"Industrial and Commercial Equipment" amounted to Euro 1,932 thousand at December 31, 2016 (Euro 919 thousand at December 31, 2015). The increase of Euro 1,013 thousand is due for Euro 1,630 thousand to the change in the consolidation scope and for Euro 710 thousand to investments made in the year. The increase is offset by total depreciation of Euro 1,310 thousand.

Investments in Industrial and Commercial Equipment principally relate to the acquisition of new production moulds and technological upgrades to existing plant; the increase particularly concerns F.I.L.A. S.p.A. (Euro 325 thousand) and the companies of the Daler-Rowney Lukas Group (Euro 200 thousand).

“Other Assets” amount to Euro 2,654 thousand at December 31, 2016 (Euro 1,490 thousand at December 31, 2015) and include furniture and office equipment, EDP and motor vehicles. The increase is particularly due to the change in the consolidations scope, with a contribution at the acquisition date of Euro 1,061 thousand. Other investments totalled Euro 1,081 thousand and principally concern Writefine Products Private Limited (Euro 358 thousand), F.I.L.A. S.p.A. (Euro 193 thousand), the Daler-Rowney Lukas Group (Euro 230 thousand) and the Canson Group (Euro 103 thousand).
Depreciation amounted to Euro 1,018 thousand, of which Euro 281 thousand related to the companies entering the consolidation scope and matured in the period between the acquisition date and December 31, 2016.

“Assets in Progress” include internal constructions undertaken by the individual companies of the Group which are not yet operational. The increase in the net carrying amount at December 31, 2016 (Euro 1,505 thousand) compared to 2015 is mainly due to the change in the consolidation scope, with a total contribution at the acquisition date of Euro 752 thousand.

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

Note 3 – Financial Assets

"Financial Assets" amount to Euro 3,984 thousand at December 31, 2016 (Euro 2,055 thousand at December 31, 2015).

Note 3.A - FINANCIAL ASSETS					
Euro thousands		Loans and Receivables	Derivative Financial Instruments	Other Financial Assets	Total
December 31, 2015		**354**	**-**	**1,701**	**2,055**
	non-current portion	354	-	1,433	1,787
	current portion	-	-	268	268
December 31, 2016		**355**	**462**	**3,167**	**3,984**
	non-current portion	355	462	2,892	3,709
	current portion	-	-	275	275
Change		**1**	**462**	**1,466**	**1,929**
	non-current portion	1	462	1,459	1,922
	current portion	-	-	7	7

Loans and Receivables

These amount to Euro 355 thousand and concern the issue of a loan to third parties by F.I.L.A. S.p.A. for Euro 350 thousand and by Omyacolor SA for Euro 5 thousand.

Derivative Financial Instruments

Financial instruments presented in the consolidated financial statements at December 31, 2016 concern the fair value measurement of derivative hedging instruments related to the loan (hedged instrument) issued by the banks in 2016 for the acquisition of the Daler-Rowney Lukas Group, the Canson Group and St. Cuthberts Holding.

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, considered a hedge based on the payment of a fixed rate against the variable rate necessary. The financial instruments, qualifying as hedges and concerning 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 Euribor at 3 months.

The accounting treatment adopted for the hedging instruments, based on IAS 39, 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.

As per IFRS 7, the Fair Values of the derivative instruments at December 31, 2016 and the characteristics of the hedge exercised on the underlying loan are outlined below:

NOTE 17.A FINANCIAL INSTRUMENTS

in Euro						Intesa Sanpaolo S.p.A.		Banca Nazionale del Lavoro S.p.A.		Mediobanca Banca di Credito Finanziario S.p.A.		UniCredit S.p.A.			
IRS	**Date agreed**	**Loan**	**% Hedge**	**Fixed Rate**	**Variable Rate**	**Fair Value**	**Notional**	**Fair Value**	**Notional**	**Fair Value**	**Notional**	**Fair Value**	**Notional**	**Fair Value**	**Notional**
IRS 1	09/06/2016	Facility A1	50%	0.06%	-0.302%	(93,367)	13,128,000	(55,654)	7,876,800	(111,308)	15,753,600	(111,308)	15,753,600	(371,638)	52,512,000
IRS 2	08/07/2016	Facility A1	50%	-0.08%	-0.281%	(42,650)	13,128,000	(25,423)	7,876,800	(50,846)	15,753,600	(50,846)	15,753,600	(169,764)	52,512,000
IRS 3	03/11/2016	FacilityTLA2	50%	-0.035%	-0.308%	(6,120)	1,330,389	(3,672)	798,234	(7,344)	1,596,467	(7,344)	1,596,467	(24,482)	5,321,557
IRS 4	28/10/2016	FacilityTLA2	50%	0.056%	-0.308%	(9,477)	1,330,389	(5,686)	798,234	(11,372)	1,596,467	(11,372)	1,596,467	(37,908)	5,321,557
IRS 5	03/11/2016	FacilityTLB1a_B1b	50%	0.10%	-0.308%	(80,917)	10,237,500	(48,550)	6,142,500	(97,100)	12,285,000	(97,100)	12,285,000	(323,668)	40,950,000
IRS 7	28/10/2016	FacilityTLB1a_B1b	50%	0.196%	-0.308%	(131,268)	10,237,500	(78,761)	6,142,500	(157,521)	12,285,000	(157,521)	12,285,000	(525,071)	40,950,000
IRS 6	03/11/2016	FacilityTLB2A	50%	0.10%	-0.336%	(6,891)	856,250	(4,135)	513,750	(8,270)	1,027,500	(8,270)	1,027,500	(27,566)	3,425,000
IRS 8	28/10/2016	FacilityTLB2A	50%	0.196%	-0.336%	(10,896)	856,250	(6,538)	513,750	(13,076)	1,027,500	(13,076)	1,027,500	(43,586)	3,425,000
Total						**(381,587)**	**51,104,278**	**(228,419)**	**30,662,568**	**(456,838)**	**61,325,134**	**(456,838)**	**61,325,134**	**(1,523,681)**	**204,417,114**

In addition, the timing of the projected cash flows from the derivative instruments is the same as that expected and reported for the loan underlying the hedge.

The amount reclassified to other comprehensive income during the year was Euro 462 thousand.

Reference should be made to Note 11 concerning the net financial position at December 31, 2016 of the F.I.L.A. Group.

Other Financial Assets

The non-current portion of *"Other Financial Assets"* totalled Euro 2,892 thousand (Euro 1,433 thousand at December 31, 2015), increasing Euro 1,459 thousand and mainly due the change in the consolidation scope (at December 31, 2016 concerning the acquired companies for Euro 1,026 thousand). The residual movement relates to increases reported by Dixon Ticonderoga Company (Euro 239 thousand) and Dixon, S.A. de C.V. (Euro 48 thousand).

The financial assets in question principally concern the deposits required for guarantee purposes on goods and service supply contracts of the various Group companies, including in particular Canson SAS (Euro 794 thousand), Writefine Products Private Limited (Euro 596 thousand) and F.I.L.A.-Dixon, S.A. de C.V. Group (Euro 339 thousand). For Dixon Ticonderoga Company (U.S.A.), the Euro 752 thousand so classified concerns financial assets subject to indemnity plans to be paid to personnel.

The current portion of "*Other Financial Assets*" amounts to Euro 275 thousand (Euro 268 thousand at December 31, 2015), also concerning deposits on supply contracts maturing within 12 months.

The carrying amount of financial assets represents their "Fair Value" at the reporting date.

Note 4 - Investments Measured at Equity

Note 4.A INVESTMENTS MEASUED AT EQUITY

Euro thousands	**Inv. in Associates**
December 31, 2015	**322**
Increases in the year	**292**
Increases (Investments)	290
Increase Translation Differences	2
Decreases in the year	**(343)**
Decreases	(324)
Movement in Investments at Equity	(19)
December 31, 2016	**271**
Change	**(51)**

The Investments measured at equity amount to Euro 271 thousand (Euro 322 thousand at December 31, 2015).

On May 1, 2016, Writefine Products Limited (India) acquired an additional 2% of the equity of Pioneer Stationery Pvt Ltd (India), therefore increasing its holding from 49% to 51%. The operation resulted in acquisition of control of the Indian company and consolidation was carried out "line-by-line". The decrease of Euro 324 thousand therefore relates to Pioneer Stationery Pvt Ltd (India).

On July 1, 2016, Writefine Products Limited (India) acquired 35% of Uniwrite Pens and Plastics Pvt Ltd (India), an Indian company specialised in writing tools and in particular ballpoint pens. As concerning an associated company the investment was consolidated at Equity, with an initial recognition value of Euro 290 thousand. At December 31, 2016, the *"Carrying amount"* of the investment was adjusted, in line with the Equity holding of the associate, for a reduction of Euro 19 thousand.

Note 5 - Investments Measured at Cost

The Investments measured at cost, amounting to Euro 31 thousand, relate to the shareholding in Maimeri S.p.A. by F.I.L.A. S.p.A. for a value of Euro 28 thousand, corresponding to 1% of the share capital, and the quota held in the consortiums Conai, Energia Elettrica Zona Mugello and Energia Elettrica Milano by F.I.L.A. S.p.A. at December 31, 2016.

Note 6 – Deferred Tax Assets

“Deferred Tax Assets” amount to Euro 20,842 thousand at December 31, 2016 (Euro 14,032 thousand at December 31, 2015).

The movement of “Deferred Tax Assets” is illustrated in the table below with indication of the opening balance, changes during the year and the closing balance at December 31, 2016.

Note 6.A - CHANGES IN DEFERRED TAX ASSETS

Euro thousands	
December 31, 2015	**14,032**
Provisions	10,107
of which Change in Consolidation Scope	*1,755*
Utilisations	(10,420)
of which Change in Consolidation Scope	*(1,654)*
Change in consolidation scope	7,051
Translation differences	(133)
Change in Equity	205
December 31, 2016	**20,842**
Change	**6,810**

The account at December 31, 2016 mainly includes deferred tax assets calculated on “Intangible and Tangible Assets”, “Personnel”, “Risk and Charges Provisions not deductible”, “ACE” and “Inventories”.

The table below illustrates the breakdown of deferred tax assets based on the nature of the provision:

NOTE 6.B - BREAKKDOWN OF DEFERRED TAX ASSETS

	Statement of Financial Position			Income Statement		Equity	
Euro thousands	2016	Contribution from Change in Consol. Scope	2015	2016	2015	2016	2015
Intangible Assets	865	-	928	(63)	(176)	-	-
Property, Plant and Equipment	1,035	748	776	(489)	264	-	-
Provisions for Risks	539	-	160	379	5	-	-
Trade and Other Receivables	1,041	25	1,109	(93)	360	-	-
Inventories	4,712	619	2,252	1,841	1,154	-	-
Personnel	2,033	1,347	948	(467)	(81)	205	41
Exchange adjustments	53	-	51	2	31	-	-
Dividends Dixon Ticonderoga Inc. (Canada)	1,401	-	1,485	(84)	(79)	-	-
Translation reserve difference	(133)	-	339	(339)	(437)	(133)	339
Other	3	770	116	(883)	(23)	-	-
Tax Losses Carried Forward	3,399	3,149	1,656	(1,406)	(1,072)	-	-
Deferred deductible costs	2,576	393	1,946	237	937	-	-
ACE	3,317	-	2,266	1,051	899	-	-
Total deferred tax assets	**20,842**	**7,051**	**14,032**	**(313)**	**1,782**	**72**	**380**

The provisions for deferred tax assets amount to Euro 20,842 thousand and mainly refer to the Parent F.I.L.A. S.p.A. (Euro 5,371 thousand), to the subsidiary Dixon Ticonderoga Company (U.S.A. - Euro 3,814 thousand) and Canson SAS (France, Euro 3,076 thousand).

The movement in the year, in addition to a net effect to the income statement of Euro 313 thousand, is principally due to the change in the consolidation scope, with a total contribution at the acquisition date of Euro 7,051 thousand.

In addition, following the favourable opinion issued by the Tax Agency concerning the acceptance of the application to carry forward to subsequent years prior year tax losses generated by the company Space S.p.A. in the first period of the year (January 1, 2015 - May 31, 2015), in addition to the previous year, amounting to approx. Euro 16 million, F.I.L.A. S.p.A. recognised to the financial statements Euro 4,390 thousand of deferred tax assets not prudently recognised to the financial statements at December 31, 2015 as subject to consultation and whose outcome was uncertain at the preparation date of the financial statements (it is noted that the company Space S.p.A. did not recognise in the above-stated years these deferred tax assets as the requirements for future recoverability did not exist due to the nature of the business).
The amount recognised of Euro 4,390 thousand was subject to reversal in the same year of recognition in coverage of the IRES assessable income generated in 2016.

The deferred tax assets were recognised by each company of the Group assessing the projected future recovery of these assets, presently considered very probable, on the basis of updated strategic plans and relative tax planning.

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

Note 7 - Current Tax Receivables

At December 31, 2016, tax receivables relating to corporation tax amounted overall to Euro 5,105 thousand (Euro 5,020 thousand at December 31, 2015) and refer principally to the parent F.I.L.A. S.p.A. for Euro 1,387 thousand, Writefine Private Products Limited (India) for 1,229 thousand and Dixon Ticonderoga Co. (U.S.A.) for Euro 1,566 thousand.

Note 8 - Inventories

Inventories at December 31, 2016 amount to Euro 177,406 thousand (Euro 118,519 thousand at December 31, 2015).

Note 8.A - INVENTORIES

Euro thousands	Raw Materials, Ancillary and Consumables	Work-in-progress and Semi-finished Products	Finished Products and Goods	Total
December 31, 2015	33,439	13,229	71,851	118,519
December 31, 2016	43,994	22,542	110,871	177,406
Change	10,554	9,313	39,020	58,887

The increase in inventories of Euro 58,887 thousand relates principally to the change in the consolidation scope which at December 31, 2016 totalled Euro 49,161 thousand (mainly relating to the Canson Group, Euro 19,801 thousand, and the Daler-Rowney Lukas Group, Euro 27,867 thousand). Excluding the increase from the business combination effect, inventories totalled Euro 128,245 thousand, increasing Euro 9,726 thousand on December 31, 2015. The increase is mainly due to the procurement policies to support production planning and demand for finished products.

Inventories are presented net of the inventory obsolescence provision relating to raw materials (Euro 2,086 thousand), work-in-progress (Euro 396 thousand) and finished products (Euro 4,714 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 INVENTORY OBSOLESCENCE PROVISION

Euro thousands	Raw Materials, Ancillary and Consumables	Work-in-progress and Semi-finished Products	Finished Products and Goods	Total
December 31, 2015	**866**	**108**	**1,907**	**2,880**
Provisions	237	157	2,040	2,434
of which Change in Consolidation Scope	*45*	*72*	*323*	*440*
Utilisations	(255)	(99)	(1,609)	(1,963)
of which Change in Consolidation Scope	*(41)*	*-*	*(300)*	*(341)*
Release	(2)	-	(26)	(27)
Change in consolidation scope	1,245	228	2,391	3,864
Translation differences	(5)	2	11	8
December 31, 2016	**2,086**	**396**	**4,714**	**7,195**
Change	**1,220**	**288**	**2,807**	**4,315**

The inventory obsolescence provision at December 31, 2016 increased Euro 4,315 thousand, principally due to the change in the consolidation scope for Euro 3,864 thousand. Excluding the increase from the contribution at the consolidation date of the companies subject to business combinations, the obsolescence provision reported an increase of Euro 451 thousand, principally concerning Fila Dixon Stationery (Kunshan) Co., Ltd. (China, Euro 186 thousand) and Dixon Ticonderoga Co. (U.S.A., Euro 168 thousand).

Note 9 – Trade and Other Receivables

Trade and other receivables amount to Euro 113,582 thousand (Euro 77,731 thousand at December 31, 2015).

Note 9.A - TRADE AND OTHER RECEIVABLES

Euro thousands	December 31, 2016	December 31, 2015	Change
Trade Receivables	102,689	69,598	33,091
Tax Receivables	4,070	3,375	695
Other Receivables	4,314	3,838	476
Prepayments and Accrued Income	2,509	920	1,589
Total	**113,582**	**77,731**	**35,851**

Trade receivables increased on December 31, 2015 by Euro 33,091 thousand. The change principally concerns the alteration in the consolidation scope, with the portion at December 31, 2016 concerning the companies subject to business combinations in fact amounting to Euro 37,203 thousand, of which Euro 21,077 thousand concerning the Daler-Rowney Lukas Group and Euro 15,840 thousand the Canson Group.

Excluding the effect of the changes in the consolidation scope and considering the impact of the negative currency differences for Euro 3,428 thousand, total receivables reduced Euro 684 thousand, due to improved payment times, principally at F.I.L.A. S.p.A. and Dixon Ticonderoga Company (U.S.A.).

Trade receivables broken down by country are illustrated below:

TRADE RECEIVABLES: REGION

Euro thousands	December 31, 2016	December 31, 2015	Change
Europe	34,162	23,537	10,625
North America	26,156	9,206	16,950
Central/South America	33,785	33,004	781
Asia	4,278	1,452	2,826
Rest of the world	4,308	2,399	1,909
Total	**102,689**	**69,598**	**33,091**

The changes in the doubtful debt provision to cover difficult recovery positions are illustrated in the table below.

Note 9.C - CHANGES IN DOUBTFUL DEBT PROVISION

Euro thousands	
December 31, 2015	**3,966**
Provisions	1,086
of which Change in Consolidation Scope	*149*
Utilisations	(548)
of which Change in Consolidation Scope	*(220)*
Release	(267)
Change in consolidation scope	588
Exchange Differences	(31)
December 31, 2016	**4,794**
Change	**828**

The movement in the doubtful debt provision is mainly due to the change in the consolidation scope, with a contribution to the consolidated financial statements at the acquisition date totalling Euro 588 thousand (Euro 404 thousand concerning the Daler-Rowney Lukas Group and Euro 184 thousand concerning the Canson Group).

The provision in the year of Euro 1,086 thousand principally concerns F.I.L.A. S.p.A. (Euro 603 thousand), Dixon Ticonderoga Company (Euro 163 thousand) and Daler Rowney Ltd (Euro 109 thousand).

"*Tax Receivables*" totalled Euro 4,070 thousand (Euro 3,375 thousand at December 31, 2015) and include VAT receivables (Euro 3,065 thousand) and other tax receivables for local taxes other than direct income taxes (Euro 1,005 thousand).

"Other Receivables" amount to Euro 4,314 thousand (Euro 3,838 thousand at December 31, 2015) and mainly concern employee receivables (Euro 334 thousand), social security institutions (Euro 81 thousand) and advances paid to suppliers (Euro 2,236 thousand), principally concerning the Indian and Chinese subsidiaries. The carrying amount of "Other Receivables" represents the "fair value" at the reporting date.

All of the above receivables are due within 12 months.

Note 10 - Cash and Cash Equivalents

"Cash and Cash Equivalents" at December 31, 2016 amount to Euro 59,519 thousand (Euro 30,683 thousand at December 31, 2015).

Note 10 - CASH AND CASH EQUIVALENTS

Euro thousands	Bank and Post Office Deposits	Cash in hand and similar	Total
December 31, 2015	**30,551**	**132**	**30,683**
December 31, 2016	**59,446**	**73**	**59,519**
Change	**28,895**	**(59)**	**28,836**

"Bank and post office deposits" consist of temporary liquidity positions generated within the treasury management and mainly relating to ordinary current accounts of F.I.L.A. S.p.A. for Euro 19,185 thousand and current accounts of the subsidiary companies for Euro 40,261 thousand, in particular: Dixon Ticonderoga Company (Euro 10,137 thousand), companies of the Canson Group (Euro 8,208 thousand) and Omyacolor S.A. (Euro 3,942 thousand) and the Chinese subsidiaries of the Dixon Group (Euro 2,136 thousand).

"Cash in hand and similar" amount to Euro 73 thousand, of which Euro 8 thousand relates to the Parent F.I.L.A. S.p.A and Euro 65 thousand to the various subsidiaries.

The carrying amount approximates the "Fair Value" at the reporting date.

Bank and post office 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 paragraph: "Statement of Financial Position" for comments relating to the Net Financial Position of the F.I.L.A. Group.

Note 11 - Net Financial Position

The F.I.L.A. Group "Net Financial Position" at December 31, 2016 was a net debt of Euro 223,437 thousand, improving Euro 184,693 thousand on December 31, 2015.

	Euro thousands	December 31, 2016	December 31, 2015	Change
A	Cash	73	132	(59)
B	Other cash equivalents	59,446	30,551	28,895
C	Securities held-for-trading	-	-	-
D	**Liquidity (A + B + C)**	**59,519**	**30,683**	**28,836**
E	**Current financial receivables**	**275**	**268**	**7**
F	Current bank payables	(52,879)	(67,319)	14,440
G	Current portion of non-current debt	(24,158)	(715)	(23,443)
H	Other current financial payables	(16,497)	(505)	(15,992)
I	**Current financial debt (F + G + H)**	**(93,534)**	**(68,539)**	**(24,995)**
J	**Net current financial debt (I + E+ D)**	**(33,740)**	**(37,588)**	**3,848**
K	Non-current bank payables	(189,902)	(1,404)	(188,498)
L	Bonds issued	-	-	-
M	Other non-current financial payables	(150)	(106)	(44)
N	**Non-current financial debt (K + L + M)**	**(190,052)**	**(1,510)**	**(188,542)**
O	**Net financial debt (J+N)**	**(223,792)**	**(39,098)**	**(184,694)**
P	**Loans issued to third parties**	**355**	**354**	**1**
Q	**Net financial debt (O + P) - F.I.L.A. Group**	**(223,437)**	**(38,744)**	**(184,693)**

Note:

1) The net financial debt calculated at point "O" complies with Consob Communication DEM/6064293 of July 28, 2006, which excludes non-current financial assets. The net financial debt of the F.I.L.A. Group differs from the above communication by Euro 355 thousand in relation to the non-current loans granted to third parties by F.I.L.A. S.p.A. (Euro 350 thousand) and Omyacolor S.A. (Euro 5 thousand)

2) The Market Warrants recognised to the financial statements at December 31, 2015 of Euro 21,504 thousand are not considered an integral part of the net financial debt as cashless financial instruments.

3) At December 31, 2016 there were no transactions with related parties which impacted the net financial debt.

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

Note 12 - Share Capital and Equity

Share Capital

The subscribed and paid-in share capital at December 31, 2016 of the parent F.I.L.A. S.p.A., fully paid-in, comprises 41,232,296 shares, as follows:

- 34,665,788 ordinary shares, without nominal value;
- 6,566,508 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.

	No. of Shares	% of Share Capital	Listing
Ordinary shares	34,665,788	*84.07%*	MTA - STAR Segment
Class B Shares (multiple votes)	6,566,508	*15.93%*	Non-listed

According to the available information, published by Consob and updated to December 31, 2016, the main parent shareholders were:

Shareholder	Ordinary shares	%
Pencil S.p.A.	13,133,032	37.9%
Venice European Investment Capital S.p.A.	3,916,291	11.3%
Sponsor	1,800,000	5.2%
Market Investors	15,816,465	45.6%
Total	**34,665,788**	

Shareholder	Ordinary shares	Class B Shares	Total	Voting rights
Pencil S.p.A.	13,133,032	6,566,508	19,699,540	60.4%
Venice European Investment Capital S.p.A.	3,916,291		3,916,291	7.2%
Sponsor	1,800,000		1,800,000	3.3%
Market Investors	15,816,465		15,816,465	29.1%
Total	**34,665,788**	**6,566,508**	**41,232,296**	

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.

Legal Reserve

The account at December 31, 2016 amounts to Euro 7,434 thousand, following reconstitution in 2016 to reach one-fifth of the share capital in accordance with statutory rules (Article 2431 of the Civil Code) and in execution of the Shareholders' Meeting motion approving the financial statements of the parent F.I.L.A. S.p.A. of April 29, 2016.

Share premium reserve

The account at December 31, 2016 amounts to Euro 65,349 thousand (Euro 109,879 thousand at December 31, 2015), decreasing Euro 44,530 thousand.
The decrease relates to the following events:

- the utilisation of part of the reserve for Euro 41,599 thousand in coverage of the 2015 loss (Euro 41,086 thousand) and in coverage of the residual losses for years preceding 2015 (Euro 513 thousand) of the parent F.I.L.A. S.p.A., as per Shareholders' Meeting motion of April 29, 2016;
- the utilisation of part of the reserve against the full constitution of the legal reserve for Euro 7,434 thousand, as per Shareholders' Meeting motion of April 29, 2016;
- the restoration of the market warrants reserve contributed by the company Space S.p.A. in 2014, representing the fair value of market warrants at the date of initial recognition (Euro 4,503 thousand). This restoration follows the conclusion of the market warrant exercise period with their effective exercise by January 4, 2016.

We highlight in addition the restriction on the distribution of a portion of the share premium reserve related to the revaluation of the investment held in the company Writefine Products Private Ltd (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 majority shareholding.

Market Warrants

On January 4, 2016, the period for the exercise of the "F.I.L.A. S.p.A. Market Warrants" concluded. Overall, 8,153,609 Market Warrants were exercised between December 1, 2015 and January 4, 2016 ("Deadline" as communicated by the Issuer on December 1, 2015) against the subscription of 2,201,454 ordinary shares. As established by paragraph 5.1 of the "F.I.L.A. S.p.A. Market Warrants"

Regulation, the remaining 22,685 unexercised "F.I.L.A. S.p.A. Market Warrants" are cancelled and entirely invalid.

Sponsor Warrants

At December 31, 2016, no sponsor warrants had been exercised.

IAS 19 Reserve

Following the application of IAS 19, the equity reserve is negative for Euro 3,303 thousand, while at December 31, 2015 negative for Euro 1,361 thousand.

Other Reserves

At December 31, 2016, the reserve is negative for Euro 23,026 thousand, increasing Euro 4,285 thousand on December 31, 2015. This is as a joint effect of the portion reclassified from "Retained earnings/accummulated (losses)" for Euro 3,823 thousand and the reserve set up to incorporate the Fair Value change of hedging instruments undertaken by F.I.L.A. S.p.A.. At December 31, 2016, the re-expression of the Fair Value of the IRS's of F.I.L.A. S.p.A. and treated as derivative hedges amounts to Euro 462 thousand.

Translation difference

The account 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 Difference" in 2016 are illustrated below:

TRANSLATION DIFFERENCE

Euro thousands	
December 31, 2015	**(379)**
Changes in the year:	
Difference between Period Average Rate and Year-End Rate	731
Difference between Historical Rate and Year-End Rate	(11,256)
December 31, 2016	**(10,904)**
Change	**(10,525)**

Retained earnings/(accumulated losses)

The reserve totalled Euro 120,767 thousand and increased on the previous year Euro 34,343 thousand, principally due to:

- the allocation of the Share Premium Reserve of Euro 37,776 thousand, in coverage of prior losses as per Shareholders' Meeting motion of April 29, 2016;
- the restoration of the market warrants reserve contributed by the company Space S.p.A. in 2014, representing the fair value of market warrants at the date of initial recognition (Euro 16,941 thousand). This restoration follows the conclusion of the market warrant exercise period with their effective exercise by January 4, 2016;
- the distribution of dividends to F.I.L.A. S.p.A. shareholders for Euro 3,711 thousand, as per Shareholders' Meeting motion of April 29, 2016;
- the carrying forward of the loss for 2015 for Euro 16,633 thousand;
- the reclassification to "Other Reserves" of Euro 3,823 thousand, for the correct presentation and allocation of "Retained earnings/(accumulated losses)".

Equity attributable to non-controlling interests

This increased Euro 522 thousand and principally concerns:

- Non-controlling interest profit for the year of Euro 979 thousand,
- Distribution of dividends to minorities of Euro 751 thousand;
- Exchange gains of Euro 141 thousand.
- Euro 172 thousand concerning the Equity attributable to non-controlling interests from the "line by line" consolidation of Pioneer Stationery Private Ltd (India), held by Writefine Products Private Ltd (India) 51%.

Basic and diluted earnings per share

The basic earnings per share is calculated by dividing the result of the Group by the weighted average number of ordinary shares outstanding during the year, excluding any treasury shares in portfolio.

The diluted earnings/(loss) per share is calculated by dividing the result of the company by the weighted average number of ordinary shares in circulation during the year and those potentially arising from the conversion of all potential ordinary shares with dilutive effect.

The basis and diluted earnings per Share is reported in the Statement of Comprehensive Income, to which reference should be made.

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 result of the Parent F.I.L.A. S.p.A. and the consolidated result:

Reconciliation at December 31, 2016 between Parent Equity and F.I.L.A. Group Equity

Euro thousands

F.I.L.A. S.p.A. Equity	**161,841**
Effect elimination intercompany margins	(2,494)
Consolidation effect Omyacolor S.A. (France)	9,093
Consolidation effect F.I.L.A. Hispania S.A. (Spain)	3,190
Consolidation efffect Licyn Mercantil Industrial Ltda (Brazil)	(3,501)
Consolidation effect Dixon Ticonderoga group	63,481
Consolidation effect Lyra group	236
Consolidation effect FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey)	(2,094)
Consolidation effect FILA Stationary O.O.O. (Russia)	(832)
Consolidation effect FILA Hellas (Greece)	661
Consolidation effect Industria Maimeri S.p.A. (Italy)	225
Consolidation effect FILA Cartorama S.A. (South Africa)	(872)
Consolidation effect Fila Polska Sp. Z.o.o (Poland)	153
Consolidation effect Writefine Private Limited (India)	22,418
Consolidation effect Daler & Rowney group	(9,904)
Consolidation effect Pioneer Stationary Pvt Ltd (India)	81
Consolidation effect St Cutbert Holding (England)	(82)
Consolidation effect FILA Hiberia S.L. (Spain)	(69)
Consolidation effect Canson	(2,560)
Total Equity	**238,970**
"Non-controlling interest" consolidation effect	24,489
F.I.L.A. Group Equity	**214,481**

Reconciliation at December 31, 2016 between Parent Result and F.I.L.A. Group Result

Euro thousands	
F.I.L.A. S.p.A. Net Profit	**11,426**
Result of Subsidiaries of the Parent Company	**28,258**
Elimination of the effects of transactions between consolidated companies:	
Dividends	12,855
Net Inventory Margins	(1,215)
Deferred Taxes on plannned dividends	125
Other Net Revenue	208
Adjustments to Group accounting standards:	
Consolidation Daler & Rowney Group - IFRS 3	(1,208)
Consolidation Pioneer Stationary Pvt Ltd - IFRS 3	(22)
Consolidation St. Cuthbert Holding - IFRS 3	(346)
Consolidation Canson Group - IFRS 3	(2,399)
Total Net Result	**21,972**
Non-controlling interest share	979
F.I.L.A. Group Net Profit	**20,993**

Note 13 - Financial Liabilities

The balance at December 31, 2016 amounts to Euro 283,586 thousand (Euro 70,049 thousand at December 31, 2015), of which Euro 190,052 thousand long-term and Euro 93,534 thousand short-term. The account refers to both non-current and current portions of the loans granted by banking institutions, other lenders and bank overdrafts.

The breakdown at December 31, 2016 is illustrated below.

Note 13.A - FINANCIAL LIABILITIES: Third Parties

	Banks		Other Lenders		Bank Overdrafts		Total
Euro thousands	Principal	Interest	Principal	Interest	Principal	Interest	
December 31, 2015	**56,168**	**99**	**607**	**4**	**13,141**	**30**	**70,049**
non-current portion	1,404	-	106	-	-	-	1,510
current portion	54,764	99	501	4	13,141	30	68,539
December 31, 2016	**266,020**	**(4,660)**	**16,649**	**(2)**	**5,546**	**34**	**283,586**
non-current portion	194,768	(4,866)	164	(14)	-	-	190,052
current portion	71,252	205	16,485	12	5,546	34	93,534
Change	**209,852**	**(4,760)**	**16,042**	**(6)**	**(7,595)**	**4**	**213,537**
non-current portion	193,364	(4,866)	58	(14)	-	-	188,542
current portion	16,488	106	15,984	8	(7,595)	4	24,995

Bank Loans

With reference to "Bank Loans", the total exposure of the Group amounts to Euro 261,360 thousand, of which Euro 71,457 thousand considered as current (Euro 54,863 thousand at December 31, 2015) and Euro 189,902 thousand as non-current (Euro 1,404 thousand at December 31, 2015).

The medium/long-term portion of bank loans increased on 2015 Euro 188,498 thousand, principally following the issue of a loan to the parent F.I.L.A. S.p.A. by a banking syndicate comprising Unicredit S.p.A. as "Global coordinator - Mandated Lead Arranger" and Intesa Sanpaolo S.p.A. – Banca IMI, Mediobanca Banca di Credito Finanziario S.p.A. and Banca Nazionale del Lavoro S.p.A. as "Mandated Lead Arranger".

The loan was issued:

- In February 2016 for Euro 109,357 thousand, against the total granting of Euro 130,000 thousand, including a "Revolving Credit Facility" of Euro 10,000 thousand in support of the acquisition of the Daler-Rowney Lukas Group;
- In October 2016, the loan was disbursed for a further Euro 92,543 thousand for the acquisition of the Canson Group and for Euro 6,850 thousand St. Cuthberts Holding (United Kingdom).

Reference should be made to Note 13 - Financial Liabilities of the F.I.L.A. S.p.A. Statutory Financial Statements for further details on the financial conditions applied to the various tranches.

The loan was initially recognised at fair value, including directly associated transaction costs. The initial carrying amount was subsequently adjusted to account for redemptions in principal, any write-downs and amortisation of the difference between the redemption value and initial carrying amount. Amortisation is made 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 at December 31, 2016 of the amortised cost method is Euro 488 thousand of interest.

At December 31, 2016, the total bank payable of F.I.L.A. S.p.A. was Euro 216,361 thousand, of which Euro 193,161 thousand maturing beyond 12 months and Euro 23,200 thousand classified as the current portion. The non-current portion, in addition to the loan of Euro 191,176 thousand, includes also the fair value of the negotiation charges related to the derivative financial instruments of Euro 1,986 thousand undertaken in 2016 (details reported below).

The repayment plan of the loan is outlined below:

Note 13.C - BANKS BORROWINGS LOAN REPAYMENTS

Euro thousands	**Facility**	**Capital portion**
March 31, 2017	Facility A	6,000
September 30, 2017	Facility A	7,200
By March 20, 2017	Revolving Original Facility	10,000
Total current financial liabilities		**23,200**
March 31, 2018	Facility A	8,400
September 30, 2018	Facility A	9,600
March 31, 2019	Facility A	13,200
September 30, 2019	Facility A	15,600
March 31, 2020	Facility A	18,000
September 30, 2020	Facility A	18,000
February 2, 2021	Facility A	19,626
February 2, 2022	Facility B	88,750
Total non-current financial liabilities		**191,176**

Excluding the F.I.L.A. S.p.A. loan, the residual value of non-current financial liabilities amounts to Euro 1,607 thousand and principally relates to the medium/long-term portion of the loans granted to:

- Writefine Products Private Limited (India) by HDFC Bank for 365 thousand;
- Industria Maimeri S.p.A. (Italy) by BPER and Creval for Euro 565 thousand;
- Lyra KG (Germany) by Hypo Real Estate for Euro 470 thousand.

The current portion of banks payables totalled Euro 71,252 thousand, increasing Euro 16,488 thousand on 2015. As previously reported, the principal change relates to the loan issued to F.I.L.A. S.p.A., whose current portion, net of interest matured, totalled Euro 23,200 thousand.

With regards to the other Group companies, the current financial debt amounts to Euro 48,052 thousand and principally relates to the following disbursements:

- Credit Lines granted by Banamex S.A., Grupo Financiero BBVA Bancomer S.A., Banco Santander S.A. and Banco Sabadell S.A. to Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for a total of Euro 17,807 thousand. The exposure is Euro 5,238 thousand lower than 2015, principally due to a positive currency effect.
- Credit Line issued by Unicredit S.p.A. in favour of Dixon Ticonderoga Company (U.S.A.), with a total exposure at December 31, 2016 of Euro 14,230 thousand - Euro 2,217 thousand lower than 2015.

- Lines granted in favour of Fila Dixon Stationery (Kunshan) Co., Ltd. (China) by Intesa Sanpaolo S.p.A. and UniCredit S.p.A. for Euro 4,067 thousand, also reducing on the previous year (Euro 1,363 thousand).
- Credit Lines issued to Lyra KG (Germany) by Commerzbank and HVB for Euro 6,500 thousand. The current debt of the German company in addition comprises the current portion of loans issued by Hypo Real Estate for Euro 225 thousand. The company's total financial exposure increased Euro 5,040 thousand on 2015.
- The current portion of the loan and the credit lines granted to Writefine Products Private Limited (India) by HDFC Bank for Euro 2,118 thousand; the exposure reduced Euro 1,868 thousand on the previous year.

Covenants

The F.I.L.A. Group, against the debt undertaken with leading credit institutions (UniCredit S.p.A., Intesa Sanpaolo S.p.A., Mediobanca Banca di Credito Finanziario S.p.A. and Banca Nazionale del Lavoro S.p.A.) for the acquisition of the Daler-Rowney Lukas and the Canson Group is subject to commitments and "covenants".

Covenants are verified half-yearly and annually. In particular, the covenants on the loan contracts concern: Net Financial Debt (NFD), EBITDA ("Earnings Before Interest, Tax, Depreciation and Amortisation") and Net Financial Charges (NFC), calculated on the F.I.L.A. Group half-year and annual consolidated financial statements prepared as per IFRS.
The criteria for the calculation of the NFD, the EBITDA and the NFC are established by the relative loan contract.

We report below the covenant indicators and the relative parameters to be complied with at December 31, 2016.

NFD / EBITDA $\leq$ 4x
EBITDA / NFC $\geq$ 5.75x

The covenants at December 31, 2016 had been fully complied with.

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.

Financial Liabilities - Other Loans

"Financial Liabilities – Other Loans" at December 31, 2016 totalled Euro 16,647 thousand (Euro 611 thousand at December 31, 2015), with the current portion totalling Euro 16,497 thousand (Euro 505 thousand at December 31, 2015).

The increase on the previous year relates to financial liabilities of Euro 15,572 thousand of F.I.L.A. S.p.A. following the application of the price adjustment mechanism on the acquisition of the Canson Group (based on the net working capital and net financial position at the acquisition date).

Financial Liabilities - Bank Overdrafts

"Bank Overdrafts" amounted to Euro 5,580 thousand (Euro 13,171 thousand at December 31, 2015) and concern the overdrafts of Industria Maimeri S.p.A. (Italy) for Euro 4,739 thousand, Fila Stationary O.O.O. (Russia) for Euro 600 thousand and Canson Italia for Euro 207 thousand.
The reduction in the Group exposure compared to 2015 was Euro 7,595 thousand and principally concerns the coverage of the bank overdrafts in the previous year of F.I.L.A. S.p.A. and Lyra KG (Germany).

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, fiscal and economic conditions of each State 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 compensation agreed between the parties on hiring.
The other Group companies, particularly Omyacolor S.A. (France), Dixon Ticonderoga Company (U.S.A.), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico), Daler Rowney Ltd (United Kingdom) and

Canson SAS (France), 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 fulfill all of their obligations. The cost is accrued based on employment rendered and is recorded under labour costs.

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 funds 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 recognises to 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 value of the obligation recognised to the financial statements reflects the probability that the payment will be issued and the duration for which payment will be made. The value of these funds are calculated on an actuarial basis, utilising the “projected unit credit” method.

The amounts at December 31, 2016 were as follows:

Note 14.A -POST-EMPLOYMENT BENEFITS ITALY (“TFR”) AND OTHER EMPLOYEE BENEFITS

Euro thousands	**Post-employment benefits (Italy)**	**Other Employee benefits**	**Total**
December 31, 2015	**2,572**	**2,780**	**5,352**
Disbursements	(310)	(2,543)	(2,853)
of which Change in Consolidation Scope	-	*(988)*	*(988)*
Financial Expense	50	140	190
of which Change in Consolidation Scope	-	*(28)*	*(28)*
Pension Cost for Service	-	2,177	2,177
of which Change in Consolidation Scope	-	*338*	*338*
IAS 19 Reserve	102	2,019	2,121
of which Change in Consolidation Scope	-	*1,988*	*1,988*
Change in consolidation scope	-	4,901	4,901
Translation differences	-	(33)	(33)
Other Changes	-	(512)	(512)
December 31, 2016	**2,414**	**8,929**	**11,343**
Change	**(158)**	**6,149**	**5,991**

The “Actuarial Losses” for 2016 totalled Euro 2,121 thousand, recognised net of the fiscal effect directly to equity.

"*Other increases*" related to the offsetting with hedging financial assets by Daler Rowney Ltd (United Kingdom).

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

EMPLOYEE BENEFIT PLANS

1. Obligations for Employee Benefits	December 31, 2016	December 31, 2015
Present Value of Obligations Not Covered by Assets to Service Plan	2,414	2,572
	2,414	**2,572**
Present Value of Obligations Covered by Assets to Service Plan	9,915	3,611
Fair Value of Plan Assets Relating to the Obligations	(986)	(831)
	8,929	**2,780**
Total	**11,343**	**5,352**

The financial assets at December 31, 2016 invested by the F.I.L.A. Group to cover financial liabilities arising from "Employee Benefits" amount to Euro 986 thousand (Euro 831 thousand at December 31, 2015) and relate to Dixon Ticonderoga Company (Euro 730 thousand) and F.I.L.A.-Dixon, S.A. de C.V. (Euro 256 thousand). The financial investments have an average yield of 4.5% on invested capital (equally broken down between investments in the "Ticket PFG" fund and investments in guaranteed yield contracts). The "structure" of financial investments at December 31, 2016 did not change on the previous year.

The table below highlights the net cost of employee benefit components recognised to the income statement in 2016 and 2015:

2. Cost Recognised in Income Statement	2016	2015
Pension Cost for Service	2,177	1,889
Financial Expense	190	86
Cost Recognised in Income Statement	**2,367**	**1,975**

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

3. Main Actuarial Assumptions at Reporting Date (average values)	December 31, 2016	December 31, 2015
Annual Technical Discounting Rate	3.2%	4.3%
Increase Cost of Living	3.8%	4.3%
Future Increase in Salaries	2.5%	2.4%
Future Increase in Pensions	2.0%	2.0%

Details of the financial cash flows of employee benefits at December 31, 2016 are illustrated in the table below.

Note 14.B EMPLOYEE BENEFITS: TIMING CASH FLOWS

Nature	Amount	Timing cash flows				
		2017	2018	2019	2020	Beyond 2020
Post-employment benefits Italy (TFR)	2,414	118	93	101	104	1,998
Employee Benefits	8,929	690	130	191	115	7,803
Total	**11,343**	**808**	**223**	**292**	**219**	**9,801**

** in Euro thousands*

Note 15 - Provision for Risks and Charges

"Provision for Risks and Charges" at December 31, 2016 amount to Euro 4,067 thousand (Euro 1,376 thousand at December 31, 2015), of which Euro 1,618 thousand (Euro 942 thousand at December 31, 2015) concerning the non-current portion and Euro 2,449 thousand (Euro 434 thousand at December 31, 2015) concerning the current portion.

Note 15A - PROVISION FOR RISKS AND CHARGES

Euro thousands	Risks Provisions for Tax Disputes	Risks Provisions for Legal Disputes	Provisions for Agents	Restructuring Provisions	Other Provisions	Total
December 31, 2015	**39**	**132**	**647**	**-**	**558**	**1,376**
non-current portion	-	-	607	-	335	942
current portion	39	132	40	-	223	434
December 31, 2016	**39**	**263**	**794**	**1,845**	**1,126**	**4,067**
non-current portion	-	-	686	-	932	1,618
current portion	39	263	108	1,845	194	2,449
Change	**-**	**131**	**147**	**1,845**	**568**	**2,691**
non-current portion	-	-	79	-	597	676
current portion	-	131	68	1,845	(29)	2,015

The change in the account "Provision for Risks and Charges" at December 31, 2016 was as follows:

Note 15.B PROVISION FOR RISKS AND CHARGES: CHANGES IN YEAR

Euro thousands	Risks Provisions for Tax Disputes	Risks Provisions for Legal Disputes	Provisions for Agents	Restructuring Provisions	Other Provisions	Total
December 31, 2015	**39**	**132**	**647**	**-**	**558**	**1,376**
Utilisation of Provisions	-	(244)	(62)	(30)	(392)	(728)
Provisions Accrued	-	-	105	1,875	587	2,566
Release provision for risks and charges	-	(341)	-	-	-	(341)
Discounting	-	-	95	-	-	95
Change in consolidation scope	-	784	9	-	361	1,154
Exchange Differences	-	(68)	-	-	12	(56)
December 31, 2016	**39**	**263**	**794**	**1,845**	**1,126**	**4,067**
Change	**-**	**131**	**147**	**1,845**	**568**	**2,691**

Risks Provisions for Tax Disputes

This provision represents the best estimate by management of liabilities concerning a tax assessment of F.I.L.A. S.p.A. by the public tax departments, concerning financial year 2004 and relating to direct and indirect taxes (Euro 39 thousand).

Legal Dispute Provisions

The provision concerns accruals made in relation to:

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

The movement in the risks provision in 2016 concerned particularly Daler Rowney Ltd (United Kingdom). At the acquisition date of February 3, 2016, the English company reported a risks provision for a dispute in progress with a client. During the year, the dispute was concluded with utilisation of the provision for Euro 244 thousand and release of the excess of Euro 341 thousand.

Provisions for Pensions and Similar Obligations

The account includes the agents' supplementary indemnity provision at December 31, 2016 of the parent F.I.L.A. S.p.A. and of the subsidiaries Industria Maimeri S.p.A. and Canson Italia S.r.l.. The 2016 actuarial loss was Euro 95 thousand. The actuarial changes in the year, net of the tax effect, are recognised directly to equity.

Restructuring Provisions

For the integration and alteration of the Group structure following the acquisitions in 2016, a number of F.I.L.A. Group companies established provisions for risks and charges concerning personnel mobility plans for a total of Euro 1,845 thousand. The plans will involve in particular the US subsidiaries and Canson SAS (France), as per the structural reorganisation projects drawn up by the parent.

Other Provisions

The provision of Euro 1,126 thousand principally relates to the subsidiary Dixon Ticonderoga Company (U.S.A.) and F.I.L.A. S.p.A.. The US company established a provision for risks concerning environmental reclamation (Euro 441 thousand) relating to actions undertaken in the US in the period prior to acquisition by F.I.L.A. S.p.A.. Reclamation times and estimates will be revised by management until completion. No further disposal and environmental reclamation costs are expected following the reorganisation process involving the F.I.L.A. Group sites.

The parent F.I.L.A. S.p.A. provisioned, taking account of the information available and the best estimate made by management, Euro 586 thousand against liabilities deriving from the medium/long-term variable remuneration plan for a number of strategic executives of the company. The plan, approved by the Remuneration Committee and ratified by the Board of Directors, is indexed to quantitative and qualitative parameters. As concerning a medium/long-term provision, the expected future cash flows are discounted at a rate of 7.6%.

In order to establish the best estimate of the potential liability, each F.I.L.A. Group company assesses legal proceedings individually to estimate the probable losses which generally derive from similar events. The best estimate considers, where possible and necessary, the opinion of legal consultants and other experts, the prior experience of the company, in addition to the intention of the company itself to undertake further actions in each case. The present provision in the F.I.L.A. Group consolidated financial statements concerns the sum of individual allocations made by each Group company.

Note 16 - Deferred tax liabilities

Deferred Tax Liabilities amount to Euro 47,034 thousand (Euro 19,485 thousand at December 31, 2015).

Note 16.A CHANGES IN DEFERRED TAX LIABILITIES

Euro thousands	
December 31, 2015	**19,485**
Provisions	730
of which Change in Consolidation Scope	*121*
Utilisations	(2,094)
of which Change in Consolidation Scope	*(1,212)*
Change in consolidation scope	30,244
Translation differences	(1,281)
Change in Equity	(50)
December 31, 2016	**47,034**
Change	**27,549**

Deferred tax liabilities principally concern differences between fiscal and statutory amounts and the tax effect calculated on tangible and intangible assets valued through the "purchase price allocation" in completion of the corporate operations executed by the F.I.L.A. Group.

The table below shows the deferred tax liability provision by nature of the provision:

NOTE 16.B - BREAKDOWN OF DEFERRED TAX LIABILITIES

	Statement of Financial Position			Income Statement		Equity	
Euro thousands	2016	Contribution from Change in Consol. Scope [1]	2015	2016	2015	2016	2015
Inventories	-	33	-	(33)	-	-	-
Intangible Assets	38,744	24,454	14,346	(56)	(630)	-	-
Property, Plant and Equipment	8,402	5,003	3,837	(439)	375	-	-
Personnel - IAS 19	70	-	154	(34)	27	(50)	19
Dividends planned F.I.L.A. Group - IAS 12	285	-	125	160	-	-	-
Translation reserve difference	(1,281)	-	99	(99)	(209)	(1,281)	94
Other	815	753	924	(863)	61	-	-
Total deferred tax liabilities	**47,034**	**30,244**	**19,485**	**(1,364)**	**(376)**	**(1,331)**	**113**

[1] *The amount in question relates to the contribution calculated at the acquisition date of the companies involved in change to consolidation scope*

The balance at December 31, 2016 is mainly due to the change in the consolidation scope. The acquisition of the Canson Group, the Daler-Rowney Lukas Group and St. Cuthberts holding in fact resulted in the contribution to the consolidated financial statements of deferred tax liabilities principally from the fiscal effects calculated on the revaluations of the Fair Values of the Brands and other intangible assets. The M&A effect estimated at the acquisition date of the company amounts to Euro 30,244 thousand.

Excluding the changes to the consolidation scope, the other companies of the F.I.L.A. Group reporting significant deferred tax liabilities are Writefine Products Private Limited (Euro 13,664 thousand), also relating to the tax effect calculated on Brands and the *"Customer List"* valued on acquisition in 2015.

The change in the Equity 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.

Note 17 - Financial Instruments

"Financial Instruments" amount to Euro 0 thousand at December 31, 2016 (Euro 21,504 thousand at December 31, 2015).

On January 4, 2016, the period for the exercise of the Market Warrants still on the market concluded. Of the residual portion at December 31, 2015, 8,153,609 Market Warrants, corresponding to Euro 21,444 thousand, were exercised, resulting in a similar increase in Equity; the remaining 22,685 F.I.L.A. S.p.A. Market Warrants which were not exercised were cancelled and are without validity, generating financial income of Euro 60 thousand.

Note 18 - Current Tax Payables

The account "Current Tax Payables" totals Euro 4,951 thousand at December 31, 2016 (Euro 1,840 thousand at December 31, 2015), relating mainly to the Parent Company and the Indian company Writefine Products Private Limited (India).

Note 19 - Trade and Other Payables

"Trade and Other Payables" at December 31, 2016 amount to Euro 90,445 thousand (Euro 52,985 thousand at December 31, 2015). The breakdown of "Trade and Other Payables" of the F.I.L.A. Group is reported below:

Note 19.A TRADE AND OTHER PAYABLES

Euro thousands	December 31, 2016	December 31, 2015	Change
Trade Payables	63,170	38,412	24,758
Tax Payables	5,291	4,775	516
Other Payables	20,490	8,787	11,703
Accrued Liabilities & Def.Income	1,494	1,011	483
Total	**90,445**	**52,985**	**37,460**

The increase in "Trade Payables" (Euro 24,758 thousand) principally concerns the change in the consolidation scope. Trade payables at December 31, 2016 concerning the companies acquired during the year amount to Euro 21,142 thousand (principally relating to the Daler-Rowney Lukas Group for Euro 11,507 thousand and the Canson Group for Euro 9,038 thousand). Excluding the contribution from corporate operations and currency differences of Euro 1,238 thousand, the total increase was Euro 4,854 thousand and principally concerned higher purchases in support of increased production volumes and consultancy charges incurred by the parent for "M&A" operations.

The geographic breakdown of trade payables is shown below:

Note 19.B TRADE PAYABLES THIRD PARTIES - REGIONAL BREAKDOWN

Euro thousands	December 31, 2016	December 31, 2015	Change
Europe	36,827	22,240	14,587
North America	5,506	3,102	2,404
Central/South America	4,204	2,717	1,487
Asia	14,069	9,804	4,265
Rest of the world	2,564	549	2,015
Total	**63,170**	**38,412**	**24,758**

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

The account "Tax Payables" to third parties amounts to Euro 5,291 thousand at December 31, 2016 (Euro 4,775 thousand at December 31, 2015), of which Euro 3,471 thousand VAT payables and Euro 1,820 thousand concerning tax payables other than current taxes. VAT payables principally concern the Mexican subsidiary (Euro 2,224 thousand). Other Tax Payables concern consultants withholding taxes, principally relating to F.I.L.A. S.p.A (Euro 370 thousand). The residual amount mainly refers to the Chinese subsidiaries (Euro 348 thousand).

"Other Payables" amount to Euro 20,490 thousand at December 31, 2016 and principally include:

- employee salary payables of Euro 9,908 thousand (Euro 5,111 thousand at December 31, 2015);
- social security contributions to be paid of Euro 4,787 thousand (Euro 2,099 thousand at December 31, 2015);
- payables for agent commissions of Euro 339 thousand (Euro 172 thousand at December 31, 2015).
- the residual payables of Euro 5,439 thousand principally concern advances to clients (Euro 1,405 thousand at December 31, 2015).

The carrying amount of "Tax Payables", "Other Payables" and "Accrued Liabilities and Deferred Income" at the reporting date approximate their fair value.

With reference to the other non-current payables, the balance at December 31, 2016 amounted to Euro 105 thousand and refers to deposits paid by clients to guarantee long-term supply contracts of the Indian company Writefine Products Private Limited (India).

Note 20 – Core Business Revenue

Core business revenue in 2016 amounted to Euro 422,609 thousand (Euro 275,333 thousand in 2015).

Note 20.A - CORE BUSINESS REVENUE			
Euro thousands	December 31, 2016	December 31, 2015	Change
Revenue from Sales and Service	445,257	294,294	150,962
Adjustments on Sales	(22,648)	(18,962)	(3,686)
Returns on Sales	*(13,641)*	*(10,282)*	*(3,359)*
Discounts, Allowances and Premiums	*(9,007)*	*(8,680)*	*(327)*
Total	**422,609**	**275,333**	**147,276**

The increase on the previous year was Euro 147,276 thousand and principally concerned the M&A effect, of which:

- Euro 96,161 thousand concerning revenue generated by companies within the consolidation scope (Canson Group, Daler-Rowney Lukas Group, St. Cuthberts and the Indian Pioneer Stationary Private Limited);
- Euro 37,168 thousand by Writefine Products PVT Ltd (India) between January and October 2016 and considered as an M&A effect as the company was consolidated only from November 2015.

The increase excluding the “Business Combination” effect was therefore Euro 13,947 thousand. Reference should be made to the “Normalised operating results” paragraph of the Directors’ Report for further details on the residual change.

Revenues by region on the basis of the “Entity Locations” are reported below:

Note 20.B - CORE BUSINESS REVENUE			
Euro thousands	December 31, 2016	December 31, 2015	Change
Europe	178,158	125,642	52,516
North America	133,524	85,855	47,669
Central/South America	56,986	54,488	2,498
Asia	51,349	8,829	42,520
Rest of the World	2,592	519	2,073
Total	**422,609**	**275,333**	**147,275**

Note 21 – Other Revenue and Income

The account other 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 operations.

For further details on currency differences, reference should be made to "Note 30 - Foreign currency transactions".

"Other Revenue and Income" in 2016 amounted to Euro 19,652 thousand (Euro 7,210 thousand in 2015).

Note 21 – OTHER REVENUE AND INCOME

Euro thousands	December 31, 2016	December 31, 2015	Change
Gains on Sale of Property, Plant and Equipment	49	46	4
Unrealised Exchange Gains on Commercial Transactions	12,796	2,390	10,406
Realised Exchange Gains on Commercial Transactions	4,178	2,528	1,650
Other Revenue and Income	2,629	2,247	382
Total	**19,652**	**7,210**	**12,442**

"Other Revenue and Income" in 2016 of Euro 2,629 thousand principally includes, in addition to the effect from the change in the consolidation scope of Euro 1,128 thousand, the net change principally from commissions from Ticonderoga brand sales, the sale of production waste, Royalties and recharges for gifts recognised to F.I.L.A. S.p.A..

A net decrease in "Other Revenue and Income" at like-for-like consolidation scope of Euro 746 thousand is reported.

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

The account includes all purchases of raw materials, semi-processed products, transport for purchases, goods and consumables for operating activities.

"Costs for Raw Materials, Ancillary, Consumables and Goods" in 2016 totalled Euro 196,991 thousand (Euro 126,609 thousand in 2015).

The breakdown is provided below:

Note 22 - COSTS FOR RAW MATERIALS, ANCILLARY, CONSUMABLES AND GOODS

Euro thousands	December 31, 2016	December 31, 2015	Change
Raw materials, Ancillary, Consumables and Goods	(164,614)	(104,197)	(60,418)
Shipping Expenses on Purchases	(9,585)	(8,869)	(715)
Packaging	(7,284)	(2,716)	(4,568)
Import Charges and Customs Duties	(5,580)	(3,567)	(2,013)
Other Accessory Charges on Purchases	(9,201)	(7,302)	(1,899)
Materials for Maintenance	(813)	(104)	(710)
Adjustments on Purchases	86	146	(60)
Returns on Purchases	*-*	*82*	*(82)*
Discounts, Allowances and Premiums	*86*	*64*	*23*
Total	**(196,991)**	**(126,609)**	**(70,382)**

The increase in "Cost for Raw Materials, Ancillary, Consumables and Goods" in 2016 relates to the "M&A" operations and the consolidation for the full year of Writefine Products Private Ltd (India, fully consolidated from November 2015). The amount regarding the companies acquired in 2016 was Euro 53,370 thousand (of which Euro 40,926 thousand concerning the Daler-Rowney Lukas Group and Euro 10,661 thousand the Canson Group), while the increase from the consolidation of the Indian subsidiary Writefine Products Private Ltd (India) was Euro 26,183 thousand.

The increase in inventories at December 31, 2016 totalled Euro 18,175 thousand, of which:

- increase of "Raw Materials, Ancillary, Consumables and Goods" for Euro 418 thousand (increase of Euro 4,944 thousand in 2015);
- decrease in "Contract Work-in-Progress and Semi-Finished products" of Euro 3,417 thousand (decrease of Euro 1,088 thousand in 2015);

- increase in “Finished Products” of Euro 12,162 thousand (increase of Euro 14,319 thousand in 2015).

The increase concerning companies acquired in 2016 was Euro 6,834 thousand, principally relating to the Daler-Rowney Lukas Group (Euro 4,953 thousand).

For further details, reference should be made to the “Normalised operating result” paragraph of the Directors’ Report.

Note 23 - Service Costs and Rent, Leases and Similar Costs

“Service Costs and Rent, Leases and Similar Costs” amounted in 2016 to Euro 101,731 thousand (Euro 68,477 thousand in 2015).

Services costs are broken down as follows:

Note 23 - SERVICE COSTS AND RENT, LEASES AND SIMILAR COSTS

Euro thousands	December 31, 2016	December 31, 2015	Change
Sundry services	(9,610)	(6,490)	(3,120)
Transport	(15,798)	(9,329)	(6,469)
Warehousing	(1,702)	(693)	(1,009)
Maintenance	(7,162)	(3,543)	(3,619)
Utilities	(6,071)	(4,213)	(1,857)
Consulting	(13,861)	(7,509)	(6,352)
Directors and Statutory Auditors Fees	(4,688)	(3,774)	(915)
Advertising, Promotions, Shows and Fairs	(5,614)	(5,202)	(411)
Cleaning	(533)	(408)	(125)
Bank Charges	(877)	(819)	(58)
Agents	(7,569)	(6,012)	(1,558)
Sales representatives	(4,634)	(2,687)	(1,947)
Sales Commissions	(9,932)	(8,247)	(1,685)
Insurance	(1,986)	(1,226)	(760)
Other Service Costs	(2,231)	(1,473)	(758)
Hire Charges	(5,896)	(4,453)	(1,443)
Rental	(1,046)	(722)	(324)
Operating Leases	(1,727)	(1,081)	(646)
Royalties and Patents	(796)	(597)	(198)
Total	**(101,731)**	**(68,477)**	**(33,254)**

The increase in “Service Costs and Rent, Leases and Similar Costs” on 2015 was Euro 33,254 thousand, principally relating to the change in the consolidation scope (Euro 21,066 thousand) and the consolidation for the full year of Writefine Products Private Ltd (Euro 5,293 thousand), fully consolidated from November 2015. Therefore, the net change at like-for-like consolidation scope was Euro 6,895 thousand and principally concerned increased "M&A" consultancy costs of a non-recurring nature incurred by the parent, increased Director remuneration and higher costs related to improved revenue (Sales and Agent Incentives).

Note 24 – Other Costs

These totalled in 2016 Euro 20,313 thousand (Euro 8,188 thousand in 2015).

The account principally includes realised and unrealised exchange losses on commercial transactions. For further details on currency 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, 2016	December 31, 2015	Change
Unrealised Exchange Losses on Commercial Transactions	(10,847)	(3,290)	(7,557)
Realised Exchange Losses on Commercial Transactions	(7,210)	(3,588)	(3,622)
Other Operating Charges	(2,256)	(1,309)	(947)
Total	**(20,313)**	**(8,188)**	**(12,125)**

The increase in "Other Costs" in 2016 following the change in the consolidation scope was Euro 13,180 thousand, with a net increase at like-for-like consolidation scope of Euro 1,055 thousand.

"Other Operating Charges" of Euro 2,256 thousand principally include non-recurring costs incurred by the US subsidiary Dixon Ticonderoga Co. (Euro 1,172 thousand), substantially concerning legal disputes and donations for merchandising. In addition, the account includes costs of the Parent F.I.L.A. S.p.A. (Euro 230 thousand) relating to tax charges other than income taxes, such as municipal taxes on property, registration taxes and other indirect taxes, in addition to gifts and promotional items.

Note 25 – Labour Costs

"Labour Costs" include all costs and expenses incurred for employees.

They amounted in 2016 to Euro 82,399 thousand (Euro 55,664 thousand in 2015).

These costs are broken down as follows:

Note 25 – LABOUR COSTS

Euro thousands	December 31, 2016	December 31, 2015	Change
Wages and Salaries	(62,909)	(41,898)	(21,011)
Social Security Charges	(13,396)	(10,681)	(2,715)
Employee Benefit Charges	(2,144)	(1,889)	(255)
Post-Employment Benefits	(33)	-	(33)
Other Personnel Expenses	(3,917)	(1,197)	(2,720)
Total	**(82,399)**	**(55,664)**	**(26,735)**

The increase in "Labour Costs" on 2015 was Euro 26,735 thousand and principally concerned the change in the consolidation scope for Euro 22,369 thousand (of which Euro 14,854 thousand relating to the Daler-Rowney Lukas Group and Euro 6,909 thousand the Canson Group) and the consolidation for the full year of Writefine Products Private Ltd (Euro 5,651 thousand), fully consolidated only from November 2015. At like-for-like consolidation scope a net increase of Euro 1,285 thousand was reported, principally due to the currency effect on the Mexican and Chinese currencies, which offset the increased labour costs at the other Group companies.

Non-recurring labour costs were incurred for a total of Euro 1,897 thousand for the F.I.L.A. Group reorganisation.

The F.I.L.A. Group workforce at December 31, 2016 numbered 7,789 FTE, compared to 6,036 at December 31, 2015.

The change in the consolidation scope added 1,295 employees, relating to the “M&A” operations for the acquisition of the Canson Group, Daler-Rowney Lukas, St. Cuthberts and the Indian Pioneer Stationary Private Limited, against a net increase at like-for-like scope of 458.
Excluding the contribution of personnel from the change in the consolidation scope, the increase in the F.I.L.A. Group workforce principally concerns white-collar and blue-collar workers, with this latter principally relating to Asia and Central-South America.

The following table reports the breakdown of the F.I.L.A. Group workforce at December 31, 2016 and December 31, 2015 by region.

	Europe	North America	Central - South America	Asia	Rest of the World	Total
December 31, 2015	527	92	1,322	4,083	12	6,036
December 31, '2016	1,106	186	1,753	4,709	35	7,789
Change	579	94	431	626	23	1,753

and the breakdown by worker category:

PERSONNEL - FULL TIME EQUIVALENT				
	Manager	White-collar	Blue-collar	Total
December 31, 2015	41	1,323	4,672	6,036
December 31, 2016	138	1,710	5,941	7,789
of which change in consolidation scope	83	240	972	1,295

The average workforce in 2016 of the F.I.L.A. Group was 7,548, higher than the average workforce in 2015 of 5,596. Excluding the increase from corporate operations (1,295), the workforce of the F.I.L.A Group did not change significantly.

PERSONNEL - AVERAGE NUMBER OF EMPLOYEES				
	Manager	White-collar	Blue-collar	Total
December 31, 2015	53	1,167	4,376	5,596
December 31, 2016	141	1,654	5,753	7,548

Note 26 – Amortisation and Depreciation

The account in 2016 amounted to Euro 14,910 thousand (Euro 6,792 thousand in 2015). Amortisation and depreciation in 2016 and 2015 is reported below:

Note 26 – AMORTISATION AND DEPRECIATION

Euro thousands	December 31, 2016	December 31, 2015	Change
Depreciation of Property, Plant and Equipment	(9,162)	(4,879)	(4,283)
Amortisation of Intangible Assets	(5,748)	(1,913)	(3,835)
Total	**(14,910)**	**(6,792)**	**(8,118)**

The increase in “Amortisation and depreciation” in 2016 from the change in the consolidation scope was Euro 5,028 thousand. The net increase at like-for-like consolidation scope was Euro 3,090 thousand.

For further details, reference should be made to “Note 1 – Intangible Assets” and “Note 2 – Property, Plant and Equipment”.

Note 27 – Write-Downs

“Write-downs” in 2016 totalled Euro 828 thousand (Euro 989 thousand in 2015).

The write-downs in 2016 and 2015 are reported below:

Note 27 – WRITE-DOWNS			
Euro thousands	**December 31, 2016**	**December 31, 2015**	**Change**
Write-down Property, Plant and Equipment	(9)	(3)	(6)
Doubtful Debt Provisions	(819)	(985)	166
Total	**(828)**	**(989)**	**161**

The increase in 2016 from the change in the consolidation scope was Euro 149 thousand. The net decrease at like-for-like consolidation scope was Euro 12 thousand.

Trade receivable write-downs in 2016 principally concerned the Parent F.I.L.A. S.p.A., following a solvency assessment.

Note 28 – Financial Income

The account in 2016 amounted to Euro 4,470 thousand (Euro 15,695 thousand in 2015).

Financial income, together with the comment on the main changes on the previous year, was as follows:

Note 28 – FINANCIAL INCOME			
Euro thousands	**December 31, 2016**	**December 31, 2015**	**Change**
Investment Income	-	13,922	(13,922)
Interest on Bank Deposits	141	467	(326)
Other Financial Income	945	216	730
Unrealised Exchange Gains on Financial Transactions	3,239	988	2,251
Realised Exchange Gains on Financial Transactions	144	101	42
Total	**4,470**	**15,695**	**(11,225)**

The increase in “Financial Income” in 2016 from the change in the consolidation scope was Euro 1,438 thousand. The net decrease at like-for-like consolidation scope was Euro 9,787 thousand.

The main decrease related to “Investment income” and the Fair Value adjustment of the investment of the Indian subsidiary Writefine Products Private Limited, which impacted this account for Euro 13,992 in 2015.

Note 29 - Financial Expense

In 2016, these amounted to Euro 10,231 thousand (Euro 58,281 thousand in 2015).

Financial expense, together with the comment on the main changes on the previous year, were as follows:

Note 29 - FINANCIAL EXPENSES			
Euro thousands	December 31, 2016	December 31, 2015	Change
Interest on Bank Overdrafts	(189)	(316)	127
Interest on Bank Loans	(5,600)	(3,363)	(2,237)
Interest to Other Lenders	(75)	(7)	(68)
Other Financial Charges	(2,153)	(52,251)	50,098
Unrealised Exchange Losses on Financial Transactions	(1,317)	(2,141)	824
Realised Exchange Losses on Financial Transactions	(897)	(203)	(694)
Total	**(10,231)**	**(58,281)**	**48,050**

The increase in "Financial Expense" in 2016 from the change in the consolidation scope was Euro 1,740 thousand. Therefore, the net change at like-for-like scope was a decrease of Euro 46,310 thousand, principally due to the Fair Value adjustment of the investment in Space S.p.A. which impacted this account for Euro 45,791 in 2015.

"Other Financial Charges" in 2016 principally include:

- the Amortised Cost effect of Euro 488 thousand, calculated on the loan of the parent of Euro 214,376 thousand, received from a banking syndicate on February 3, 2016 (for further details, see Note 13), in addition to the "global coordinator fees" applied by the banking syndicate on issue of the loan for Euro 525 thousand;

- financial discounts of Euro 339 thousand, recognised by the parent to leading clients against the advance payment of invoices.

Note 30 - Foreign Currency Transactions

Exchange differences on financial and commercial transactions in foreign currencies in 2016 are reported below.

Note 30 - FOREIGN CURRENCY TRANSACTIONS			
Euro thousands	December 31, 2016	December 31, 2015	Change
Unrealised Exchange Gains on Commercial Transactions	12,796	2,390	10,406
Realised Exchange Gains on Commercial Transactions	4,178	2,528	1,650
Unrealised Exchange Losses on Commercial Transactions	(10,847)	(3,290)	(7,557)
Realised Exchange Losses on Commercial Transactions	(7,210)	(3,588)	(3,622)
Total exchange differences on commercial transactions	**(1,083)**	**(1,960)**	**877**
Unrealised Exchange Gains on Financial Transactions	3,239	988	2,251
Realised Exchange Gains on Financial Transactions	144	101	42
Unrealised Exchange Losses on Financial Transactions	(1,317)	(2,141)	824
Realised Exchange Losses on Financial Transactions	(897)	(203)	(694)
Total exchange differences on financial transactions	**1,169**	**(1,254)**	**2,423**
Total net value of exchange differences	**86**	**(3,215)**	**3,301**

The decrease in “Foreign currency transactions” in 2016 from the change in the consolidation scope totalled Euro 921 thousand. The net decrease at like-for-like consolidation scope was Euro 835 thousand.

Exchange differences in 2016 principally arose from the movement of local currencies (principally the South American currencies) against the Euro, in addition to the movement in the period of assets and liabilities in foreign currencies, following commercial and financial transactions.

Note 31 – Income/Expense from Investments Valued at Equity

"Income/Expense from Investments Valued at Equity" report a charge of Euro 19 thousand (Euro 420 thousand in 2015) due to the adjustment of the investment in the associate Uniwrite Pens and Plastics Pvt Ltd (India).

Note 32 - Income Taxes

These amounted to Euro 13,334 thousand in 2016 (Euro 8,286 thousand in 2015) and concern current taxes for Euro 14,385 thousand (Euro 10,444 thousand in 2015) and net deferred tax income of Euro 1,051 thousand (Euro 2,158 thousand in 2015).

Note 32.A – Current Income Taxes

The breakdown is as follows.

Note 32.A - INCOME TAXES

Euro thousands	December 31, 2016	December 31, 2015	Change
Current Income Taxes - Italy	(961)	(1,575)	614
Current Income Taxes - Foreign	(13,423)	(8,869)	(4,555)
Total	**(14,385)**	**(10,444)**	**(3,941)**

Current Italian taxes concern F.I.L.A. S.p.A., Industria Maimeri S.p.A and Canson Italia S.r.l..

The breakdown of current overseas taxes is illustrated below.

Note 32.A.1 - INCOME TAXES

Euro thousands	December 31, 2016	December 31, 2015	Change
FILA (Italy)	(1,471)	(95)	(1,376)
OMYACOLOR (France)	(1,012)	(905)	(107)
FILA (Spain)	(394)	(401)	7
Dixon Ticonderoga Company (U.S.A.)	(5,863)	(4,306)	(1,557)
Dixon (U.K)	(32)	(56)	25
Dixon (China)	(4)	119	(123)
Fila Dixon (Kunshan)	(225)	(223)	(2)
FILA (Yixing)	(50)	(54)	3
Dixon (Canada)	(258)	(249)	(9)
Dixon (Mexico)	(1,505)	(1,810)	305
FILA (Argentina)	(31)	(163)	132
Lyra Akrelux (Indonesia)	(46)	(37)	(10)
Lyra KG (Germany)	(314)	(95)	(219)
Fila Nordic (Scandinavia)	(62)	(86)	24
Lyra Verwaltungs (Germany)	(1)	(2)	1
Licyn Mercantil Industrial LTDA (Brazil)	(87)	(62)	(25)
FILA Hellas (Greece)	(159)	(105)	(53)
FILA (Polonia)	(34)	(8)	(26)
Writefine (India)	(1,589)	(330)	(1,259)
FILA (Chile)	(215)	-	(215)
Piooner Stationary Private Limited	2	-	2
Renoir Bidco Ltd (UK)	(21)	-	(21)
Daler Rowney Group Ltd (Jersey - UK)	(48)	-	(48)
FILA Benelux	(35)	-	(35)
Daler Rowney USA Ltd (USA)	277	-	277
Daler Rowney GmbH (Germany)	6	-	6
Nerchauer Malfarben GmbH (Germany)	14	-	14
St.Cuthberts Mill Limited Paper (UK)	(93)	-	(93)
Canson Brésil (Brazil)	(162)	-	(162)
Canson SAS (France)	93	-	93
Canson Inc. (USA)	3	-	3
Canson Qingdao (China)	(106)	-	(106)
Total	**(13,423)**	**(8,869)**	**(4,554)**

The foreign income taxes also include the tax charge relating to F.I.L.A S.p.A. concerning the tax representation of the subsidiary Lyra KG (Euro 274 thousand) and the tax under Article 167 of Presidential Decree 917/1986 concerning "Controlled Foreign Companies" for Euro 1,197 thousand.

Note 32.B – Deferred Tax Income and Charges

The breakdown is provided below:

Note 32.B DEFERRED TAX INCOME AND CHARGES

Euro thousands	December 31, 2016	December 31, 2015	Change
Deferred Tax Charge	1,364	376	989
Deferred Tax Income	(313)	1,782	(2,095)
Total	**1,051**	**2,158**	**(1,107)**

"Deferred Tax Income and Charges" in 2016 relating to the changes in the consolidation scope, amounting to Euro 296 thousand, principally concern the consolidation of the Daler & Rowney Lukas Group.

The table below shows the overall tax effects in the period.

Note 32.C TOTAL INCOME TAXES IN YEAR

Euro thousands	2016	Effective tax rate	2015	Effective tax rate
Pre-Tax Consolidated Result of the F.I.L.A. Group	35,306		(8,168)	
Result of Companies of the F.I.L.A. Group not subject to Current Inc. Taxes	3,114		28,452	
Consolidation Effect of the F.I.L.A. Group - Before Income Taxes	17,826		12,667	
Theoretical Tax Base	56,246		32,951	
Total current income taxes in accounts	(14,385)	25.6%	(10,444)	31.7%
Deferred Tax Asset in Year on Temporary Differences	(313)		1,782	
Deferred Tax Liability in Year on Temporary Differences	1,364		376	
Total deferred tax income & charges in accounts	1,051	-1.9%	2,158	-6.5%
Total income taxes in accounts	**(13,334)**	**23.7%**	**(8,286)**	**25.1%**

The "Total taxes recognised to the income statement" of Euro 13,334 thousand represent an average effective tax rate for the F.I.L.A. S.p.A. Group of 23.7%, reducing 1.4% on the previous year, principally generated from the tax benefits deriving from usage of tax losses matured by the parent, principally due to the revaluation of the market warrants and utilisation of the matured "ACE" base.

Business Combinations

Daler-Rowney Lukas Group

On February 3, 2016, F.I.L.A. S.p.A. acquired 100% of the entire share capital - comprising "ordinary shares" and "preference shares" - of Renoir Topco Limited, the holding company of the Daler-Rowney Lukas Group, held by the private equity fund Electra Partners LLP and the management team of Daler-Rowney.

From February 3, 2016, the companies of the English Group were consolidated in the financial statements of the F.I.L.A. S.p.A. Group under the "line by line" method and at December 31, 2016 contributed to the result only the profits/loss for the period between February 3, 2016 and December 31, 2016.

The acquisition of the entire share capital of Renoir Topco Limited involved total consideration of Euro 80.8 million, of which Euro 2.6 million as payment for the "ordinary shares", Euro 12.7 million as payment for the "preference shares" and Euro 65.5 million for redemption of the Loan Notes held by the sellers, in addition to the price adjustment of Euro 0.3 million in March 2016, in accordance with the purchase contract.

F.I.L.A. S.p.A. incurred costs related to the acquisition of Euro 2.4 million for legal expenses and due diligence costs. These costs were included in the "Services and Rent, Leases and Similar costs" account of the condensed statement of comprehensive income.

F.I.L.A. S.p.A. utilised a leading consultancy firm for application of the "Purchase Price Allocation" method for the Business Combination involving the Daler-Rowney Lukas Group. The allocation of the purchase value of the Group concluded by December 31, 2016 and resulted in goodwill of Euro 3,520 thousand.

Value of F.I.L.A. S.p.A Investment in Daler & Rowney Lukas Group	*A*	16,751
Consultancy charges capitalised in F.I.L.A. S.p.A. separate financial statements and expensed in consolidated financial statements	*B*	1,084
Acquisition price of investment net of consultancy charges (*Fair Value*)	***(C) = (A - B)***	**15,667**
Value of Equity of Daler & Rowney Lukas Group	*D*	12,147
Differential between the purchase amount of the investment and the net carrying amount of the Daler-Rowney Lukas Group (Goodwill) at February 3, 2016	***C - D***	**3,520**

The goodwill deriving from the acquisition principally concerns the skills and know-how of the personnel of the acquired group, in addition to synergies from the integration of the company acquired.

The value of the assets and liabilities of the Daler-Rowney Lukas Group at the acquisition date was as follows:

Euro thousands	**Fair Value at February 3, 2016**
Assets	**130,365**
Non-Current Assets	**86,454**
Intangible Assets	70,784
Property, Plant and Equipment	12,839
Non-Current Financial Assets	589
Deferred Tax Assets	2,242
Current Assets	**43,911**
Current Financial Assets	1,041
Current Tax Assets	23
Inventories	23,520
Trade and Other Receivables	16,147
Cash and Cash Equivalents	3,181
Non-Current and Current Assets Held-for-Sale	**0**
Liabilities and Equity	**130,365**
Equity	**12,147**
Non-Current Liabilities	**13,435**
Non-Current Financial Liabilities	19
Employee Benefits	57
Deferred Tax Liabilities	13,359
Current Liabilities	**104,783**
Current Financial Liabilities	90,955
Provisions for Risks and Charges	670
Current Tax Payables	82
Trade and Other Payables	13,075
Non-Current and Current Assets Held-for-Sale	**0**

Note: The figures are converted at the exchange rate at February 3, 2016.

As per IFRS 3, “Core Business Revenue” and the “Result for the year” of the companies acquired - which contributed to the F.I.L.A. Group consolidated financial statements from their acquisition date to December 31, 2016 - in addition to the relative pro forma figures for the entire year, are reported below.

Euro thousands	2016	2016 Proforma
Core Business Revenue	72,595	77,930
Net Profit/(loss)	1,984	(247)

St. Cuthberts Holding Limited

On September 14, 2016, F.I.L.A. S.p.A. completed the full acquisition of St. Cuthberts Holding Limited, the parent company of St. Cuthberts Mill Limited, a highly-renowned English paper mill located in the South-East of England and involved in the production of high quality artist's papers.

From the acquisition date, the companies were consolidated in the financial statements of the F.I.L.A. S.p.A. Group under the "line by line" method and at December 31, 2016 contributed to the result only the profits/loss for the period between September 14, 2016 and December 31, 2016.

F.I.L.A. S.p.A. incurred costs related to the acquisition of Euro 405 thousand for legal expenses and due diligence costs. These costs were included in the "Services and Rent, Leases and Similar costs" account of the condensed statement of comprehensive income.

The economic value of the operation is GBP 5.4 million (Euro 6.4 million). F.I.L.A. S.p.A. utilised a leading consultancy firm for application of the "Purchase Price Allocation" method for the Business Combination involving St. Cuthberts Holding Ltd. The allocation of the purchase value of the company concluded by December 31, 2016 and resulted in goodwill of Euro 1,323 thousand.

Value of F.I.L.A. S.p.A investment in St. Cuthbert Holding Limited (UK)	***A***	6,727
Consultancy charges capitalised in F.I.L.A. S.p.A. separate fin. stats. & expensed in consol. fin. stats.	***B***	346
Acquisition price of investment net of consultancy charges (*Fair Value*)	***(C) = (A - B)***	**6,381**
Value of Equity of St. Cuthbert Holding Limited (UK)	***D***	5,058
Differential between acquisition value of the investment and net carrying amount of St. Cuthbert Holding Limited (UK) (Goodwill) at September 14, 2016	***C - D***	**1,323**

The value of the assets and liabilities of the St. Cuthberts companies at the acquisition date was as follows:

Euro thousands	**Fair Value at September 14, 2016**
Assets	**6,822**
Non-Current Assets	**5,080**
Intangible Assets	2,492
Property, Plant and Equipment	2,588
Current Assets	**1,742**
Inventories	1,070
Trade and Other Receivables	494
Cash and Cash Equivalents	177
Non-Current and Current Assets Held-for-Sale	**0**
Liabilities and Equity	**6,822**
Equity	**5,058**
Non-Current Liabilities	**913**
Non-Current Financial Liabilities	61
Deferred Tax Liabilities	852
Current Liabilities	**851**
Current Financial Liabilities	82
Current Tax Payables	179
Trade and Other Payables	590
Non-Current and Current Assets Held-for-Sale	**0**

Note: The figures are converted at the exchange rate at September 14, 2016.

As per IFRS 3, “Core Business Revenue” and the “Result for the year” of the companies acquired - which contributed to the F.I.L.A. Group consolidated financial statements from their acquisition date to December 31, 2016 - in addition to the relative pro forma figures for the entire year, are reported below.

Euro thousands	**2016**	**2016 Proforma**
Core Business Revenue	1,611	3,162
Net Profit	310	405

Canson Group

On October 5, 2016, F.I.L.A. S.p.A. fully acquired the Canson Group and held Hamelin Group.

From October 5, 2016, the companies of the Canson Group were consolidated in the financial statements of the F.I.L.A. S.p.A. Group under the "line by line" method and at December 31, 2016 contributed to the result only the profits/loss for the period between October 5, 2016 and December 31, 2016.

The full acquisition of the Canson Group resulted in a total payment of Euro 100.5 million, of which Euro 43 million for the shares held and Euro 41.9 million for redemption of the loans with the Hamelin Group, in addition to Euro 15.6 million in January 2017 for the price adjustment on the basis of the audited completion accounts, as established under the acquisition contract.

F.I.L.A. S.p.A. incurred costs related to the acquisition of Euro 4.3 million for legal expenses and due diligence costs. These costs were included in the "Services and Rent, Leases and Similar costs" account of the condensed statement of comprehensive income.

F.I.L.A. S.p.A. utilised a leading consultancy firm for application of the "Purchase Price Allocation" method to the Business Combination involving the Canson Group. The allocation of the purchase value of the Group concluded by December 31, 2016 and resulted in goodwill of Euro 30,566 thousand.

Value of F.I.L.A. S.p.A investment in Canson at October 5, 2016	***A***	61,035
Consultancy charges capitalised in F.I.L.A. S.p.A. separate fin. statements and expensed in consol. fin. statements	***B***	2,399
Acquisition price of investment net of consultancy charges (*Fair Value*)	***(C) = (A - B)***	**58,636**
Value of Equity of Canson companies at October 5, 2016	***D***	28,070
Differential between acquisition value of the investment and net book value of Canson companies (Goodwill) at October 5, 2016	***C - D***	**30,566**

The goodwill deriving from the acquisition principally concerns the skills and know-how of the personnel of the acquired group, in addition to synergies from the integration of the company acquired.

The value of the consolidated assets and liabilities of the Canson Group at the acquisition date was as follows:

Euro thousands	**Fair Value at October 5, 2016**
Assets	**105,640**
Non-Current Assets	**57,450**
Intangible Assets	33,933
Property, Plant and Equipment	16,846
Non-Current Financial Assets	1,880
Deferred Tax Assets	4,791
Current Assets	**48,190**
Current Tax Assets	143
Inventories	19,393
Trade and Other Receivables	18,762
Cash and Cash Equivalents	9,891
Other Current Assets	
Non-Current and Current Assets Held-for-Sale	**0**
Liabilities and Equity	**105,640**
Equity	**28,070**
Non-Current Liabilities	**23,733**
Non-Current Financial Liabilities	2,953
Employee Benefits	4,869
Deferred Tax Liabilities	15,911
Current Liabilities	**53,837**
Current Financial Liabilities	39,647
Provisions for Risks and Charges	477
Current Tax Payables	387
Trade and Other Payables	13,326
Other current liabilities	
Non-Current and Current Assets Held-for-Sale	**0**

Note: The figures are converted at the exchange rate at October 5, 2016

As per IFRS 3, “Core Business Revenue” and the “Result for the year” of the companies acquired - which contributed to the F.I.L.A. Group consolidated financial statements from their acquisition date to

December 31, 2016 - in addition to the relative pro forma figures for the entire year, are reported below.

Euro thousands	**2016**	**2016 Proforma**
Core Business Revenue	21,353	83,096
Net Profit/(loss)	(378)	(4,983)

Commitments and guarantees

Commitments

In 2016, commercial supplier commitments maturing in 2017 totalled Euro 859 thousand and concern F.I.L.A. Hispania S.L. (Spain - Euro 854 thousand) and Daler Rowney Ltd (United Kingdom - Euro 5 thousand).

In 2016, operating lease and hire commitments maturing in 2017 totalled Euro 498 thousand, concerning Daler Rowney Ltd (United Kingdom – Euro 239 thousand) the Parent F.I.L.A. S.p.A. (Italy - Euro 159 thousand), Dixon Ticonderoga Co. (U.S.A. – Euro 47 thousand), Daler Rowney Gmbh (Germany – Euro 39 thousand) and Fila Hellas SA (Greece – Euro 14 thousand), while commitments maturing beyond 2017 totalled Euro 590 thousand, relating to Daler Rowney Ltd (United Kingdom – Euro 383 thousand) and the Parent F.I.L.A. S.p.A. (Euro 207 thousand).

Guarantees

On February 2, 2016, F.I.L.A. S.p.A. signed a loan contract (hereafter the "Facility Agreement") issued by a banking syndicate comprising UniCredit S.p.A. as "Global Coordinator", Intesa Sanpaolo S.p.A., Mediobanca Banca di Credito Finanziario S.p.A. and Banca Nazionale del Lavoro as "Mandated Lead Arranger" and UniCredit Bank AG as "Security Agent", for a total of Euro 109,357 thousand against a total underwritten amount of Euro 130,000 thousand.
The loan disbursed was for the acquisition of the Daler-Rowney Lukas Group on February 3, 2016. On May 12, 2016, the loan was extended to a total nominal amount of Euro 236,900 for the acquisition of the Canson Group.
Against this exposure, there are "share security" guarantees in place on the following companies:

- Renoir Topco Limited
- Renoir Bidco Limited
- Renoir Midco Limited
- Daler-Rowney Limited
- Daler-Rowney USA Limited
- Omyacolor S.A.
- Grupo F.I.L.A. – Dixon, S.A. de C.V.
- Canson SAS
- Lodi 12 SAS

- Daler-Rowney Group Limited
- Canson Inc. (USA)
- Dixon Ticonderoga Company (USA)

in addition to other guarantees ("other asset security") on trade and financial receivables from the acquisitions in 2016.

The guarantees provided by F.I.L.A. S.p.A. are as follows:

- bank sureties granted to Unicredito Italiano S.p.A. on credit lines in favour of Lyra KG (Germany – Euro 8,000 thousand);

- brank surety issued in favour of Banca Nazionale del Lavoro S.p.A. on the credit lines granted to Industria Maimeri S.p.A. (Italy) for Euro 1,226 thousand;

- bank sureties issued in favour of third parties, to credit institutions for guarantees on competitions for Euro 1 thousand and guarantee on the Pero offices lease contract for Euro 87 thousand;

- "stand by" given 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 Euro 2 million;
    - Licyn Mercantil Industrial Ltda (Brazil) for Euro 454 thousand;
- "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 2,200 thousand;
    - Monte dei Paschi di Siena S.p.A. for Euro 1,000 thousand;
    - Banca Popolare dell'Emilia Romagna for Euro 1,025 thousand;

- "loan mandates" granted to Unicredito Italiano S.p.A. in favour of Dixon Ticonderoga Co. (U.S.A.) of USD 17 million, in favour of Beijing F.I.L.A.-Dixon Stationery Company Ltd (China) of Euro 1,050 thousand and in favour of Industria Maimeri S.p.A. (Italy) of Euro 1,950 thousand and OOO Fila Stationery (Russia) of Rubles 25 million;

- "loan mandates" granted in favour of Banca Intesa Sanpaolo S.p.A. on the subsidiaries:

- Dixon Ticonderoga Co. (U.S.A.) of USD 10 million;
- Fila Dixon Stationery (Kunshan) Co. Ltd. (China) of Renminbi 32 million;
- Fila Dixon Stationary (Kunshan) Co., Ltd. of USD 500 thousand;
- Fila Dixon Stationary (Kunshan) Co., Ltd. (China) for Euro 2 million;
- Xinjiang Fila Dixon Plantation Co. Ltd (China) for Euro 1.6 million;
- Industria Maimeri S.p.A. (Italy) of Euro 1 million;
- Fila Stationary O.O.O. (Russia) for Euro 1,250 thousand.

➢ loan mandate granted in favour of Credito Valtellinese on Industria Maimeri S.p.A. (Italy) for Euro 350 thousand.

With reference to the other guarantees provided by the Group companies, we highlight the mortgages in favour of Dresdner Bank, Hypo Real Estate and Eurohypo AG on the property of Lyra KG "Johann Froescheis Lyra-Bleitstitift-Fabrik GmbH&Co-KG" (Germany) for Euro 5,581 thousand.

Lyra KG "Johann Froescheis Lyra- Bleitstitift-Fabrik GmbH&Co-KG" (Germany) provided a guarantee in favour of PT. Perma Plasindo (a local Fila Group partner) which, in turn, pledged tangible fixed assets in guarantee (land and buildings) 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 160,000).

Subsequent events

Refer to section "*Subsequent Events*" of Directors' Report for further information related to the nature and the economic and financial effects of Subsequent events.

Attachments

Attachment 1 - Transactions with Related Parties

For the procedures adopted in relation to transactions with related parties, also in accordance with Article 2391-bis of the Civil Code, reference should be made to the procedure adopted by the Parent pursuant to the Regulation approved by Consob with motion No. 17221 of March 12, 2010 and subsequent amendments, published on the website of the company 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, 2016:

F.I.L.A. GROUP RELATED PARTIES DECEMBER 31, 2016

		FY 2016 Statement of Financial Position						FY 2016 Income Statement					
Euro thousands		ASSETS			LIABILITIES			REVENUE			COSTS		
Company	Nature	Property, plant & equipment	Trade Receivables	Cash and Cash Equivalents	Financial Payables (Banks)	Financial Payables (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	-	-	-	-	-	450	-	-	-	1,460	-	-
Studio Legale Salonia e Associati	Legal Consultancy	-	-	-	-	-	67	-	-	-	-	298	-
Studio Zucchetti	Tax & Administration Consultancy	-	-	-	-	-	146	-	-	-	-	263	-
Beijing Majestic	Trade Supplier	12	-	-	-	-	138	14	-	-	793	-	-
Pynturas y Texturizados S.A. de C.V.	Trade Supplier	-	-	-	-	-	-	-	-	-	126	15	-
HR Trustee	Services Provider	-	-	-	-	-	-	-	-	-	-	24	-
Total		**12**	**-**	**-**	**-**	**-**	**802**	**14**	**-**	**-**	**2,379**	**601**	**-**

F.I.L.A. GROUP RELATED PARTIES DECEMBER 31, 2015

		FY 2015 Statement of Financial Position						FY 2015 Income Statement					
Euro thousands		ASSETS			LIABILITIES			REVENUE			COSTS		
Company	Nature	Property, plant & equipment	Trade Receivables	Cash and Cash Equivalents	Financial Payables (Banks)	Financial Payables (Other)	Trade Receivables	Revenue from sales	Other Revenue (Services)	Financial Income	Operating Costs (Products)	Operating Costs (Services)	Financial Expense
Nuova Alpa Collanti S.r.l.	Trade Supplier	-		-	-	-	407	-	-	-	1,107	-	-
Studio Legale Salonia e Associati	Legal Consultancy	-		-	-	-	9	-	-	-	-	304	-
Studio Zucchetti	Tax & Administration Consultancy	-		-	-	-	221	-	-	-	-	263	-
Studio Legale Pedersoli e Associati(1)	Legal Consultancy	-		-	-	-	-	-	-	-	-	106	-
Intesa Sanpaolo S.p.A.(1)	Loans	-		-	-	-	-	-	-	1	-	23	106
Total		**-**		**-**	**-**	**-**	**637**	**-**	**-**	**1**	**1,107**	**695**	**106**

1) Parties considered as related parties between January 1, 2015 and the Effective Date of the merger between F.I.L.A. S.p.A. and Space S.p.A. The cost reported in the table represent the amounts matured by these parties in the period in which they were considered related parties.

Studio Legale Salonia e Associati

Studio Legale Salonia e Associati, with which a partner is related to the majority shareholder of the company, principally provides legal consultancy.

Nuova Alpa Collanti S.r.l.

Nuova Alpa Collanti S.r.l., in which a shareholder is a Board member of F.I.L.A. S.p.A., supplies glue.

Studio Zucchetti

Studio Zucchetti, in which a partner of the firm is a member of the Board of Directors of F.I.L.A. S.p.A., principally provides tax and administrative consultancy.

Beijing Majestic

Beijing Majestic Stationery Company, a shareholder of which is related to the management of a F.I.L.A. Group company, is an industrial and commercial company specialised in the sale of stationary items.

Pynturas y Texturizados S.A. de C.V.

Pynturas y Texturizados S.A. de C.V., a shareholder of which is related to the management of a F.I.L.A. Group company, 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.

Studio Legale Salonia e Associati

Studio Legale Pedersoli e Associati, in which a partner of the firm was a member of the Board of Directors of F.I.L.A. S.p.A. until the effective merger with Space S.p.A., at December 31, 2015 provided information on the charges matured in the period between January 1, 2015 and May 31, 2015.

Intesa Sanpaolo

Intesa Sanpaolo, shareholder of F.I.L.A. S.p.A. until the effective merger with Space S.p.A., at December 31, 2015 provided information on the charges matured in the period between January 1, 2015 and May 31, 2015.

F.I.L.A. Group transactions with related parties 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 particularly 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.

In relation to the inter-company transactions of F.I.L.A. S.p.A., they 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, 2016 and December 31, 2015 are detailed below.

F.I.L.A. S.P.A. INTERCOMPANY TRANSACTIONS 2016

	Statement of Financial Position - 2016					Income Statement - 2016						
	Assets			Liabilities		Revenues				Costs		
Company *Euro thousands*	Inventories	Trade Receivables	Financial Assets	Trade Payables	Financial Liabilities	Revenue from sales	Other Revenue	Dividends	Financial Income	Operating Costs (Products)	Operating Costs (Services)	Financial Expense
Omyacolor S.A. (France)	490	282	-	667	-	2,958	191	1,899	-	1,859	24	-
F.I.L.A. Hispania S.L. (Spain)	-	173	-	-	-	2,450	71	968	-	-	-	-
Licyn Mercantil Industrial Ltda (Brazil)	-	115	3,515	-	-	62	9	-	85	-	-	-
Dixon Ticonderoga Company (U.S.A.)	6	118	-	57	-	359	153	4,497	-	1	-	-
Dixon Ticonderoga Inc. (Canada)	-	13	-	1	-	19	13	-	-	-	6	-
FILALYRA GB Ltd (United Kingdom)	-	45	-	1	-	704	41	-	1	-	5	-
Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico)	437	207	-	77	-	556	143	-	-	615	7	-
FILA Dixon Stationery (Kunshan) Co., Ltd. (China)	7,824	120	-	214	-	175	79	-	-	9,224	14	-
F.I.L.A. Chile Ltda (Chile)	-	294	-	-	-	628	7	-	-	-	-	-
FILA Argentina S.A. (Argentina)	-	1,829	-	-	-	340	-	-	-	-	-	-
Johann Froescheis Lyra KG (Germany)	670	60	-	160	-	685	142	498	-	863	361	-
F.I.L.A. Nordic (Sweden)	-	42	-	-	-	381	30	-	-	-	-	-
FILA Hellas SA (Greece)	-	344	117	-	-	1,283	7	130	-	-	-	-
PT. Lyra Akrelux (Indonesia)	-	-	-	-	-	110	2	-	-	-	-	-
FILA SA (South Africa)	-	1,120	1,165	-	-	327	11	-	25	-	-	-
Fila Stationary O.O.O. Co. (Turkey)	-	219	211	1	-	207	26	-	5	-	-	-
Industria Maimeri S.p.A. (Italy)	119	78	1,177	54	-	112	165	-	19	208	-	-
Fila Stationary O.O.O. (Russia)	-	1,153	857	-	-	669	12	-	20	-	-	-
Fila Dixon Art & Craft Yixing Co.,Ltd (China)	815	33	-	143	-	208	-	-	-	1,330	10	-
Writefine Products PVT LTD (India)	460	18	-	79	-	-	20	512	-	671	-	-
Fila Polska Sp. Z.o.o (Poland)	-	15	-	-	-	87	-	-	-	-	-	-
Canson SAS (France)	-	-	18,969	-	-	-	-	-	186	-	-	-
Lodi 12 SAS (France)	-	-	1,917	-	-	-	-	-	22	-	-	-
Eurholdham USA Inc. (USA)	-	-	10,237	-	-	-	-	-	84	-	-	-
Canson Australia (Australia)	-	-	1,619	-	-	-	-	-	14	-	-	-
Canson Inc. (U.S.A.)	-	-	4,594	-	-	-	-	-	42	-	-	-
Daler Rowney Ltd (United Kingdom)	-	33	2,500	9	-	52	102	-	50	-	9	-
Canson Italy S.r.l. (Italy)	-	65	-	-	-	-	53	-	-	-	-	-
Renoir Bidco (United Kingdom)	-	-	-	-	-	-	211	-	292	-	-	-
Renoir Midco (United Kingdom)	-	-	-	-	-	-	597	-	828	-	-	-
Total	**10,821**	**6,376**	**46,878**	**1,463**	**-**	**12,372**	**2,085**	**8,504**	**1,673**	**14,771**	**436**	**-**

F.I.L.A. S.P.A. INTERCOMPANY TRANSACTIONS 2015

Company	Statement of Financial Position - 2015					Income Statement - 2015						
	Assets			Liabilities		Revenue				Costs		
Euro thousands	Inventories	Trade Receivables	Financial Assets	Trade Payables	Financial Liabilities	Revenue from sales	Other Revenue	Dividends	Financial Income	Operating Costs (Products)	Operating Costs (Services)	Financial Expense
Omyacolor S.A. (France)	478	230	-	964	- #	3,102	173	1,899	-	2,659	23	-
F.I.L.A. Hispania S.L. (Spain)	-	330	-	-	-	2,992	47	774	-	-	-	-
Licyn Mercantil Industrial Ltda (Brazil)	-	65	2,981	-	-	60	24	-	48	-	-	-
Dixon Ticonderoga Company (U.S.A.)	10	123	-	-	-	1,139	167	1,841	-	-	-	-
Dixon Ticonderoga Inc. (Canada)	-	5	-	-	-	12	12	-	-	-	-	-
FILALYRA GB Ltd (United Kingdom)	-	67	100	1	-	674	43	-	7	-	5	-
Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico)	550	177	-	285	-	1,095	159	-	-	971	6	-
Beijing F.I.L.A.-Dixon Stationery Company Limited (China)	2	47	-	-	-	32	79	-	-	307	-	-
FILA Dixon Stationery (Kunshan) Co., Ltd. (China)	7,544	72	-	654	-	113	40	-	-	15,289	27	-
F.I.L.A. Chile Ltda (Chile)	-	739	-	-	-	870	16	-	-	-	-	-
FILA Argentina S.A. (Argentina)	-	1,501	-	-	-	607	-	-	-	-	-	-
Johann Froescheis Lyra KG (Germany)	725	80	-	142	-	537	150	498	-	935	337	-
Lyra Scandinavia AB (Sweden)	-	101	-	-	-	411	24	-	-	-	-	-
FILA Hellas SA (Greece)	-	249	-	-	-	959	15	-	-	-	-	-
PT. Lyra Akrelux (Indonesia)	-	2	-	-	-	46	2	-	-	-	-	-
FILA Cartorama SA PTY LTD (South Africa)	-	865	947	-	-	459	33	-	16	-	-	-
FILA Stationary Ltd. Co. (Turkey)	-	143	272	-	-	177	30	-	3	-	-	-
Industria Maimeri S.p.A.(Italy)	90	62	1,931	56	-	41	163	-	14	219	2	-
Fila Stationary O.O.O. (Russia)	-	731	837	-	-	269	27	-	18	-	-	-
Fila Dixon Art & Craft Yixing Co.,Ltd (China)	1,009	55	-	194	-	180	-	-	-	1,198	1	-
Writefine Products PVT LTD (India)	1,087	-	-	165	-	-	-	-	-	165	-	-
Fila Polska Sp. Z.o.o (Poland)	-	7	-	-	-	34	-	-	-	-	-	-
Total	**11,495**	**5,651**	**7,068**	**2,461**	**-**	**13,809**	**1,204**	**5,012**	**106**	**21,743**	**401**	**-**

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, 2016 and December 31, 2015 are detailed below.

In particular, in 2016 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;
- granting of licences for the usage of the Suger trademark by F.I.L.A. S.p.A. and Omyacolor S.A. (France);
- concession of the licence for the usage of the Omyacolor S.A. (France) and Lyra KG (Germany) trademarks in favour of F.I.L.A. S.p.A.;
- concession of an additional loan to the subsidiary Lycin Mercantil Industrial Ltda (Brazil) and the subsidiary FILA S.A. (Pty) Ltd. (South Africa);
- concession of a loan in favour of the subsidiary Daler Rowney Ltd. (United Kingdom), of the subsidiary Canson SAS (France), of the subsidiary Lodi 12 SAS (France), of the subsidiary Eurholdham USA Inc. (U.S.A.), of the subsidiary Canson Australia Pty. Ltd. (Australia) and the subsidiary Canson Inc. (U.S.A.);
- dividends received by the Parent F.I.L.A. S.p.A. from the subsidiary Dixon Ticonderoga Co. (U.S.A. Euro 4,497 thousand), the subsidiary Omyacolor S.A. (France – Euro 1,899 thousand), F.I.L.A. Hispania S.L. (Spain – Euro 968 thousand), the subsidiary Writefine

Products PVT Ltd (India – Euro 512 thousand), the subsidiary Lyra KG (Germany – Euro 498 thousand) and the subsidiary FILA Hellas S.A. (Greece – Euro 130 thousand);

- recharges for contractually established consultancy services provided by the Parent F.I.L.A. S.p.A. to Dixon Ticonderoga Company (U.S.A.), Industria Maimeri S.p.A. (Italy), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico), the English subsidiaries, Omyacolor S.A. (France), Lyra KG (Germany), Fila Dixon Stationery (Kunshan) Co, Ltd. (China), F.I.L.A. Hispania S.L. (Spain), Canson Italy S.r.l. (Italy), Lyra Scandinavia AB (Sweden) and Writefine Products PVT Ltd (India);
- recharges for commissions on loans granted by F.I.L.A. S.p.A. to Daler Rowney Ltd (United Kingdom);
- recharges for costs incurred by F.I.L.A. S.p.A. against Group insurance coverage in favour of the company Omyacolor S.A. (France), Lyra KG (Germany) and F.I.L.A. Hispania S.L. (Spain);
- recharges of costs to subsidiaries for sureties granted in favour of FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey) and Licyn Mercantil Industrial Ltda (Brazil) by F.I.L.A. S.p.A., in guarantee of credit lines contracted with Banca Nazionale del Lavoro S.p.A.

In addition, the following information is provided in relation to the remuneration of the Directors, Statutory Auditors, Chief Executive Officer and the General Director, in the various forms in which they are paid and reported in the financial statements.

Name and Surname	Office held	Duration	Emoluments for office (€)	Bonuses and other incentives (€)
Gianni Mion	Chairman	2015-2017	90,000	-
Massimo Candela*	Chief Executive Officer	2015-2017	850,000	1,333,300
Luca Pelosin*	Executive Director	2015-2017	300,000	496,067
Alberto Candela	Director & Honorary Chairman	2015-2017	150,000	-
Fabio Zucchetti	Director	2015-2017	15,600	-
Annalisa Barbera	Director	2015-2017	15,000	-
Sergio Ravagli	Director	2015-2017	15,000	-
Gerolamo Caccia Dominioni	Director	2015-2017	15,000	-
Francesca Prandstraller	Director	2015-2017	15,000	
Total Directors			**1,465,600**	**1,829,367**

Name	Office held	Duration	Emoluments for office (€)
Claudia Mezzabotta	Chair. Board of Statutory Auditors	2015-2017	30,160
Stefano Amoroso	Statutory Auditor	2015-2017	22,880
Rosalba Casiraghi	Statutory Auditor	2015-2017	22,880
Total Statutory Auditors			**75,920**

The Board of Directors and the Board of Statutory Auditors were appointed on July 22, 2015.
The mandate was established as three years (2015-2017), therefore until the approval of 2017 Annual Accounts
** Key Management Personnel*

The following members of the Board of Directors and Board of Statutory Auditors also received emoluments for offices held in other companies of the Group.

Name and Surname	Office held	Emoluments for Office €	Company
Fabio Zucchetti	Director	13,555	Dixon Ticonderoga Company (U.S.A.)
Luca Pelosin	Director	562	Grupo Fila-Dixon, S.A. de C.V.
Fabio Zucchetti	Director	1,129	Grupo Fila-Dixon, S.A. de C.V.
Diego Céspedes Creixell	Director	648	Grupo Fila-Dixon, S.A. de C.V.
Alberto Candela	Director	562	Grupo Fila-Dixon, S.A. de C.V.
Stefano Amoroso	Statutory Auditor	6,760	Industria Maimeri S.p.A.

Attachment 2 - List of companies included in the consolidation and other investments

Company	State of residence of the company	Segment IFRS 8[1]	Year of acquisition of the company	% held directly (F.I.L.A. S.p.A.)	% held indirectly	% held by F.I.L.A. Group	Investing Company	Consolidation Method	Non-controlling interests
Omyacolor S.A.	France	EU	2000	94.94%	5.06%	100.00%	FILA S.p.A. Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG Lyra Bleistift-Fabrik Verwaltungs GmbH	Line-by-line	0.00%
F.I.L.A. Hispania S.L.	Spain	EU	1997	96.77%	0.00%	96.77%	FILA S.p.A.	Line-by-line	3.23%
FILALYRA GB Ltd.	UK	EU	2005	0.00%	100.00%	100.00%	Daler Rowney Ltd	Line-by-line	0.00%
Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG	Germany	EU	2008	99.53%	0.47%	100.00%	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	Sweden	EU	2008	0.00%	80.00%	80.00%	Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG	Line-by-line	20.00%
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 SA[2]	Greece	EU	2013	50.00%	0.00%	50.00%	FILA S.p.A.	Line-by-line	50.00%
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 Ticonderoga 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 Ticonderoga 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%
Licyn Mercantil Industrial Ltda	Brazil	CSA	2012	99.99%	0.00%	99.99%	FILA S.p.A.	Line-by-line	0.01%
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 Australia PTY LTD	Australia	RM	2015	100.00%	0.00%	100.00%	FILA S.p.A.	Line-by-line	0.00%
FILA SA PTY LTD	South Africa	RM	2014	90.00%	0.00%	90.00%	FILA S.p.A.	Line-by-line	10.00%
FILA Dixon 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%
Writefine Products Private Limited	India	AS	2015**	51.00%	0.00%	51.00%	FILA S.p.A.	Line-by-line	49.00%
Pioneer Stationery Pvt Ltd.[3]	India	AS	2015	0.00%	51.00%	51.00%	Writefine Products Private Limited	Line-by-line	49.00%
Renoir Topco Ltd	United Kingdom	EU	2016	100.00%	0.00%	100.00%	FILA S.p.A.	Line-by-line	0.00%
Renoir Midco Ltd	United Kingdom	EU	2016	0.00%	100.00%	100.00%	Renoir Topco Ltd	Line-by-line	0.00%
Renoir Bidco Ltd	United Kingdom	EU	2016	0.00%	100.00%	100.00%	Renoir Midco Ltd	Line-by-line	0.00%
Daler Rowney Group Ltd	United Kingdom	EU	2016	0.00%	100.00%	100.00%	Renoir Bidco Ltd	Line-by-line	0.00%
FILA Benelux SA	Belgium	EU	2016	0.00%	100.00%	100.00%	Renoir Bidco Ltd Daler Rowney Ltd Daler Board Company Ltd	Line-by-line	0.00%
Daler Rowney Ltd	United Kingdom	EU	2016	0.00%	100.00%	100.00%	Renoir Bidco Ltd	Line-by-line	0.00%
Longbeach Arts Ltd	United Kingdom	EU	2016	0.00%	100.00%	100.00%	Daler Rowney Group Ltd	Line-by-line	0.00%
Daler Board Company Ltd	United Kingdom	EU	2016	0.00%	100.00%	100.00%	Daler Rowney Group Ltd	Line-by-line	0.00%
Daler Holdings Ltd	United Kingdom	EU	2016	0.00%	100.00%	100.00%	Longbeach Arts Ltd	Line-by-line	0.00%
Daler Designs Ltd	United Kingdom	EU	2016	0.00%	100.00%	100.00%	Daler Board Company 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%
Lastmill Ltd	United Kingdom	EU	2016	0.00%	100.00%	100.00%	Daler Rowney Ltd	Line-by-line	0.00%
Rowney & Company Pencils Ltd	United Kingdom	EU	2016	0.00%	100.00%	100.00%	Daler Rowney Ltd	Line-by-line	0.00%
Rowney (Artists Brushes) Ltd	United Kingdom	EU	2016	0.00%	100.00%	100.00%	Daler Rowney Ltd	Line-by-line	0.00%
Daler Rowney USA Ltd	U.S.A.	NA	2016	0.00%	100.00%	100.00%	Daler Rowney Group Ltd	Line-by-line	0.00%
Brideshore srl	Dominican Rep.	CSA	2016	0.00%	100.00%	100.00%	Daler Rowney Ltd	Line-by-line	0.00%
St. Cuthberts Holding Limited	United Kingdom	EU	2016	100.00%	0.00%	100.00%	FILA S.p.A.	Line-by-line	0.00%
St. Cuthberts Mill Limited	United Kingdom	EU	2016	0.00%	100.00%	100.00%	St. Cuthberts Holding Limited	Line-by-line	0.00%
Fila Iberia S. L.	Spain	EU	2016	0.00%	99.99%	99.99%	F.I.L.A. Hispania S.L.	Line-by-line	0.01%
Eurholdam USA Inc.	U.S.A.	NA	2016	100.00%	0.00%	100.00%	FILA S.p.A.	Line-by-line	0.00%
Canson Inc.	U.S.A.	NA	2016	0.00%	100.00%	100.00%	Eurholdam USA Inc.	Line-by-line	0.00%
Canson SAS	France	EU	2016	100.00%	0.00%	100.00%	FILA S.p.A.	Line-by-line	0.00%
Canson Brasil I.P.E. LTDA	Brazil	CSA	2016	0.19%	99.81%	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 Ltd.	China	AS	2016	0.00%	100.00%	100.00%	Lodi 12 SAS	Line-by-line	0.00%
Canson Italy	Italy	EU	2016	0.00%	100.00%	10.00%	Lodi 12 SAS	Line-by-line	0.00%
Uniwrite Pens and Plastics Pvt Ltd	India	AS	2016	0.00%	35.00%	35.00%	Writefine Products Private Limited	Equity	65.00%

*1 - **EU** - Europe; **NA** - North America; **CSA** - Central-South America; **AS** - Asia; **RW** - Rest of World*

2 - Although not holding more than 50% of the share capital considered a subsidiary under IFRS 10

3 - Writefine Products Private Limited acquired control in 2016 of the company Pioneer Stationery Pvt Ltd., previously consolidated as an associate at December 31, 2015 with a holding of 49%

Attachment 3 - Disclosure pursuant to Article 149 of the Consob Issuer's Regulation

The following table, prepared pursuant to Article 149 of the CONSOB Issuers' Regulations, reports the payments made in 2016 for audit and other services carried out by the audit firm and entities associated with the audit firm.

Euro thousands	Company providing the service	Recipient	2016 Fees
Audit	KPMG S.p.A.	Parent	285
	KPMG S.p.A.	Italian subsidiary companies	25
	KPMG [2]	Overseas subsidiary companies	416
Other Services	KPMG [1][2]		914
Total			**1,640**

[1]Other services for Euro 0.9 million principally concern services in support of "M&A" operations executed in the year (i.e. "Due Diligence")
[2]Other companies belonging to the KPMG S.p.A. network

Transactions relating to Atypical and/or Unusual Operations

In accordance with Consob Communication of July 28, 2006, during 2016 the F.I.L.A. Group did not undertake any atypical and/or unusual operations as defined by this communication, whereby atypical and/or unusual operations refers to operations which for size/importance, nature of the counterparties, nature of the transaction, method in determining the transfer price or time period (close to the period-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 interest shareholders.

The Board of Directors
THE CHAIRMAN
Mr. Gianni Mion

Declaration of the Executive Responsible and Corporate Boards

Fabbrica Italiana Lapis ed Affini

F.I.L.A. S.p.A.
Via XXV Aprile, 5
20016 Pero (MI)

March 21, 2017

Declaration of the Executive Officer and the Corporate Boards - Consolidated Financial Statements (ref. Article 154-bis, paragraph 5)

The undersigned Massimo Candela, as Chief Executive Officer, and Stefano De Rosa, as Executive Officer for Financial Reporting of F.I.L.A. S.p.A., declare, 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 consolidated financial statements for the year ended December 31, 2016.

The assessment of the adequacy of the administrative-accounting procedures for the preparation of the consolidated financial statements at December 31, 2016 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, 2016 of F.I.L.A. S.p.A.:
   - have been drawn up in conformity with the applicable international accounting standards (I.F.R.S.) recognised 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 representation of the financial position and results 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

Massimo Candela

The Executive Officer
for Financial Reporting
Stefano De Rosa

F.I.L.A. - Fabbrica Italiana Lapis ed Affini Società per Azioni
Sede Legale, Amministrativa e Commerciale:
Via XXV Aprile, 5 20016 Pero (MI)
Cod. Fisc. / P.IVA 08391050963
P.I. internazionale CEE IT 08391050963
Tel. +39 02 38105.1 Fax +39 02 3538546
E-Mail: fila@fila.it - Web: www.fila.it
Capitale Sociale
Euro 37.170.830,00 int. versato
C.C.I.A.A. Milano n. Rea 2022589
Stabilimento di Rufina (Firenze):
Via Meucci
50068 Loc. Scopeti - Rufina
Tel. +39 055 83501 Fax +39 055 8350440
C.C.I.A.A. Firenze n. 12/01

Auditors' Report pursuant to Article 14 of Legislative Decree No. 39 of January 27, 2010

IV - Separate Financial Statements of F.I.L.A. S.p.A. at December 31, 2016

Separate Financial Statements

Statement of Financial Position

in Euro		December 31, 2016	December 31, 2015
Assets		**419,762,648**	**186,048,098**
Non-Current Assets		**303,459,714**	**126,514,369**
Intangible Assets	Note 1	1,048,688	472,188
Property, Plant and Equipment	Note 2	9,983,311	8,914,563
Non-Current Financial Assets	Note 3	1,671,028	3,286,237
Investments Measured at Cost	Note 4	285,385,725	108,704,853
Deferred Tax Assets	Note 5	5,370,961	5,136,527
Current Assets		**116,302,934**	**59,533,729**
Current Tax Receivables	Note 3	45,911,321	4,146,561
Current Tax Receivables	Note 6	1,387,479	1,820,718
Inventories	Note 7	29,452,741	30,197,936
Trade and Other Receivables	Note 8	20,241,629	22,229,182
Cash and Cash Equivalents	Note 9	19,192,764	1,139,333
Other Current Assets	Note 11	117,000	0
Liabilities and Equity		**419,762,648**	**186,048,098**
Equity	Note 12	**161,840,463**	**131,319,829**
Share Capital		37,170,830	37,170,830
Reserves		95,303,409	135,748,122
Retained Earnings		17,939,940	(512,950)
Net Profit for the year		11,426,285	(41,086,173)
Non-Current Liabilities		**192,672,233**	**3,816,792**
Non-Current Financial Liabilities	Note 13	188,295,242	0
Financial Instruments	Note 17	-	0
Post-Employment Benefits	Note 14	1,755,367	1,923,157
Provisions for Risks and Charges	Note 15	1,158,140	497,739
Deferred Tax Liabilities	Note 16	1,463,485	1,395,896
Current Liabilities		**65,249,951**	**50,911,477**
Current Financial Liabilities	Note 13	38,872,376	5,370,490
Financial Instruments	Note 17	0	21,503,658
Provisions for Risks and Charges	Note 15	75,957	75,957
Current Tax Payables	Note 18	1,566,593	0
Trade and Other Payables	Note 19	24,735,025	23,961,372

Statement of Comprehensive Income

in Euro		December 31, 2016	December 31, 2015
Revenue from Sales and Service	Note 20	85,272,258	44,692,028
Other Revenue and Income	Note 21	2,568,789	905,987
Total Revenue		**87,841,048**	**45,598,015**
Raw Materials, Ancillary, Consumables and Goods	Note 22	(38,868,388)	(29,678,660)
Services and Rent, Leases and Similar Costs	Note 23	(25,620,665)	(15,337,436)
Other Operating Costs	Note 24	(614,345)	(427,639)
Change in Raw Materials, Semi-Finished, Work-in-progress & Finished Prod.	Note 22	(745,196)	8,649,587
Labour Costs	Note 25	(12,005,714)	(6,561,560)
Amortisation & Depreciation	Note 26	(1,967,115)	(1,095,341)
Write-downs		(604,622)	(334,962)
Total Operating Costs		**(80,426,044)**	**(44,786,011)**
EBIT		**7,415,004**	**812,004**
Financial Income	Note 27	11,059,953	19,683,536
Financial Expense	Note 28	(4,781,849)	(64,478,585)
Net financial charges		**6,278,104**	**(44,795,049)**
Pre-Tax Profit/(loss)		**13,693,108**	**(43,983,045)**
Income Taxes		(2,398,518)	(308,200)
Deferred Tax Income and Charges		131,695	3,205,072
Total Income Taxes	Note 30	**(2,266,823)**	**2,896,872**
Net Profit/(loss) for the Year		**11,426,285**	**(41,086,173)**
Other Comprehensive Income Items which may be reclassified subsequently in the P&L account		**461,878**	**0**
Adjustment Fair value of Hedges		461,878	0
Other Comprehensive Income Items which may not be reclassified subsequently in the P&L account		**(99,450)**	**69,836**
Actuarial Gains/(Losses) for Employee Benefits recorded directly to Equity		(134,600)	96,975
Income Taxes on income and charges recorded directly to Equity		35,150	(27,139)
Other Comprehensive Income Items (net of tax effect)		**362,428**	**69,836**
Total Comprehensive Income/(Charge)		**11,788,713**	**(41,016,337)**

Statement of changes in Equity

STATEMENT OF CHANGES IN EQUITY

Euro thousands	Share capital	Legal Reserve	Share Premium Reserve	IAS 19 Reserve	Other Reserves	Retained Earnings	Net Profit	Equity
December 31, 2015	**37,171**	**-**	**109,879**	**(212)**	**26,081**	**(513)**	**(41,086)**	**131,320**
Net Profit	-	-	-	-	-	-	11,426	11,426
Other Changes in the year	-	-	4,502	(99)	462	17,940	-	22,805
Gains/(losses) recorded directly to equity	**-**	**-**	**4,502**	**(99)**	**462**	**17,940**	**11,426**	**34,231**
Allocation of the 2015 result	-	-	-	-	-	-	41,086	41,086
Allocation to reserves	-	7,434	(49,033)	-	-	513	-	(41,086)
Dividends	-	-	-	-	(3,711)	-	-	(3,711)
December 31, 2016	**37,171**	**7,434**	**65,348**	**(311)**	**22,832**	**17,940**	**11,426**	**161,840**

Statement of Cash Flows

Euro thousands		December 31, 2016	December 31, 2015
EBIT		**7,415**	**812**
adjustments for non-cash items:		**2,684**	**1,478**
Amortisation & Depreciation	Note 26	1,967	1,095
Write-downs & Write-backs of intangible and tangible assets	Note 2	2	1
Doubtful Debt Provision		603	334
Exch. effect on Assets and Liabilities in Foreign Curr. of Commercial Transactions		130	61
Gain/Loss on Fixed Asset Disposals		(18)	(14)
integrations for:		**(1,154)**	**(3,759)**
Income Taxes Paid	Note 6	(399)	(3,664)
Unrealised Exchange Differences on Assets and Liabilities in Foreign Currencies		94	37
Realised Exchange Differences on Assets and Liabilities in Foreign Currencies		(849)	(132)
Cash Flow from Operating Activities Before Changes in NWC		**8,945**	**(1,469)**
Changes in Net Working Capital:		**3,354**	**2,018**
Change in Inventories	Note 7	738	(9,040)
Change in Trade and Other Receivables	Note 8	1,385	13,739
Change in Trade and Other Payables	Note 19	774	(2,514)
Change in Other Assets/Liabilities		625	(58)
Change in Post-Employment and Employee Benefits	Note 14	(168)	(108)
Cash Flow from Operating Activities		**12,299**	**549**
Total Investment/Divestment in Intangible Assets	Note 1	(691)	(68)
Total Investment/Divestment in Property, Plant and Equipment	Note 2	(2,905)	(1,065)
Total Investment/Divestment of Investments measured at Cost	Note 4	(175,682)	(36,144)
Total Investment/Divestment in Other Financial Assets	Note 3	(38,645)	78,737
Acquisition of investments in F.I.L.A. S.p.A. by Space S.p.A. (pre-merger)		-	(39,073)
Dividendi da Società del Gruppo	Note 27	8,388	3,223
Interest Received	Note 27	1,452	451
Cash Flow from Investing Activities		**(208,083)**	**6,061**
Total Change in Equity	Nota 12	(3,710)	(26,919)
Interest Paid	Note 28	(2,436)	(291)
Total Increase/Decrease Loans and Other Financial Liabilities	Note 13	230,290	(19,471)
Cash Flow from Financing Activities		**224,144**	**(46,681)**
Other Non-Cash Items		(5,019)	79
NET CASH FLOW IN THE YEAR		**23,341**	**(39,993)**
Cash and Cash Equivalents net of Bank Overdrafts at beginning of the year	Note 9	(4,147)	52,291
Cash and Cash Equivalents net of Bank Overdrafts at beginning of the year (F.I.L.A. S.p.A. merger contribution at May 31, 2015)		-	(16,446)
Cash and Cash Equivalents net of Bank Overdrafts at end of the year	**Note 9**	**19,193**	**(4,147)**

1) *Cash and cash equivalents at December 31, 2016 totalled Euro 19,193 thousand; current account overdrafts amounted to Euro 0 thousand net of relative interest.*
2) *Cash and cash equivalents at December 31, 2015 totalled Euro 1,139 thousand; current account overdrafts amounted to Euro 5,286 thousand net of relative interest.*

Euro thousands	**December 2016**	**December 2015**
Opening Cash and Cash Equivalents	**(4,147)**	**52,291**
Cash and cash equivalents	1,139	52,291
Bank overdrafts	(5,286)	0
Closing Cash and Cash Equivalents	**19,193**	**(4,147)**
Cash and cash equivalents	19,193	1,139
Bank overdrafts	0	(5,286)

Reference should be made to the "Directors' Report" for comment and analysis.

Statement of Financial Position pursuant to CONSOB motion No. 15519 of July 27, 2006

Euro thousands		December 31, 2016	*of which:* Related Parties	December 31, 2015	*of which:* Related Parties
Assets		**419,763**		**186,048**	
Non-Current Assets		**303,460**		**126,515**	
Intangible Assets	Note 1	1,049		472	
Property, Plant and Equipment	Note 2	9,983		8,915	
Non-Current Financial Assets	Note 3	1,671	850	3,286	2,925
Investments Measured at Cost	Note 4	285,386	176,681	108,705	108,674
Deferred Tax Assets	Note 5	5,371		5,136	
Current Assets		**116,303**		**59,533**	
Current Tax Receivables	Note 3	45,911	45,911	4,147	4,143
Current Tax Receivables	Note 6	1,387		1,821	
Inventories	Note 7	29,453	10,821	30,198	11,495
Trade and Other Receivables	Note 8	20,242	6,376	22,229	5,651
Cash and Cash Equivalents	Note 9	19,193		1,139	
Other Current Assets	Nota 11	117	117	0	
Liabilities and Equity		**419,763**		**186,048**	
Equity	Note 12	**161,840**		**131,320**	
Share Capital		37,171		37,171	
Reserves		95,303		135,748	
Retained Earnings		17,940		(513)	
Net Profit/(loss) for the year		11,426		(41,086)	
Non-Current Liabilities		**192,672**		**3,817**	
Non-Current Financial Liabilities	Note 13	188,295		0	
Post-Employment Benefits	Note 14	1,755		1,923	
Provisions for Risks and Charges	Note 15	1,158		498	
Deferred Tax Liabilities	Note 16	1,464		1,396	
Current Liabilities		**65,250**		**50,911**	
Current Financial Liabilities	Note 13	38,872		5,370	
Financial Instruments	Note 17	0		21,504	
Provisions for Risks and Charges	Note 15	76		76	
Current Tax Payables	Note 18	1,567		0	
Trade and Other Payables	Note 19	24,735	2,150	23,961	3,083

Income Statement pursuant to CONSOB motion No. 15519 of July 27, 2006

Euro thousands		**December 31, 2016**	***of which:* Related Parties**	**December 31, 2016**	***of which:* Related Parties**
Revenue from Sales and Service	Note 20	85,272	12,372	44,692	7,138
Other Revenue and Income	Note 21	2,569	2,085	906	649
TOTAL REVENUE		**87,841**		**45,598**	
Raw Materials, Ancillary, Consumables and Goods	Note 22	(38,868)	(16,604)	(29,679)	(14,922)
Services and Rent, Leases and Similar Costs	Note 23	(25,621)	(892)	(15,337)	(692)
Other Operating Costs	Note 24	(614)		(428)	
Change in Raw Materials, Semi-Finished, Work-in-progress & Finished Prod.	Note 22	(745)		8,650	
Labour Costs	Note 25	(12,006)		(6,562)	
Amortisation & Depreciation	Note 26	(1,967)		(1,095)	
Write-downs		(605)		(335)	
TOTAL OPERATING COSTS		**(80,426)**		**(44,786)**	
EBIT		**7,415**		**812**	
Financial Income	Note 27	11,060	10,177	19,684	3,306
Financial Expense	Note 28	(4,782)		(64,479)	
NET FINANCIAL INCOME/(CHARGES)		**6,278**		**(44,795)**	
PRE-TAX PROFIT/(LOSS)		**13,693**		**(43,983)**	
Income Taxes		(2,399)		(308)	
Deferred Tax Income and Charges		132		3,205	
TOTAL INCOME TAXES	Note 30	**(2,267)**		**2,897**	
NET PROFIT/(LOSS) FOR THE YEAR		**11,426**		**(41,086)**	
Other Comprehensive Income Items which may be reclassified subsequently in the P&L account		**462**		**0**	
Adjustment Fair value of Hedges		462		0	
Other Comprehensive Income Items which may not be reclassified subsequently in the P&L account		**(99)**		**70**	
Actuarial Gains/(Losses) for Employee Benefits recorded directly to Equity		(134)		97	
Income Taxes on income and charges recorded directly to Equity		35		(27)	
Other Comprehensive Income Items (net of tax effect)		**363**		**70**	
Total Comprehensive Income/(Charge)		**11,789**		**(41,016)**	

Notes to the Separate Financial Statements of F.I.L.A. S.p.A.

Introduction

The financial statements of the Parent F.I.L.A. S.p.A. (hereafter also "Parent" or "Company") at December 31, 2016, 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 approved by the European Union.

The IFRS were applied consistently for all the periods presented in the present document.

For the separate financial statements of F.I.L.A. S.p.A. the first year of application of IFRS was 2013.

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 Explanatory Notes.

The presentation of these financial statements at December 31, 2016, 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 between current and non-current or, alternatively, according to the liquidity order. The Company chose the classification between current and non-current;
- Statement of Comprehensive Income: IAS requires alternatively classification based on the nature or allocation of the items. The Company chose the classification by nature of income and expenses;
- Statement of Changes in Equity: IAS 1 requires that this statement illustrates the changes in the year of each individual equity account or which illustrates the nature of income and charges recorded in the financial statements. The Company chose to utilise this latter in the statement, providing the reconciliation statement of the opening and closing amounts of each item within the explanatory notes;
- Statement of Cash Flows: IAS 7 requires that the cash flow statement includes the cash flows for the period between operating, investing and financing operations. The cash flows deriving from operating activities may be represented by the direct method or utilising the indirect method. The Company decided to utilise the indirect method.

The financial statements of F.I.L.A. S.p.A. are presented together with the Directors' Report, to which reference should be made in relation to the business activities, subsequent events to year-end and transactions with related parties, the cash flow statement, the reclassified income statement and balance sheet and the outlook.

The 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 the income statement. However as they concern estimates, it should be noted that the actual results may differ from such estimates reflected in the financial statements.

The estimates are used to value the provisions for risk on receivables, depreciation and amortisation, write-down of assets, employee benefits, income taxes and other provisions.

The accounting policies utilised in the preparation of the financial statements and the composition and changes of the individual accounts are illustrated below.

For a better comparison of the data, the figures for the prior year were adjusted where necessary.

All values are expressed in thousands of Euro, unless otherwise stated.

Accounting Policies of the Separate Financial Statements

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 charge on loans for the purchase and the construction of intangible assets, which would not have been incurred if the investment was not made, are not capitalised.

Intangible assets with indefinite useful life

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 the “goodwill” account. 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 of business units. The goodwill relating to investments measured at equity is included in the value of the investments.

This is not subject to systematic amortisation but an impairment test is made annually on the carrying amount in the accounts. This test is made with reference to the "cash generating unit" to which the goodwill is attributed. Any reduction in value of the goodwill is recorded where the recoverable value 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 selling costs, and the value in use, represented by the present value of the estimated revenue streams for the years of operation of the cash generating units and deriving from its disposal at the end of the useful life.

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 is 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 utilised the discount rate which it considers correctly expresses the market valuations, at the date of the estimate, of the present 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 events of an extraordinary nature.

The forecasts are based on reasonableness and consistency relating to future general expenses, expected capital investments, financial conditions, as well as macro-economic assumptions, with particular reference to increases in product prices, which take into account expected inflation rates.

The results of the "impairment tests" did not generate in the previous year permanent losses in value.

In the event of a write-down for impairment, the value of goodwill may not be restated.

Reference should be made to Note 1 of the separate and consolidated financial statements of the Group for further information on the indicators utilised for the impairment analysis at December 31, 2016.

Intangible assets with definite useful lives

Intangible assets with definite 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 Group provide for:

- Trademarks: based on the useful life
- Concessions, Licences and Patents: based on the duration relating to 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 recorded in the income statement in the year 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 are 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 result generated from the project is commercialised. Amortisation is calculated, on a straight-line basis, over the useful life of the project.

Property, plant and equipment

Property, plant and equipment are measured at purchase cost, net of accumulated depreciation and any loss in value. The cost includes all charges directly incurred for the purchase and/or production. The interest charge on loans for the purchase and the construction of tangible fixed assets, which would not have been incurred if the investment was not made, are not capitalised but expensed to the income statement based on the accruals of the costs. Where an asset relating to 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 machinery acquired through business combinations are recognised in the financial statements at fair value at the acquisition date.

The expense incurred for maintenance and repairs are directly charged to the income statement in the year in which they are incurred. The costs for improvements, modernisation and transformation of an incremental nature of tangible fixed assets are allocated as an asset.
The purchase price or construction cost is net of public grants which are recognised when the conditions for their concession are confirmed. At the date of the present financial statements there are no public grants recorded as a reduction within "Property, Plant and Equipment".
The initial value 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 the 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 intangible assets:
  - Office equipment: 8.3 years
  - Furniture and EDP: 5 years
  - Transport vehicles: 5years
  - Motor vehicles: 4 years
  - Other: 4 years

Finance leases

The assets held through finance lease contracts, where the majority of the risks and rewards related to the ownership of an asset have been transferred to the F.I.L.A. Group, are recognised as assets at their fair value or, if lower, at the present value of the minimum lease payments, including any redemption amounts to be paid. The corresponding liability due to the lessor is recorded under "Financial Liabilities". The assets are depreciated applying the criteria and rates previously indicated for the account "Property, Plant and Equipment", except where the duration of the lease contract is lower than the useful life and there is not a reasonable certainty of the transfer of ownership of the asset at the normal expiry date of the contract; in this case, depreciation is over the duration of the lease contract.
The leased assets where the lessor bears the majority of the risks and rewards related to an asset are recorded as operating leases. Costs related to operating leases are recognised on a straight-line basis over the duration of the lease.

Loss in value of non-financial assets

At each reporting date, the intangible and tangible fixed assets are analysed to identify the existence of any indicators, either internally or externally to the Group, of impairment. Where these indications exist, an estimate of the recoverable value of the above-mentioned assets is made, recording any write-down in the income statement. In the case of goodwill and other indefinite intangible assets, this estimate is made annually independently of the existence of such indicators. The recoverable value 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 utilising 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. A reduction in value is recognised in the income statement when the carrying amount of the asset, or of the cash-generating unit to which it is allocated, is higher than the recoverable amount.

The losses in value of cash generating units are firstly attributed to the reduction in the carrying amount of any goodwill allocated to the cash generating unit and, thereafter, to a reduction of other assets, in proportion to their carrying amount. The losses relating to goodwill may not be restated. In relation to assets other than goodwill, where the reasons for the write-down no longer exist, the carrying amount of the asset is restated through the income statement, up to the value at which the asset would be recorded if no write-down 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, and measured under the cost method. Where the reasons for a write-down no longer exist, the original value is restated.

Financial assets

Financial assets are initially recognised at Fair Value.

After initial recognition, financial assets are measured at Fair Value, without any deduction for transaction costs which may be incurred in the sale or other disposal, with the exception for the following "Financial Assets":

- "Loans and Receivables", as defined in paragraph 9 of IAS 39, which must be measured at amortised cost utilising the effective interest criterion;
- investments held-to-maturity, as defined in paragraph 9 of IAS 39, which must be measured at amortised cost utilising the effective interest criterion;
- investments in equity instruments which do not have a listed market price on an active market and whose Fair Value may not be reliably measured and related derivatives and which must be settled with the delivery of these non-listed equity instruments, which must be measured at cost.

Impairment of financial assets

Financial assets are measured at each reporting date to determine whether there is any indication that an asset may have incurred a loss in value. A financial asset has incurred a loss in value if there is an objective indication that one or more events had a negative impact on the estimated future cash flows of the asset. The loss in value of a financial asset measured at amortised cost corresponds to the difference between the carrying amount and the present value of the estimated cash flows discounted at the original effective interest rate. The loss in value of financial asset available-for-sale is calculated based on the Fair Value of the asset.

Financial assets individually recorded are measured separately to determine if they have incurred a loss in value. The other financial assets are cumulatively measured, for groups with similar credit risk characteristics. All the losses are recognised in the income statement. Any accumulated loss of a financial asset available-for-sale previously recognised in equity is transferred to the income statement.

Losses in value are restated if subsequently the increase in value can be objectively associated to an event which occurred after the reduction in value. For financial assets measured at amortised cost and financial assets available-for-sale corresponding to debt securities, the restated amount is recognised in the income statement. For financial assets available-for-sale corresponding to equity securities, the restated amount is recognised directly to equity.

Cash and cash equivalents

Cash and cash equivalents principally include cash, bank deposits on demand and other highly liquid short-term investments (converted into liquidity within ninety days). They are measured at fair value and the relative changes are recorded in the income statement. Bank overdrafts are classified under "Current Financial Liabilities".

Trade and other receivables

Trade receivables and other receivables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method. They are reduced by an appropriate write-down to reflect the estimate of impairments, which are recognised to the income statement. When, in subsequent periods, the reasons for the write-down no longer exist, the value of the assets is restated up to the value deriving from the application of the amortised cost where no write-down had been applied.

The doubtful debt provision is recorded to state receivables at realisable value, including write-downs for any indicators of a reduction in value of trade receivables. The write-downs, which are based on the most recent information and on the best estimates of the Directors, are made so that the assets are reduced to the present value of the expected future revenue streams.

The doubtful debt provision is recorded as a direct reduction of trade and other receivables. These provisions are classified in the income statement account "Write-downs"; the same classification was used for any utilisations.

Inventories

Inventories of raw materials, semi-finished and finished products are measured at the lower of purchase or production price, including accessory 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 selling costs.

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

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

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

Production costs include, in addition to the costs of the materials used, as defined above, the direct and indirect industrial 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 Group has a current obligation, legal or implied, deriving from a past event and it is probable that compliance with the obligation will result in a charge and the amount of the obligation can be reasonably estimated.

Provisions are recorded at the value representing the best estimate of the amount that the company would pay to discharge the obligation or to transfer it to a third party. When the financial effect of time 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 to each liability. The increase of the provision due to the passage of time is recognised in the income statement account "Financial income/(charges)".
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 revision of estimates are recorded in the same income statement accounts in which the provision was recorded, or when the liability relates to an asset, against the asset account to which it refers.

The notes illustrate the potential 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 incur a charge.

Restructuring provisions

Restructuring provisions are recognised where a detailed formal programme has been approved which has raised a valid expectation among third parties that the company 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 implied obligation to pay further contributions. The contributions to be paid to defined contribution plans are recognised as costs in the income statement 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 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 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 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 utilising 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 services not recognised and the present value of all economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Where improvements are made to the plan benefits, the portion of increased benefits relating to past services is recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits mature immediately, the cost is recognised immediately in the income statement.

The Group records all actuarial gains and losses from a defined benefit plan directly and immediately to equity.

In relation to the Post-Employment Benefit Provision, 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 Company F.I.L.A. S.p.A. adopted the following accounting treatment:

- the Post-Employment Benefit Provision matured at December 31, 2006 is considered a defined benefit plan as per IAS 19. The benefits guaranteed to employees, under the form of the Post-Employment Benefit Provision, paid on the termination of employment, are recognised in the period the right matures.
- the Post-Employment Benefits matured from January 1, 2007 are considered a defined contribution plan and therefore the contributions matured in the period were fully recognised as a cost and recorded as a payable in the account "Post-Employment Benefit Provision", 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 matured 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, of 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 balance sheet in the year in which they arise.

Short-term employee benefits

Short-term employee benefits are recorded as non-discounted expenses when the services to which they arise 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 implicit, 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, including directly attributable transaction costs. Subsequently these liabilities are measured at amortised cost. In accordance with this method all the accessory charges relating to the provision of the loan are recorded as a direct change of the payable, recording any differences between cost and repayment amount in the income statement over the duration of the loan, in accordance with the effective interest rate method.

Financial instruments

Financial instruments are initially recognised at Fair Value and, subsequent to initial recognition, are measured on the basis of classification, as per IAS 39.

For financial assets, this is applied according to the following categories:

- *Financial assets at Fair Value through profit or loss;*
- *Investments held to maturity;*
- *Loans and receivables;*
- *Available-for-sale financial assets.*

For financial liabilities however, only two categories are established:

- *Financial liabilities at Fair Value through profit or loss;*
- *Liabilities at amortised cost.*

In compliance with IAS 39, the derivative financial instruments are recorded in accordance with the "hedge accounting" method only when: (i) at the beginning of the hedge, the formal designation and documentation relating to the hedge exists and it is presumed that the hedge is effective; (ii) such effectiveness can be reliably measured; (iii) the hedge is effective over the accounting periods for which it was designated.

The effectiveness of hedges is documented both at the beginning of the operation 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 to the income statement.

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 recognised to 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 to profit and loss.

All derivative financial instruments are initially measured at fair value, as per IFRS 13 and IAS 39, and the transaction and associated costs are recognised to the income statement when incurred. After initial recognition, the financial instruments are measured at fair value.

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;
- receivables and payables and non-listed financial assets: for the financial instruments with maturity greater than 1 year the discounted cash flow method was applied, therefore 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. Further measurements are made based on the "amortised cost" method;

- listed financial instruments: the market value at the reporting date is utilised.

In relation to financial instruments measured at Fair Value, IFRS 13 requires the classification of these instruments according to the standard's hierarchy levels, which reflect the significance of the inputs utilised in establishing the fair value. The following levels are used:

- Level 1: unadjusted assets or liabilities subject to valuation on an active market;
- Level 2: inputs other than prices listed at the previous point, which are directly observable (prices) or indirectly (derivatives from the prices) on the market;
- Level 3 - input which is not based on observable market data.

Trade and other payables

Trade payables and other payables are initially recognised at fair value, normally equal to the nominal value, net of discounts, returns or invoice adjustments, and are subsequently measured at amortised cost where the financial effect of extended payment terms is significant. When there is a change in the cash flows and it is possible to estimate them reliably, the value of the payables are recalculated to reflect this change, based on the new present value of the cash flows and on the internal yield initially determined.

Current, deferred and other taxes

Income taxes include all the taxes calculated on the assessable income of the Group Companies applying the tax rates in force at the date of the present report.

Income taxes are recorded in the income statement, except those relating to accounts directly credited or debited to equity, in which case the tax effect is recognised directly to equity.

Other taxes not related to income, such as taxes on property and share capital, are included under other operating charges ("Service costs", "Rent, lease and similar" and "Other charges"). The liabilities related to indirect taxes are classified under "Other Payables".

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 values recognised for tax purposes, taking into account the tax rate within current fiscal legislation for the years in which the differences will reverse, with the exception of goodwill not fiscally deductible and those differences deriving from investments in subsidiaries for which it is not expected the cancellation in the foreseeable future, and on the tax losses carried forward.

"Deferred Tax Assets" are classified under non-current assets and are recognised only when there exists a high probability of future assessable income to recover the asset.

The recovery of the "Deferred Tax Assets" is reviewed at each reporting date and for the part for which recovery is no longer probable recorded in the income statement.

Revenue and costs

Revenue recognition

The revenues and income are recorded net of returns, discounts, rebates and premiums as well as direct taxes related to the sale of products and services. In particular, the revenues for the sale of products are recognised when the risks and rewards of ownership are transferred to the buyer. This, according to normal contractual conditions, occurs on shipping of the goods.

Recognition of costs

Costs are recorded 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 operations are recorded as a direct reduction of equity.

Commercial costs relating to the acquisition of new clients are expensed to the income statement when incurred.

Financial income and expenses

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 the income statement on an accruals basis utilising 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 charges include interest on loans, discounting of provisions, dividends distributed on preference shares reimbursable, changes in the fair value of financial assets recorded through P&L and losses on financial assets. Finance costs are recorded in the income statement utilising the effective interest method. The currency operations are recorded as the net amount.

Dividends

Dividends recognised to shareholders are recorded on the date of the Shareholders' Meeting resolution.

Earnings per share

The basic earnings/(loss) per share is calculated by dividing the result of the Company by the weighted average shares outstanding during the period.

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 dilution effect.

The net result is also adjusted to account for the effects of conversion, net of taxes.

The diluted earnings/(loss) per share is calculated by dividing the result of the company by the weighted average number of ordinary shares in circulation during the period 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 principles and methods that, in some circumstances, are based on difficulties and subjective valuations and estimates based on the historical 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 value of the assets and liabilities of the costs and revenues recognised to the financial statements and the disclosure upon contingent assets and liabilities at the reporting date. Actual results may differ from these estimates.

The accounting principles 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 condensed financial statements are briefly described below.

- Measurement of receivables: trade receivables are adjusted by the doubtful debt provision, taking into account the effective recoverable value. The calculation of the write-downs requires the Directors to make valuations based on the documentation and the information available relating to the solvency of the clients, and from market and historical experience.
- Measurement of goodwill and indefinite intangible assets: in accordance with the accounting principles applied by the Group, the goodwill and the intangible assets are subject to an annual verification ("impairment test") in order to verify whether a reduction in value has taken place. This verification requires the Directors to make valuations based on the information available within the Group and from the market, as well as from historical experience; they in addition depend on factors which may alter over time, affecting the

valuations and estimates made by the Directors. In addition, when it is determined that there may be a potential reduction in value, 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 implied) 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 comply with 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 inventories: inventories of products which are obsolescence or slow moving are periodically subject to valuation tests and written down where the recoverable value is lower than the carrying amount. The write-downs are made based on assumptions and estimates of management deriving from experience and historic 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 utilises 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 utilise 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 the assumptions which the Directors consider reasonable.

Introduction

The company 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..

The Parent 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 MTA, STAR Segment, organised and managed by Borsa Italiana S.p.A. from November 12, 2015.

The separate financial statements of the F.I.L.A. S.p.A. were prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union.

The information relating to the shareholding structure at December 31, 2016 is shown below:

Shareholder	Ordinary shares	%
Pencil S.p.A.	13,133,032	37.9%
Venice European Investment Capital S.p.A.	3,916,291	11.3%
Sponsor	1,800,000	5.2%
Market Investors	15,816,465	45.6%
Total	**34,665,788**	

Shareholder	Ordinary shares	Class B Shares	Total	Voting rights
Pencil S.p.A.	13,133,032	6,566,508	19,699,540	60.4%
Venice European Investment Capital S.p.A.	3,916,291		3,916,291	7.2%
Sponsor	1,800,000		1,800,000	3.3%
Market Investors	15,816,465		15,816,465	29.1%
Total	**34,665,788**	**6,566,508**	**41,232,296**	

The present financial statements, concerning the year ending December 31, 2016, 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, the Explanatory Notes and are accompanied by the Directors' Report.

Note 1 - Intangible assets

Intangible assets at December 31, 2016 amount to Euro 1,049 thousand (Euro 472 thousand at December 31, 2015) 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 LIFE					
Euro thousands	Industrial Patents & Intellectual Property Rights	Concessions, Licenses, Trademarks & Similar Rights	Assets in Progress	Other Intangible Assets	Total
Change in Historical Cost					
December 31, 2015	**183**	**2,946**	**-**	**2,012**	**5,141**
Increases in the year	**7**	**88**	**365**	**231**	**691**
Increases (Investments)	7	88	365	231	691
December 31, 2016	**190**	**3,034**	**365**	**2,243**	**5,832**
Change in Amortisation					
December 31, 2015	**(124)**	**(2,536)**	**-**	**(2,009)**	**(4,669)**
Increases in the year	**(12)**	**(91)**	**-**	**(11)**	**(114)**
Amortisation in Year	(12)	(91)	-	(11)	(114)
December 31, 2016	**(136)**	**(2,627)**	**-**	**(2,020)**	**(4,783)**
Net Carrying Amount at December 31, 2015	**59**	**410**	**-**	**3**	**472**
Net Carrying Amount at December 31, 2016	**54**	**407**	**365**	**222**	**1,049**
Change	**(5)**	**(3)**	**365**	**219**	**577**

"Industrial Patents and Intellectual Property Rights" amount to Euro 54 thousand at December 31, 2016 (Euro 59 thousand at December 31, 2015).
The average residual useful life of the "Industrial Patents and Intellectual Property Rights", recorded in the financial statements at December 31, 2016, is 5 years.

"Concessions, Licences, Trademarks and Similar Rights" amount to Euro 407 thousand at December 31, 2016 (Euro 410 thousand at December 31, 2015) and includes the costs incurred for the registration and acquisition of trademarks necessary for the marketing of the Fila products.
Their average residual useful life recorded in the financial statements at December 31, 2016 is 3 years.

"Assets in progress" totalled Euro 365 thousand at December 31, 2016 (Euro 0 thousand at December 31, 2015) and include costs relating to the capitalisation of software licenses owned for the SAP system, although not activated in 2016.

"Other Intangible Assets" amount to Euro 222 thousand at December 31, 2016 (Euro 3 thousand at December 31, 2015) and mainly include costs relating to the capitalisation of the software licenses related to the SAP system activated in 2016. The average residual useful life of "Other Intangible Assets", recorded in the financial assets at December 31, 2016, is 3 years.

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

At December 31, 2016, "Property, Plant and Equipment" amounted to Euro 9,983 thousand (Euro 8,915 thousand at December 31, 2015). The table below shows the changes in the year:

Note 2 - PROPERTY, PLANT AND EQUIPMENT

Euro thousands	Land	Buildings	Plant and Machinery	Industrial & Commercial Equipment	Other Assets	Assets in Progress	Total
Change in Historical Cost							
December 31, 2015	**1,977**	**9,559**	**14,932**	**8,229**	**964**	**349**	**36,010**
Increases in the year	**-**	**14**	**1,832**	**333**	**193**	**553**	**2,925**
Increases (Investments)	-	14	1,329	324	193	1,065	2,925
Capitalisation from Assets in Progress	-	-	503	9	-	(512)	-
Decreases in the year	**-**	**-**	**(304)**	**(31)**	**(7)**	**-**	**(342)**
Decreases (Divestments)	-	-	(304)	(31)	(5)	-	(340)
Write-downs	-	-	-	-	(2)	-	(2)
December 31, 2016	**1,977**	**9,573**	**16,460**	**8,531**	**1,150**	**902**	**38,593**
Change in Accumulated Depreciation							
December 31, 2015		**(6,129)**	**(12,505)**	**(7,651)**	**(810)**		**(27,095)**
Increases in the year	**-**	**(369)**	**(856)**	**(560)**	**(68)**	**-**	**(1,853)**
Depreciation in Year	-	(369)	(856)	(560)	(68)	-	(1,853)
Decreases in the year	**-**	**-**	**304**	**31**	**3**	**-**	**338**
Decreases (Divestments)	-	-	304	31	3	-	338
December 31, 2016		**(6,498)**	**(13,057)**	**(8,180)**	**(875)**	**-**	**(28,610)**
Net Carrying Amount at December 31, 2015	**1,977**	**3,430**	**2,427**	**578**	**154**	**349**	**8,915**
Net Carrying Amount at December 31, 2016	**1,977**	**3,075**	**3,403**	**351**	**275**	**902**	**9,983**
Change	**-**	**(355)**	**976**	**(227)**	**121**	**553**	**1,068**

"Land" at December 31, 2016, amounting to Euro 1,977 thousand (Euro 1,977 thousand at December 31, 2015), is comprised of land adjacent to the building owned at the production site in Rufina Scopeti (Florence - Italy).

"Buildings" at December 31, 2016 totalling Euro 3,075 thousand (Euro 3,430 thousand at December 31, 2015) concern the company's buildings located in Rufina Scopeti (Florence - Italy) The increases in the year concern improvements to buildings for Euro 14 thousand and decreases related to depreciation for Euro 369 thousand.

"Plant and Machinery" amounts to Euro 3,403 thousand at December 31, 2016 (Euro 2,427 thousand at December 31, 2015) and mainly includes investments in machinery for the production plant at Rufina Scopeti (Florence-Italy). The account also includes disposals of machinery which were fully depreciated (Euro 304 thousand).
At the same time, the account increased due to investment in new plant and machinery in expansion of the current production capacity and to streamline production (Euro 1,832 thousand).

"Industrial and Commercial Equipment" amounts to Euro 351 thousand at December 31, 2016 (Euro 578 thousand at December 31, 2015) and mainly relates to investments in production moulds and plant and the updating of the production plant at Rufina Scopeti (Florence-Italy).

"Other Assets" amount to Euro 275 thousand at December 31, 2016 (Euro 154 thousand at December 31, 2015) and include furniture and office equipment, EDP and motor vehicles.

Note 3 – Financial Assets

"Financial Assets" amount to Euro 47,582 thousand at December 31, 2016 (Euro 7,433 thousand at December 31, 2015).

The breakdown of the account in 2016 is as follows:

Note 3.A - FINANCIAL ASSETS

Euro thousands		Loans and Receivables - Subsidiaries	Derivative Financial Instruments	Other Financial Assets - Third Parties	Total
December 31, 2015		**7,068**	**-**	**365**	**7,433**
	non-current portion	2,925	-	361	3,286
	current portion	4,143	-	4	4,147
December 31, 2016		**46,761**	**462**	**359**	**47,582**
	non-current portion	850	462	359	1,671
	current portion	45,911	-	-	45,911
Change		**39,693**	**462**	**(6)**	**40,149**
	non-current portion	(2,075)	462	(2)	(1,615)
	current portion	41,768	-	(4)	41,764

The account “Loans and Receivables - subsidiaries -non-current portion” includes:

- The loan, totalling Euro 850 thousand, granted to Industria Maimeri S.p.A. (Italy) in 2014. No interest matures as concerning a non-interest bearing loan.

The account “Loans and Receivables - subsidiaries -current portion” includes:

- the current portion, for a total of Euro 37,188 thousand, of loans issued in favour of Canson Sas (France – Euro 18,969 thousand), Eurholdham Usa Inc. (U.S.A. – Euro 10,153 thousand), Canson Inc. (U.S.A. – Euro 4,552 thousand), Lodi 12 Sas (France – Euro 1,895 thousand) and Canson Australia Pty Ltd. (Australia – Euro 1,619 thousand). The amounts are reported net of partial repayments in 2016 totalling Euro 4,748 thousand. They include Euro 148 thousand interest accrued. The loan matures interest at a variable rate equal to Euribor at 3 months, plus a spread of 375 basis points;
- the short-term portion of the loan, amounting to Euro 3,430 thousand, granted to Licyn Mercantil Industrial Ltda (Brazil). It includes Euro 85 thousand interest accrued. The loan matures interest at a variable rate equal to Euribor at 6 months, plus a spread of 280 basis points;
- the short-term portion of the loan, amounting to Euro 2,500 thousand, granted to Daler Rowney Ltd. (United Kingdom) in 2016. The loan matures interest at a variable rate equal to Euribor at 3 months, plus a spread of 400 basis points;
- the short-term portion of the loan, amounting to Euro 1,121 thousand, granted to FILA S.A. (Pty) Ltd. (South Africa). An additional loan was granted of Euro 194 thousand in 2016, further to the residual loan at December 31, 2015. It includes Euro 44 thousand interest accrued. The loan matures interest at a variable rate equal to Euribor at 3 months, plus a spread of 275 basis points;
- the short-term portion of the loan, amounting to Euro 800 thousand, granted to FILA Stationary O.O.O. (Russia). It includes Euro 57 thousand interest accrued. The loan matures interest at a variable rate equal to Euribor at 3 months, plus a spread of 280 basis points;
- the short-term portion of the loan, amounting to Euro 325 thousand, granted to Industria Maimeri S.p.A. (Italia). It includes Euro 2 thousand interest accrued. The loan matures interest at a variable rate equal to Euribor at 6 months, plus a spread of 200 basis points;
- the short-term portion of the loan, amounting to Euro 207 thousand, granted to FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey) in 2015. The amount includes

Euro 4 thousand interest accrued. The loan matures interest at a variable rate equal to Euribor at 6 months, plus a spread of 280 basis points;

We report the settlement in 2016 of the residual loan at December 31, 2015 issued in favour of FILALYRA GB Ltd. (United Kingdom) for Euro 100 thousand, in addition to the partial repayment by the company FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey) of Euro 62 thousand.

"Other Financial Assets from Third Parties" of Euro 359 thousand (Euro 365 thousand at December 31, 2015) include:

- deposits paid to third parties as contractual guarantees for the provision of services and goods (Euro 9 thousand);
- the issue of a loan in favour of Gianni Maimeri, a minority shareholder of Industria Maimeri S.p.A., with fixed maturity of June 2018 (Euro 350 thousand).

"Derivative Financial Instruments" of Euro 462 thousand relate to the signing of 8 derivative financial instruments in 2016 for hedging of future cash flow fluctuations in relation to the interest rate indexing mechanism under the loan contract signed in the year.
The amount includes the fair value of projected cash flows discounted at December 31, 2016 (fixed rate and variable rate), net of negotiation charges applied on "inception" by the banks, related to the elimination of the floor to zero on the loan (hereafter "hedged instrument"). For greater details, reference should be made to *"Note 13 - Financial Liabilities"*.

The accounting treatment adopted for the hedging instruments, based on IAS 39, centres on hedge accounting and in particular that concerning "cash flow hedges" and involving the recognition of a financial asset and an equity reserve.

Reference should be made to Note 10 concerning the "Net Financial Position" at December 31, 2016 of F.I.L.A. S.p.A..

The carrying amount approximates the "fair value" of these assets at the reporting date.

Details on the timing of financial cash flows and "Financial Assets" at December 31, 2016 are illustrated in the following table:

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	2017	2018	2019	2020	Beyond 2020		
Guarantee Deposits	9	-	9	2004-2015	EUR	Italia	0%	0.00%	-	-	-	-	9	None	None
Assets for Derivative Financial Instruments	462	-	462	2016	EUR	Italy	0%	0.00%	-	462	-	-	-	None	None
Loans to third parties	350	-	350	2015	EUR	Italy	0%	2.00%	-	350	-	-	-	None	None
Canson Sas (France) Loan	18,969	-	18,969	2016	EUR	France	Euribor 3 mth.	3.75%	18,969	-	-	-	-	None	None
Lodi 12 Sas Loan (France)	1,895	22	1,917	2016	EUR	France	Euribor 3 mth.	3.75%	1,917	-	-	-	-	None	None
Eurholdham USA Inc. (U.S.A.) Loan	10,153	84	10,237	2016	EUR	USA	Euribor 3 mth.	3.75%	10,237	-	-	-	-	None	None
Canson Australia Pty Ltd. (Australia) Loan	1,619	-	1,619	2016	EUR	Australia	Euribor 3 mth.	3.75%	1,619	-	-	-	-	None	None
Canson Inc. (U.S.A.) Loan	4,552	42	4,594	2016	EUR	USA	Euribor 3 mth.	3.75%	4,594	-	-	-	-	None	None
Daler Rowney Ltd (United Kingdom) Loan	2,500	-	2,500	2016	EUR	United Kingdo	Euribor 3 mth.	4.00%	2,500	-	-	-	-	None	None
Industria Maimeri S.p.A. (Italy) Loan	850	-	850	2014-2015	EUR	Italy	0%	0.00%	-	850	-	-	-	None	None
Industria Maimeri S.p.A. (Italy) Loan	325	2	327	2014	EUR	Italy	Euribor 6 mth.	2.00%	327	-	-	-	-	None	None
FILA Stationery and Office Equipment Industry Ltd. Co. (Turkey) Loan	207	4	211	2015	EUR	Turkey	Euribor 6 mth.	2.80%	211	-	-	-	-	None	None
Licyn Mercantil Industrial Ltda (Brazil) Loan	3,430	85	3,515	2012	EUR	Brazil	Euribor 6 mth.	2.80%	3,515	-	-	-	-	None	None
FILA Stationery O.O.O. (Russia) Loan	800	57	857	2013-2015	EUR	Russia	Euribor 3 mth.	2.80%	857	-	-	-	-	None	None
FILA S.A. (Pty) Ltd (South Africa)	1,121	44	1,165	2014-2016	EUR	South Africa	Euribor 3 mth.	2.75%	1,165	-	-	-	-	None	None
Total amount	**47,242**	**340**	**47,582**						**45,911**	**1,662**	**-**	**-**	**9**		

As per IFRS 7, the accounting treatment by class of financial assets at December 31, 2016 was as follows:

Euro thousands	December 31, 2016	Measurement basis	Level 1	Level 2	Level 3
Financial assets					
Cash and Cash Equivalents	19,193	*Fair Value*	-	-	-
Current and Non-Current Financial Assets	47,582	*Fair Value*	-	-	47,582
Trade and Other Receivables	20,242	*Fair Value*	-	-	-
Total financial assets	**87,017**		**-**	**-**	**47,582**

Euro thousands	December 31, 2015	Measurement basis	Level 1	Level 2	Level 3
Financial assets					
Cash and Cash Equivalents	1,139	*Fair Value*	-	-	-
Current and Non-Current Financial Assets	7,433	*Fair Value*	-	-	7,433
Trade and Other Receivables	22,229	*Fair Value*	-	-	-
Total financial assets	**30,801**		**-**	**-**	**7,433**

Note 4 - Investments Measured at Cost

"Investments Measured at Cost" at December 31, 2016 amount to Euro 285,386 thousand (Euro 108,705 thousand at December 31, 2015). The movements in the year are shown below:

Note 4.A - INVESTMENTS MEASURED AT COST

Euro thousands	Investments in Subsidiaries	Inv. in Associates	Investments in Other Companies	Total Amount
Prior Year Balance	**108,675**	**28**	**2**	**108,705**
Increases in the year	176,681	-	-	176,681
Decreases in the year	-	-	-	-
Current Year Balance	**285,356**	**28**	**2**	**285,386**
Change in year	**176,681**	**-**	**-**	**176,681**

The increase in the year totalling Euro 176,681 thousand relates to investments held in subsidiaries following the acquisitions in the year.

Investments in subsidiaries at December 31, 2016 and the changes in the year are illustrated in the table below:

Note 4.B - INVESTMENTS IN SUBSIDIARIES

Euro thousands	December 31, 2015	Increases	Decreases	December 31, 2016
F.I.L.A. Hispania S.L.(Spain)	90	-	-	90
Omyacolor S.A.(France)	2,506	-	-	2,506
Dixon Ticonderoga Co.(U.S.A.)	30,541	-	-	30,541
F.I.L.A. Chile Ltda (Chile)	62	-	-	62
Lyra Bleistift-Fabrik GmbH & Co. KG(Germany)	12,454	-	-	12,454
FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey)	1,299	-	-	1,299
Licyn Mercantil Industrial Ltda (Brazil)	3,347	-	-	3,347
FILA Stationery O.O.O. (Russia)	95	-	-	95
Industria Maimeri S.p.A.(Italy)	946	-	-	946
FILA Cartorama S.A. (Pty) Ltd. (South Africa)	1	-	-	1
FILA Hellas S.A. (Greece)	12	-	-	12
FILA Australia PTY LTD (Australia)	1	-	-	1
Fila Polska Sp. Z.o.o (Poland)	44	-	-	44
Writefine Private Product Limited (India)	57,277	-	-	57,277
Renoir Topco Limited (United Kingdom)	-	108,921	-	108,921
St. Cuthberts Holding Limited (United Kingdom)	-	6,727	-	6,727
Canson SAS (France)	-	30,517	-	30,517
Lodi 12 SAS (France)	-	15,258	-	15,258
Eurholdham USA Inc. (U.S.A.)	-	15,197	-	15,197
Canson Brasil Industria Papeis Especiais Ltda (Brazil)	-	61	-	61
Total	**108,675**	**176,681**	**-**	**285,356**

On February 3, 2016, F.I.L.A. S.p.A. acquired 100% of the entire share capital - comprising "ordinary shares" and "preference shares" - of Renoir TopCo Ltd, the holding company of the Daler-Rowney Lukas Group, from the funds managed by Electra Partners LLP and the management team of Daler-

Rowney Lukas, for Euro 15,667 thousand. Investment amount was increased of Euro 1,208 thousand for consultancy costs capitalised. Later, F.I.L.A. S.p.A. has awarded to Renoir Topco Ltd. Intercompany Loans against Midco Ltd. Renoir, Renoir Bidco Ltd. and Daler-Rowney Ltd. increasing the investment for Euro 92,046 thousand.

On May 12, 2016, F.I.L.A. S.p.A. presented a binding offer for the full acquisition of the Canson Group, held by the French Group Hamelin. This operation was completed on October 5, 2016 following the positive conclusion of the disclosure and consultation process involving the main trade unions representing the workers of the French companies. The investments value comprises Euro 43,064 thousand as the purchase price and an additional Euro 15,572 thousand as the price adjustment, in addition to Euro 2,399 thousand against consultancy costs capitalised.

On September 14, 2016, F.I.L.A. S.p.A. acquired full control of the company St. Cuthberts Holding Limited and its operating company (St. Cuthberts Mill Limited). The investment value comprises Euro 6,381 thousand as the purchase price and Euro 346 thousand against consultancy costs capitalised.

The investment values presented include consultancy costs related to the acquisition.

For further details, reference should be made to the *"Significant events in the year"* paragraph.

A comparison between the value of the investments and the equity of the subsidiaries at December 31, 2016 is illustrated in the table below:

Subsidiaries *Euro thousands*	**Equity at December 31, 2016**	**Net profit (loss) for the year**	**Total Holding****	**Equity Share**	**Net carrying amount**
Dixon Ticonderoga Company (U.S.A.)*	93,428	14,445	100.00%	93,428	30,606
Licyn Mercantil Industrial Ltda (Brazil)	(225)	244	99.99%	(225)	3,347
Omyacolor S.A. (France)	13,944	1,877	99.9%	13,930	2,506
F.I.L.A. Hispania S.L. (Spain)	3,280	1,189	96.77%	3,174	90
Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG (Germany)	11,473	1,830	100.00%	11,473	12,454
FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey)	(794)	(714)	99.99%	(794)	1,299
Fila Polska Sp. Z.o.o (Poland)	196	145	51.00%	100	44
Fila Hellas SA (Greece)	673	385	50.00%	336	12
Industria Maimeri S.p.A. (Italy)	1,171	(219)	51.00%	597	946
Fila SA PTY LTD (South Africa)	(971)	183	90.00%	(874)	1
Fila Stationary O.O.O. (Russia)	(737)	315	90.00%	(663)	95
Writefine Products Private Limited (India)	46,554	1,375	51.00%	23,742	57,277
Ronoir Topo Ltd (United Kingdom)	96,477	2,001	100.00%	96,477	108,921
St. Cuthbert Holding (England)	5,439	0	100.00%	5,439	6,727
FILA Australia PTY LTD (Australia)	1	0	100.00%	1	1
Canson SAS (France), Eurholdam (U.S.A.), Lodi 12 SAS (France), Canson Brasil I.P.E. LTDA (Brazil)	27,908	(127)	100.00%	27,908	61,033

Figures concern approved financial statements at December 31, 2016
** includes 1% of F.I.L.A CHILE LTDA held by F.I.L.A. S.p.A.*
*** direct and indirect holdings of F.I.L.A. S.p.A.*

The investments held by F.I.L.A. S.p.A. in subsidiaries were subject to impairment tests where indicators highlighted a possible loss in value, comparing the carrying amount in the financial statements with the recoverable value as per the Impairment Test ("Equity Value"), at least on an annual basis. The "Value in use" was utilised to establish the recoverable value of investments. The Value is use as per IAS 36 is calculated as the present value of projected cash flows.

The projected cash flows for calculation of the "Value in use" are developed according to the 2017 Budget and the 2018-2022 industrial plan (years with explicit forecast 2017-2021), respectively approved by the Board of Directors on January 25, 2017 and May 11, 2016. In particular, the 2018-2021 cash flows were determined taking the assumptions from 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.

The discount rate (W.A.C.C.) is the average weighed cost of risk capital and debt capital considering the tax effects generated from the financial structure.

With regard to the main considerations upon the change in the year of the discount rates utilised, reference should be made to "Note 1 - Intangible Assets" of the Explanatory Notes to the Consolidated Financial Statements at December 31, 2016.

The following emerges through comparison of the carrying value of the investments held in subsidiaries and the Equity Value established under Impairment tests: for Licyn Mercantil Industria Ltda (Brazil), Industria Maimeri S.p.A. (Italy), F.I.L.A. SA PTY LTD (South Africa), Lyra KG (Germany), Writefine Products Private Limited (India), St. Cuthberts Holding (United Kingdom), Canson Group and Daler-Rowney Lukas Group no impairments are reported.

Although impairments were evident, the carrying amounts of the investments held by F.I.L.A. S.p.A. in the subsidiaries FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey) and FILA Stationary O.O.O. (Russia) were considered recoverable on the basis of projected future earnings established under approved Business Plans.

Note 5 – Deferred Tax Assets

"Deferred Tax Assets" amount to Euro 5,371 thousand at December 31, 2016 (Euro 5,136 thousand at December 31, 2015).

Note 5.A - CHANGES IN DEFERRED TAX ASSETS

Euro thousands	
December 31, 2015	**5,136**
Provisions	6,776
Utilisations	(6,541)
December 31, 2016	**5,371**
Change	**235**

The balance at December 31, 2016 concerns temporary differences deductible in future years. They are recognised as there is a reasonable certainty of the existence, in the years in which the temporary differences will reverse, of assessable income 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		Income Statement		Equity	
Euro thousands	2016	2015	2016	2015	2016	2015
Deferred tax assets relating to:						
Intangible Assets	102	120	(18)	(3)	-	-
Property, Plant and Equipment	369	391	(22)	(32)	-	-
Directors Remuneration	304	296	8	174	-	-
Doubtful Debt Provision not deductible	461	394	67	78	-	-
Inventories	112	123	(11)	12	-	-
Agent supp. indem. prov.	234	263	(29)	0	-	-
Exchange adjustments	53	51	2	7	-	-
Provisions for risks and charges	136	-	136	-	-	-
"Lyra KG (Germany)" Tax Losses Carried For.	-	-	-	(634)	-	-
Other	-	9	(9)	1	-	-
Tax Losses	-	641	(641)	641	-	-
Deferred deductible costs	325	582	(257)	582	-	-
ACE	3,275	2,266	1,009	2,266	-	-
Total deferred tax assets	**5,371**	**5,136**	**235**	**3,092**	**-**	**-**

"Tax Losses" of Euro 0 thousand include the reversal of deferred tax assets calculated on the part of the tax loss generated by F.I.L.A. S.p.A. in 2015 between the effective merger date and year-end (June 1, 2015 - December 31, 2015), following the usage of this prior tax loss in coverage of IRES assessable taxes for 2016.

In addition, following the favourable opinion issued by the Tax Agency concerning the acceptance of the application to carry forward to subsequent years prior year tax losses generated by the company Space S.p.A. in the first period of the year (January 1, 2015 - May 31, 2015), in addition to the previous year, amounting to approx. Euro 16 million, F.I.L.A. S.p.A. recognised to the financial statements Euro 4,390 thousand of deferred tax assets not prudently recognised to the financial statements at December 31, 2015 as subject to consultation and whose outcome was uncertain at the preparation date of these financial statements (it is noted that the company Space S.p.A. did not recognise in the above-stated years these deferred tax assets as the requirements for future recoverability did not exist due to the nature of the business exercised).

The amount recognised of Euro 4,390 thousand was subject to reversal in the same year of recognition in coverage of the IRES assessable income generated in 2016.
The effects of these movements are included in the "ACE" account which, at the same time, includes deferred tax assets calculated on the excess of the ACE which may be carried forward to subsequent years, for a total amount of Euro 2,386 thousand, in addition to the portion used in coverage of IRES assessable income generated in 2016 (Euro 1,377 thousand).

The "Deferred deductible costs" related to deferred tax assets on costs for the listing incurred by the company Space S.p.A. in the years 2013 and 2014 and subject to deferred tax deduction and broken down into fifths.

"Lyra KG (Germany) Tax Losses carried forward" relate to the deferred tax asset on the tax losses of Lyra KG (Germany) and recorded at December 31, 2015 for Euro 634 thousand, relating to the taxation of the parent company pursuant to German tax legislation.
In 2016, the account was written down as the merger between Space S.p.A. and F.I.L.A. S.p.A. resulted in a change in the share ownership of Lyra KG (Germany), which, in accordance with German fiscal legislation, resulted in the lapsing of this fiscal benefit.

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.
In accordance with the 2016 Stability Law, reducing the IRES rate from the current 27.5% to 24% from the tax period subsequent to December 31, 2016, the company, for the identifiable elements, applied the new rate for the calculation of deferred taxes.

Note 6 - Current Tax Assets

"Current Tax Assets" amount to Euro 1,387 thousand at December 31, 2016 (Euro 1,821 thousand at December 31, 2015). The movement on December 31, 2015 principally concerns the IRAP tax charge calculated according to the existing provisions (Euro 498 thousand).

We report, at the same time, the recognition of a current tax payable for foreign taxes related to the German tax representation of the subsidiary Lyra KG (Germany - Euro 274 thousand), in addition to the tax charge as per Article 167 of Presidential Decree 917/1986 concerning "Controlled Foreign Companies" for Euro 1,197 thousand (reference should be made to "*Note 18 Current Tax Liabilities*").

Note 7 - Inventories

Inventories at December 31, 2016 amount to Euro 29,453 thousand (Euro 30,198 thousand at December 31, 2015).

The breakdown of inventories is as follows:

Note 7.A - INVENTORIES

Euro thousands	Raw Materials, Ancillary and Consumables	Work-in-progress and Semi-finished Products	Finished Products and Goods	Total
December 31, 2015	**4,047**	**3,442**	**22,709**	**30,198**
December 31, 2016	**4,055**	**3,650**	**21,748**	**29,453**
Change	**8**	**208**	**(961)**	**(745)**

The values reported in the previous table are shown net of the inventory obsolescence provision relating to raw materials, products in work-in-progress and finished products, amounting respectively at December 31, 2016 to Euro 78 thousand (Euro 92 thousand at December 31, 2015), Euro 25 thousand (Euro 32 thousand at December 31, 2015) and Euro 295 thousand (Euro 267 thousand at December 31, 2015), which refer to obsolete or slow moving materials for which it is not considered possible to recover through sales.

No inventory is provided as a guarantee on liabilities.

The changes in the inventory obsolescence provision in the year were as follows:

Note 7.B- CHANGE IN INVENTORY OBSOLESCENCE PROVISION

Euro thousands	Raw Materials, Ancillary and Consumables	Work-in-progress and Semi-finished Products	Finished Products and Goods	Total
December 31, 2015	**92**	**32**	**267**	**391**
Provisions	75	85	50	210
Utilisations	(89)	(92)	(22)	(203)
December 31, 2016	**78**	**25**	**295**	**398**
Change	**(14)**	**(7)**	**28**	**7**

During 2016 the provision was utilised for disposals and product scrapping. The allocation in the year was made against obsolete materials and slow moving inventories at December 31, 2016.

Note 8 – Trade and Other Receivables

These totalled Euro 20,242 thousand and decreased on the previous year Euro 1,987 thousand.
The breakdown is illustrated below.

Note 8.A - TRADE AND OTHER RECEIVABLES

Euro thousands	December 31, 2016	December 31, 2015	Change
Trade Receivables	12,328	14,103	(1,775)
Tax Receivables	929	1,821	(892)
Other Receivables	505	547	(42)
Prepayments and Accrued Income	104	107	(3)
Third parties	**13,866**	**16,578**	**(2,712)**
Trade Receivables - Subsidiaries	6,376	5,651	725
Subsidiaries	**6,376**	**5,651**	**725**
Trade Receivables - Associates	-	-	-
Associates	**-**	**-**	**-**
Total	**20,242**	**22,229**	**(1,987)**

"Trade Receivables - Subsidiaries" amount to Euro 6,376 thousand at December 31, 2016 (Euro 5,651 thousand at December 31, 2015). For further information, reference should be made to the "Directors' Report - Transactions with Related Parties".

The movement is related to business levels in the period.
The amounts of the previous table are shown net of the doubtful debt provision.
At December 31, 2016, there were no trade receivables subject to guarantees.
All of the above receivables are due within 12 months.

The regional breakdown of trade receivables (by customers) are illustrated in the table below:

Note 8.B - TRADE RECEIVABLES THIRD PARTIES - REGIONAL BREAKDOWN

Euro thousands	December 31, 2016	December 31, 2015	Change
Europe	11,869	13,593	(1,724)
Asia	363	510	(147)
Rest of the World	96	-	96
Third parties	**12,328**	**14,103**	**(1,775)**

The changes in the doubtful debt provision to cover difficult recovery positions are illustrated in the table below.

Note 8.C - CHANGES IN DOUBTFUL DEBT PROVISION

Euro thousands	Doubtful debt provision
December 31, 2015	**1,572**
Provisions	603
Utilisations	(155)
December 31, 2016	**2,020**
Change	**448**

"Tax Receivables" includes V.A.T. and other local taxes other than corporation taxes.

Current tax receivables amount to Euro 929 thousand at December 31, 2016 (Euro 1,821 thousand at December 31, 2015) and includes VAT receivables at December 31, 2016, as well as tax credits arising from the reimbursement request for IRES relating to IRAP on labour costs in previous years.

"Other Receivables" includes personnel and social security receivables and payments on account to suppliers. At December 31, 2016 the account amounted to Euro 505 thousand (Euro 547 thousand at December 31, 2015).

The book value of "Other Receivables" represents the "fair value" at the reporting date.

All of the above receivables are due within 12 months.

Note 9 - Cash and Cash Equivalents

"Cash and Cash Equivalents" at December 31, 2016 amount to Euro 19,193 thousand (Euro 1,139 thousand at December 31, 2015).

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 Post Office Deposits	Cash in hand and similar	Cheques	Total
December 31, 2015	**1,128**	**11**	**0**	**1,139**
December 31, 2016	**19,172**	**8**	**13**	**19,193**
Change	**18,044**	**(3)**	**13**	**18,054**

"Bank and Postal Office Deposits" consist of temporary liquidity positions as part of treasury management and concern the ordinary current account of F.I.L.A. S.p.A., in addition to the drawdown of the credit line ("Revolving Original Facility") of Euro 10,000 thousand.

The book value approximates the "fair value" at the reporting date.

Bank and postal deposits are remunerated at rates which approximate the Euribor.

There are no bank and postal deposits subject to restrictions.

For comments on cash flows in the year reference should be made to the cash flow statement.

Note 10 - Net Financial Position

The "Net Financial Position" at December 31, 2016 was as follows:

Euro thousands		December 31, 2016	December 31, 2015	Change
A	Cash	21	11	10
B	Other cash equivalents	19,172	1,128	18,044
C	Securities held-for-trading	-	-	-
D	**Liquidity (A + B + C)**	**19,193**	**1,139**	**18,054**
E	**Current financial receivables**	**45,911**	**4,147**	**41,764**
F	Current bank payables	(6)	(5,303)	5,297
G	Current portion of non-current debt	(23,268)	-	(23,268)
H	Other current financial payables	(15,598)	(67)	(15,531)
I	**Current financial debt (F + G + H)**	**(38,872)**	**(5,370)**	**(33,502)**
J	**Net current financial debt (I + E+ D)**	**26,232**	**(84)**	**26,316**
K	Non-current bank payables	(188,295)	-	(188,295)
L	Bonds issued	-	-	-
M	Other non-current financial payables	-	-	-
N	**Non-current financial debt (K + L + M)**	**(188,295)**	**-**	**(188,295)**
O	**Net financial debt (J+N)**	**(162,063)**	**(84)**	**(161,979)**
P	**Loans issued to third parties**	**1,200**	**3,275**	**(2,075)**
Q	**Net financial debt (O + P) - F.I.L.A. Group**	**(160,863)**	**3,191**	**(164,054)**

Note:
1) The net financial debt calculated at point "O" complies with Consob Communication DEM/6064293 of July 28, 2006, which excludes non-current financial assets. Consolidated net financial position
2) At December 31, 2016 there were no transactions with related parties which impacted the net financial debt.

Compared to December 31, 2015 (cash position of Euro 3,191 thousand), the position reduced Euro 164,054 thousand - principally due to:

- the generation of net operating cash flows of Euro 12,299 thousand (generation of cash flows of Euro 549 thousand in 2015), thanks to operating income and strong "Net Working Capital" management;
- net tangible and intangible asset investment of Euro 3,596 thousand (Euro 1,133 thousand in 2015);
- the absorption of cash from "Investing Activities" relating to the acquisitions of the Daler-Rowney Lukas Group, the Canson Group and the company St. Cuthberts in 2016 for a total absorption of Euro 175,682 thousand;
- the absorption of cash from the distribution of dividends to shareholders of Euro 3,710 thousand;
- the generation of cash totalling Euro 8,388 thousand from dividends received from subsidiaries;
- the payment of financial charges of Euro 2,436 thousand.

Reference should be made to the "Directors' Report - Financial Overview" for comments on the Net Financial Position of F.I.L.A. S.p.A.

We report the absence of balances concerning related parties both for 2016 and 2015.

Note 11 - Other Current Assets

The account, totalling Euro 117 thousand, includes the receivable from the subsidiary FILA Hellas S.A. (Greece) against dividends approved and not received at December 31, 2016.

Note 12 - Share Capital and Equity

Share Capital

The share capital, fully-paid in, amounts to Euro 37,170,830.00 and comprises 41,232,296 shares:

- 34,665,788 ordinary shares, without nominal value;
- 6,566,508 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.

	No. of Shares	% of Share Capital	Listing
Ordinary shares	34,665,788	*84.07%*	MTA - STAR Segment
Class B Shares (multiple votes)	6,566,508	*15.93%*	Non-listed

The availability and distributability of shareholders' equity is outlined in the following table:

Note 12.A ORIGIN, POSSIBILITY FOR UTILISATION AND DISTRIBUTION OF EQUITY

Euro thousands	Equity Accounts	Balance at December 31, 2016	Possibility of Utilisation	Quota Available	Summary of Utilisations in Last 3 Years (2013-2015): cover losses	Summary of Utilisations in Last 3 Years (2013-2015): other reasons
	Share capital	**37,171**		-	-	-
	Capital Reserves:					
	Legal Reserve	7,434	**B**	7,434	-	-
	Share Premium Reserve	65,348	**A, B, C**	50,296	(41,599)	(7,434)
	IAS 19 Reserve	(311)		-	-	-
	Other Reserves	22,832	**A, B, C**	22,832	-	(3,711)
	Retained Earnings	17,940	**A, B, C**	17,940	-	-
Total		**150,414**		**98,502**	**(41,599)**	**(11,145)**

Key:
A - for share capital increase
B - to cover losses
C - for distribution to shareholders

The "Quota Available" presents the distributable equity reserves and the related restrictions, including the restriction on the distribution of the share premium reserve related to the revaluation of the investment held in the company Writefine Products PVT Ltd (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 majority shareholding and recorded under financial income in 2015.

In relation to utilisations, in addition, we report the presence in the "Other Reserves" of reserves in suspension of taxes for Euro 3,885 thousand at December 31, 2016 not released.

Share Premium Reserve

The account at December 31, 2016 amounts to Euro 65,348 thousand (Euro 109,879 thousand at December 31, 2015), decreasing Euro 44,530 thousand.

The change related to the application of the Shareholders' Meeting of April 29, 2016 motion concerning:

- the allocation of a portion of the share premium reserve for Euro 49,033 thousand in coverage of the 2015 loss for Euro 41,086 thousand, in coverage of residual prior year losses to December 31, 2015 for Euro 513 thousand and the full reconstitution of the legal reserve for Euro 7,434 thousand;
- on January 4, 2016, the period for the exercise of the "F.I.L.A. S.p.A. Market Warrants" concluded. Overall, 8,153,609 Market Warrants were exercised between December 1, 2015 and January 4, 2016 ("Deadline" as communicated by the Issuer on December 1, 2015) against the subscription of 2,201,454 ordinary shares. Against the above subscription, the liability at December 31, 2015 was released with a positive effect on the Equity reserves of Euro 4,502 thousand.

Other Reserves

The account at December 31, 2016 amounts to Euro 22,832 thousand (Euro 26,081 thousand at December 31, 2015), decreasing Euro 5,247 thousand.
This related to the application of the Shareholders' Meeting of April 29, 2016 motion governing the distribution of part of the other reserves of the company, other than those in suspension of taxes, for a total of Euro 3,711 thousand for dividends, in addition to the allocation of part of the same reserve for the accounting treatment related to derivative hedging instruments for Euro 462 thousand ("cash flow hedge"). For further information, reference should be made to "Note 3 - Financial Assets".

IAS 19 Reserve

The account at December 31, 2016 amounts to Euro 311 thousand (Euro 212 thousand at December 31, 2015) and reports a decrease in the year of Euro 135 thousand as well as an increase of Euro 35 thousand relating to deferred tax liabilities recognised directly to equity.

Retained Earnings/(accumulated losses)

This amounts to Euro 17,940 thousand at December 31, 2016 (negative for Euro 513 thousand at December 31, 2015). The change of Euro 18,453 thousand relates to application of the Shareholders' Meeting motion of April 29, 2016 concerning the allocation of a portion of the share premium reserve for Euro 49,033 thousand in coverage of the 2015 loss for Euro 41,086 thousand, in coverage of residual prior year losses to December 31, 2015 for Euro 513 thousand and the full reconstitution of the legal reserve for Euro 7,434 thousand.

In addition, on January 4, 2016, the period for the exercise of the "F.I.L.A. S.p.A. Market Warrants" concluded. Overall, 8,153,609 Market Warrants were exercised between December 1, 2015 and January 4, 2016 ("Deadline" as communicated by the Issuer on December 1, 2015) against the subscription of 2,201,454 ordinary shares. Against the above-stated subscription, the liabilities at December 31, 2015 were released with a positive effect on the Equity reserves of Euro 4,502 thousand and on Retained Earnings/Accummulated losses of Euro 16,941 thousand.

Dividends

In 2016, F.I.L.A. S.p.A. distributed to shareholders of the company dividends totalling Euro 3,711 thousand.

F.I.L.A. S.p.A. expects to receive in 2017 approx. Euro 10 million from subsidiary companies.
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 extraordinary acquisition operations.

………………….

The Board of Directors of F.I.L.A. S.p.A. have proposed:

1. to allocate the profit to "Retained Earnings" for Euro 7,715,378.42;
2. 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.

Note 13 - Financial Liabilities

The balance at December 31, 2016 was Euro 227,167 thousand compared to Euro 5,370 thousand at December 31, 2015.

The account includes both the current portion of loans issued by other lenders and bank overdrafts concerning ordinary operations.

The breakdown at December 31, 2016 is illustrated below.

Note 13.A - FINANCIAL LIABILITIES

Euro thousands	Banks		Other Lenders: Third Parties		Bank Overdrafts		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
December 31, 2015	**-**	**-**	**67**	**-**	**5,286**	**17**	**5,370**
non-current portion	-	-	-	-	-	-	-
current portion	-	-	67	-	5,286	17	5,370
December 31, 2016	**216,361**	**(4,798)**	**15,598**	**-**	**0**	**6**	**227,167**
non-current portion	193,161	(4,866)	-	-	-	-	188,295
current portion	23,200	68	15,598	-	0	6	38,872
Change	**216,361**	**(4,798)**	**15,531**	**-**	**(5,286)**	**(11)**	**221,797**
non-current portion	193,161	(4,866)	-	-	-	-	188,295
current portion	23,200	68	15,531	-	(5,286)	(11)	33,502

On February 2, 2016, F.I.L.A. S.p.A. signed a loan contract (hereafter the “Facility Agreement”) issued by a banking syndicate comprising UniCredit S.p.A. as “Global Coordinator”, Intesa Sanpaolo S.p.A., Mediobanca Banca di Credito Finanziario S.p.A. and Banca Nazionale del Lavoro as “Mandated Lead Arranger” and UniCredit Bank AG as “Security Agent”, for a total of Euro 109,357 thousand against a total underwritten amount of Euro 130,000 thousand (hereafter “Facility A1”).

The loan was issued for the acquisition of the Daler-Rowney Lukas Group on February 3, 2016 (for further details, reference should be made to the “Directors’ Report - Significant Events in 2016”).

We report the extension of the loan in May 2016 for a total nominal amount of Euro 236,900 thousand, following the acquisition of the Canson Group (hereafter “Facility A2” and “Facility B”), including Euro 20,000 thousand of the Revolving Original Facility.

“Bank Loans – non-current portion” includes:

- the non-current portion of Facility A1 for Euro 92,953 thousand (amortising line);
- the non-current portion of Facility A2 for Euro 9,472 thousand (amortising line);
- the non-current portion of Facility B for Euro 88,750 thousand (bullet line);
- the fair value of the negotiation charges related to the derivative financial instruments of Euro 1,986 thousand undertaken in 2016 (details reported below).

"Bank Loans – current portion" includes:

- the current portion of Facility A1 for Euro 12,029 thousand (amortising line);
- the current portion of Facility A2 for Euro 1,171 thousand (amortising line);
- the current portion of the additional credit line (hereafter "Revolving Original Facility") for Euro 10,000 thousand.

The loan stipulates a Euribor at 3 months interest rate, plus a spread of 2.25% on Facility A and on the Revolving Original Facility, in addition to a spread of 2.75% on Facility B, with quarterly calculation of interest. The spread applied will be subject to changes based on compliance with the covenants established for the loan.

The following is reported with regards to the loan repayment plan:

Note 13.B - BANK BORROWINGS INTEREST RATE AND MATURITY

Euro thousands	Interest Rate	Maturity	December 31, 2016	December 31, 2015
Non-current liabilities: bank borrowings				
Facility A	Euribor at 3 m + spread 2.25%	February 2021	102,426	-
Facility B	Euribor at 3 ms + spread 2.75%	February 2022	88,750	-
Total non-current financial liabilities			**191,176**	**-**
Current liabilities: bank borrowings				
Facility A	Euribor at 3 m + spread 2.25%	September 2017	13,200	-
Revolving Original Facility	Euribor at 3 ms + spread 2.25%	March 2017	10,000	-
Total current financial liabilities			**23,200**	**-**
Total current financial liabilities			**214,376**	**-**

The repayment plan establishes for settlement by February 2, 2022 ("Termination Date") through half-yearly capital instalments to be repaid from September 30, 2016. We report therefore the repayment of the first instalment paid on September 30, 2016 of Euro 4,374 thousand on Facility A1.

The repayment plan by maturity is outlined below:

Note 13.C - BANKS BORROWINGS: LOAN REPAYMENTS

Euro thousands	Facility	Capital portion
March 31, 2017	Facility A	6,000
September 30, 2017	Facility A	7,200
By March 20, 2017	Revolving Original Facility	10,000
Total current financial liabilities		**23,200**
March 31, 2018	Facility A	8,400
September 30, 2018	Facility A	9,600
March 31, 2019	Facility A	13,200
September 30, 2019	Facility A	15,600
March 31, 2020	Facility A	18,000
September 30, 2020	Facility A	18,000
February 2, 2021	Facility A	19,626
February 2, 2022	Facility B	88,750
Total non-current financial liabilities		**191,176**

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 concerning 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 Euribor at 3 months. Derivative financial instruments, in the form of 8 Interest Rate Swaps, were signed with the same banks issuing the loan, concerning a total 32 contracts.

The amount stated in "Financial Liabilities - Banks - non-current portion" of Euro 1,986 thousand includes the fair value of negotiation charges, expressed in terms of the discounted future cash flows at December 31, 2016, applied on "inception" by the banks, related to the elimination of the floor to zero on hedged instrument.

The accounting treatment adopted for the hedging instruments, based on IAS 39, 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 (fixed and variable rate) which establishes the efficacy of the hedge (reference should be made to "Note 3 - Financial Assets" and "Note 12 - Share Capital and Equity"), while the negotiating charges 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 the income statement for the amount accrued each year until conclusion of the contract.
We breakdown below by bank the notionals subject to hedging under derivative instruments, of the relative fair values, in addition to the relative contractual conditions:

NOTE 17.A FINANCIAL INSTRUMENTS

in Euro						Intesa Sanpaolo S.p.A.		Banca Nazionale del Lavoro S.p.A.		Mediobanca Banca di Credito Finanziario S.p.A.		UniCredit S.p.A.			
IRS	**Date agreed**	**Loan**	**% Hedge**	**Fixed Rate**	**Variable Rate**	**Fair Value**	**Notional**	**Fair Value**	**Notional**	**Fair Value**	**Notional**	**Fair Value**	**Notional**	**Fair Value**	**Notional**
IRS 1	09/06/2016	Facility A1	50%	0.06%	-0.302%	(93,367)	13,128,000	(55,654)	7,876,800	(111,308)	15,753,600	(111,308)	15,753,600	(371,638)	52,512,000
IRS 2	08/07/2016	Facility A1	50%	-0.08%	-0.281%	(42,650)	13,128,000	(25,423)	7,876,800	(50,846)	15,753,600	(50,846)	15,753,600	(169,764)	52,512,000
IRS 3	03/11/2016	FacilityTLA2	50%	-0.035%	-0.308%	(6,120)	1,330,389	(3,672)	798,234	(7,344)	1,596,467	(7,344)	1,596,467	(24,482)	5,321,557
IRS 4	28/10/2016	FacilityTLA2	50%	0.056%	-0.308%	(9,477)	1,330,389	(5,686)	798,234	(11,372)	1,596,467	(11,372)	1,596,467	(37,908)	5,321,557
IRS 5	03/11/2016	FacilityTLB1a_B1b	50%	0.10%	-0.308%	(80,917)	10,237,500	(48,550)	6,142,500	(97,100)	12,285,000	(97,100)	12,285,000	(323,668)	40,950,000
IRS 7	28/10/2016	FacilityTLB1a_B1b	50%	0.196%	-0.308%	(131,268)	10,237,500	(78,761)	6,142,500	(157,521)	12,285,000	(157,521)	12,285,000	(525,071)	40,950,000
IRS 6	03/11/2016	FacilityTLB2A	50%	0.10%	-0.336%	(6,891)	856,250	(4,135)	513,750	(8,270)	1,027,500	(8,270)	1,027,500	(27,566)	3,425,000
IRS 8	28/10/2016	FacilityTLB2A	50%	0.196%	-0.336%	(10,896)	856,250	(6,538)	513,750	(13,076)	1,027,500	(13,076)	1,027,500	(43,586)	3,425,000
Total						**(381,587)**	**51,104,278**	**(228,419)**	**30,662,568**	**(456,838)**	**61,325,134**	**(456,838)**	**61,325,134**	**(1,523,681)**	**204,417,114**

Financial liabilities are initially recognised at Fair Value, including directly attributable transaction costs. The initial carrying amount is subsequently adjusted to account for redemptions in principal and interest calculated under the effective interest rate method 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) and the interest paid. The effect at December 31, 2016 of the amortised cost method was Euro 488 thousand of interest.

“Financial liabilities - Other Lenders” includes the payables of F.I.L.A. S.p.A. to factoring companies for advances on transfer of receivables (Ifitalia), in addition to financial liabilities related to the price adjustment on conclusion of the acquisition of the Canson Group (for further details, reference should be made to the “Directors’ Report”).
The balance at December 31, 2016 of payables to other lenders was Euro 15,598 thousand (Euro 67 thousand at December 31, 2015).

Details on the timing of financial cash flows and “Other Lenders” at December 31, 2016 concerning F.I.L.A. S.p.A. are illustrated in the following table:

Note 13.D - LOANS FROM OTHER LENDERS

Description	General information									Loan Repayments	Guarantees Granted
	Amount		Total	Year	Curr.	Country	Interest			Current Financial Liabilities	
Euro thousands	Principal	Interest					Variable	Spread		2017	
Ifitalia S.p.A.	26	-	26	2016	EUR	Italy	0.75%	-		26	None
Financial liability acquisition Canson Group (Price Adjustment)	15,572	-	15,572	2016	EUR	Italy	0.00%	-		15,572	None
Total	**15,598**	**-**	**15,598**							**15,598**	

“Bank Overdrafts” at December 31, 2016 amounted to Euro 6 thousand corresponding to the capital portion.

Note 13.E - BANK OVERDRAFTS

Description	General information								Loan Repayments	Guarantees Granted
	Amount		Total	Year	Curr.	Country	Interest		Cur. Fin. Liabilities	
Euro thousands	Principal	Interest					Variable	Spread	2017	
Banking Institutions	0	6	6	2016	EUR	Italy	0.80%	Included in “Variable” rate	6	None
Total amount	**0**	**6**	**6**						**6**	

Reference should be made to “Note 10 - Net Financial Position” and the “Directors’ Report – Key Financial Highlights of the F.I.L.A. Group – Financial Position” in relation to the net financial position at December 31, 2016.

As per IFRS 7, the accounting treatment by class of financial liabilities at December 31, 2016 was as follows:

Euro thousands	December 31, 2016	Measurement basis	Level 1	Level 2	Level 3
Financial liabilities					
Financial Payables to banks	211.563	*Amortised Cost*	-	-	211.563
Other Lenders	15.598	*Fair Value*	-	-	15.598
Bank Overdrafts	6	*Fair Value*	-	-	-
Trade and Other Payables	24.735	*Fair Value*	-	-	-
Total financial liabilities	**251.902**		**-**	**-**	**227.161**

Euro thousands	December 31, 2015	Measurement basis	Level 1	Level 2	Level 3
Financial liabilities					
Financial Payables to banks	0	*Fair Value*	-	-	-
Other Lenders	67	*Fair Value*	-	-	67
Bank Overdrafts	5,303	*Fair Value*	-	-	-
Financial Instruments	21,504	*Fair Value*	21,504	-	-
Trade and Other Payables	23,961	*Fair Value*	-	-	-
Total financial liabilities	**50,835**		**21,504**	**-**	**67**

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 compensation agreed between the parties on hiring.

The Post-Employment Benefit Provision matured at December 31, 2006 is considered a defined benefit plan as per IAS 19. The benefits guaranteed to employees, under the form of the Post-Employment Benefit Provision, paid on the termination of employment, are recognised in the period the right matures. The relative liability is based on actuarial assumptions and the effective payable matured 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 matured since January 1, 2007 are considered a defined contribution plan and therefore contributions matured in the period were fully recognised as a cost and recorded as a payable in the account "Other Current Liabilities", after the deduction of any contributions already paid.

The amounts at December 31, 2016 were as follows:

Note 14.A - POST-EMPLOYMENT BENEFITS	
Euro thousands	
December 31, 2015	**1,923**
Disbursements	(851)
Financial Expense	38
Pension Cost for Service	584
IAS 19 Reserve	62
December 31, 2016	**1,755**
Change	**(168)**

The "Actuarial Loss" recorded in 2016 amounts to Euro 62 thousand. The actuarial changes in the year, net of the tax effect, are recognised directly to equity.

The tables below report that required under international accounting standards with regards to "Employee Benefits".

DEFINED BENEFIT PLANS

1. Obligations for Employee Benefits	December 31, 2016	December 31, 2015
Present Value of Obligations Not Covered by Assets to Service Plan	1,755	1,923
Total	**1,755**	**1,923**

There are no financial assets at December 31, 2016 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 to the income statement in 2016 and 2015:

2. Cost Recognised in Income Statement	December 31, 2016	December 31, 2015
Pension Cost for Service	(584)	(348)
Financial Expense	(38)	(17)
Cost Recognised in Income Statement	**(622)**	**(365)**

The obligations deriving from the above-mentioned plans are calculated based on the following actuarial assumptions:

3. Main Actuarial Assumptions at Reporting Date (average values)	December 31, 2016	December 31, 2015
Annual Technical Discounting Rate	1.3%	2.0%
Increase Cost of Living	1.5%	1.8%
Future Increase in Pensions	2.6%	2.8%

For comparative purposes we illustrate the actuarial assumptions applied in 2015.

Details on the timing of financial cash flows relating to post-employment benefits at December 31, 2016 are illustrated in the following table:

Note 14.B - POST-EMPLOYMENT BENEFITS: TIMING CASH FLOWS

Nature *Euro thousands*	Amount	Timing cash flows				
		2017	2018	2019	2020	Beyond 2020
Post-Employment Benefits	1,755	80	80	100	100	1,395
Total	**1,755**					

Note 15 - Provision for Risks and Charges

The "Provision for Risks and Charges" amount to Euro 1,234 thousand and increased Euro 660 thousand on the previous year.

Note 15.A - PROVISION FOR RISKS AND CHARGES

Euro thousands	Risks Provisions for Legal Disputes	Provisions for Agents	Other Provisions	Total
Balance at December 31, 2015	**39**	**498**	**37**	**574**
non-current portion	-	498	-	498
current portion	39	0	37	76
Balance at December 31, 2016	**39**	**572**	**623**	**1,234**
non-current portion	-	572	586	1,158
current portion	39	-	37	76
Change	**0**	**74**	**586**	**660**
non-current portion	-	74	586	660
current portion	-	-	-	-

The change in the account "Provision for Risks and Charges" at December 31, 2016 was as follows:

Note 15.B - PROVISION FOR RISKS AND CHARGES

Euro thousands	Risks Provisions for Tax Disputes	Provisions for Pensions and Similar Obligations	Other Provisions	Total
December 31, 2015	**39**	**498**	**37**	**574**
Utilisation of Provisions	-	(35)	-	(35)
Provisions Accrued	-	36	586	622
Discounting	-	73	-	73
December 31, 2016	**39**	**572**	**623**	**1,234**
Change	**-**	**74**	**586**	**660**

The relative "Provisions for Risk and Charges" are classified, by nature, in the related income statement accounts.

Risks Provisions for Tax Disputes

This provision represents the best estimate by management and supported by tax consultants of liabilities, principally concerning a tax assessment by the public tax departments concerning financial year 2004 and relating in particular to direct and indirect taxes.

Provisions for Pensions and Similar Obligations

The provision for pensions and similar obligations concerns the agent supplementary indemnity provision. The "Actuarial Loss" in 2016 amounts to Euro 73 thousand. The actuarial changes in the year, net of the tax effect, are recognised directly to equity.

Other Provisions

This provision was established, taking account of the information available and the best estimate made by management, for Euro 586 thousand against liabilities deriving from the medium/long-term variable remuneration plan for the Chief Executive Officer and Executive Director of the company. The plan, approved by the Remuneration Committee and ratified by the Board of Directors, is indexed to quantitative and qualitative parameters. As concerning a medium/long-term provision, the expected future cash flows are discounted at a rate of 7.6%.

Details on the timing of financial cash flows relating to the provisions for risks and charges at December 31, 2016 are illustrated in the following table:

Note 15.C - PROVISIONS FOR RISKS AND CHARGES: TIMING CASH FLOWS

Nature *Euro thousands*	Amount	Actuarial Value Year 2016	Discount Rate Applied for Actuarial Value	Timing cash flows		
				2017	2018	2019
Provisions for Tax Disputes						
Assessment Year 2014	39	-	-	39	-	-
Provisions for Agents						
Agents' Supplementary Indemnity Provision	572	572	1.31%	-	40	532
Other Provisions						
Other Provisions for Risks and Charges	623	566	7.6%	37	-	586
Total	**1,234**	**1,138**		**76**	**40**	**1,118**

Note 16 - Deferred tax liabilities

The account amounts to Euro 1,464 thousand (Euro 1,396 thousand at December 31, 2015).

Note 16.A CHANGES IN DEFERRED TAX LIABILITIES

Euro thousands	
December 31, 2015	**1,396**
Provisions	297
Utilisations	(194)
Change in Equity	(35)
December 31, 2016	**1,464**
Change	**68**

The nature of the deferred tax liabilities and the relative effects on the Statement of Financial Position, Income Statement and Equity are illustrated in the table below.

NOTE 16.B - BREAKDOWN OF DEFERRED TAX LIABILITIES

	Statement of Financial Position		**Income Statement**		**Equity**	
Euro thousands	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Deferred tax liabilities relating to:						
Intangible Assets	(8)	(8)	-	-	-	-
Property, Plant and Equipment	1,336	1,428	(93)	(61)	-	-
Personnel - IAS 19	31	67	-	-	(35)	27
Dividends	285	-	285	-	-	-
Other	(180)	(91)	(89)	(52)	-	-
Total deferred tax liabilities	**1,464**	**1,396**	**103**	**(113)**	**(35)**	**27**

In 2016, charges on deferred tax liabilities were recorded directly through Profit and Loss for Euro 103 thousand and through Equity for Euro 35 thousand (positive change). The deferred tax liabilities recorded directly to Equity relate to "Actuarial Gains/Losses" on the Post-Employment Benefit Provision.

"Deferred Tax Liabilities" on "Property, Plant and Equipment" mainly relate to the application of international accounting standard 17 (Leasing) to the production plant at Rufina Scopeti (Florence); the temporary differences refer to the difference between the leasing instalments paid and deducted until the redemption date and the net carrying amount of the assets.

We report the recognition of deferred tax liabilities on expected dividends to be received in 2017-2019 three-year period under the approved industrial plan.

In accordance with the 2016 Stability Law, reducing the IRES rate from the current 27.5% to 24% from the tax period subsequent to December 31, 2016, the company, for the identifiable elements, applied the new rate for the calculation of deferred taxes.

Note 17 - Financial Instruments

"Financial Instruments" amount to Euro 0 thousand at December 31, 2016 (Euro 21,504 thousand at December 31, 2015). On January 4, 2016, the period for the exercise of the "F.I.L.A. S.p.A. Market Warrants" concluded. Overall, 8,153,609 Market Warrants were exercised between December 1, 2015 and January 4, 2016 ("Deadline" as communicated by the Issuer on December 1, 2015) against the subscription of 2,201,454 ordinary shares.
Against the above-stated subscription, the liabilities at December 31, 2015 were released with a positive effect on the Equity reserves of Euro 4,502 thousand and on Retained Earnings/Accummulated losses of Euro 16,941 thousand.

In addition, as established by paragraph 5.1 of the "F.I.L.A. S.p.A. Market Warrants" Regulation, the remaining 22,685 unexercised "F.I.L.A. S.p.A. Market Warrants" are cancelled and entirely invalid. The unexercised market warrants generated financial income of Euro 60 thousand recognised to the income statement.

Nota 18 - Tax Liabilities

The account totalled Euro 1,567 thousand at December 31, 2016 (Euro 0 thousand at December 31, 2015) and includes the tax charge of Article 167 of Presidential Decree 917/1986 concerning "Controlled Foreign Companies".
An analysis was conducted on the foreign subsidiaries in order to establish whether concerning parties qualifying as "Controlled Foreign Companies". For companies for which these requirements were considered met, the national tax charge borne by FILA S.p.A. was calculated in relation to income earned abroad (Euro 1,197 thousand).
In addition, we report the tax charge against German tax representation of the subsidiary Lyra KG (Germany - Euro 274 thousand).

Note 19 - Trade and Other Payables

The breakdown of “Trade and Other Payables” of F.I.L.A. S.p.A.is reported below:

Note 19.A - TRADE AND OTHER PAYABLES

Euro thousands	December 31, 2016	December 31, 2015	Change
Trade Payables	19,411	19,099	312
Tax Payables	370	414	(44)
Other Payables	3,407	1,987	1,420
Accrued Liabilities & Def.Income	84	0	84
Third parties	23,272	21,500	1,772
Trade payables - Subsidiaries	1,406	2,436	(1,030)
Other Payables - Subsidiaries	57	25	32
Subsidiaries	1,463	2,461	(998)
Total	**24,735**	**23,961**	**774**

“Trade and Other Payables” at December 31, 2016 amount to Euro 24,735 thousand (Euro 23,961 thousand at December 31, 2015).

The movement is related to business levels in the period.

The breakdown of trade payables by region is reported below:

Note 19.B - TRADE PAYABLES THIRD PARTIES - REGIONAL BREAKDOWN

Euro thousands	December 31, 2016	December 31, 2015	Change
Europe	18,792	18,071	721
North America	39	55	(16)
Central/South America	12	0	12
Asia	565	0	565
Rest of the World	3	973	(970)
Total	**19,411**	**19,099**	**312**

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 from subsidiaries at December 31, 2016 amount to Euro 1,463 thousand (Euro 2,461 thousand at December 31, 2015).

The movement is related to business levels in the period.

“Tax Payables” to third parties includes taxes other than corporation tax. Other tax payables refer to consultant withholding taxes.

Current tax payables amount to Euro 370 thousand at December 31, 2016 (Euro 414 thousand at December 31, 2015).

"Other Payables" amount to Euro 3,407 thousand at December 31, 2016 (Euro 1,987 thousand at December 31, 2015).

- social security contributions to be paid amount to Euro 465 thousand (Euro 576 thousand at December 31, 2015);
- employee payables for remuneration amounts to Euro 1,234 thousand (Euro 1,078 thousand at December 31, 2015);
- Payables for short-term variable compensation of the Chief Executive Officer and the Executive Director (Euro 1,263 thousand) related to the achievement of the targets fixed under board motions.

The carrying amount of "Other Payables" and "Tax Payables" at the reporting date approximate their fair value.

For an improved understanding of the income statement, we report for comparative purposes the absence of ordinary revenue and costs for raw materials, ancillary, consumables and goods, in addition to the operating costs (such as miscellaneous company services, transport, director and statutory auditor remuneration, advertising and agents primarily) in the first 5 months in 2015 concerning the ex Space S.p.A. following the merger involving FILA S.p.A. with statutory and tax effects from June 1, 2015. The corporate scope of the company ex Space S.p.A. was to identify and acquire a non-listed target company interested in opening up its ownership to institutional investors through listing on a regulated stock market.

Note 20 – Core Business Revenue

Core business revenue in 2016 amounted to Euro 85,272 thousand (Euro 44,692 thousand in 2015).

Revenue was broken down as follows:

Note 20.A - CORE BUSINESS REVENUE

Euro thousands	December 31, 2016	December 31, 2015	Change
Revenue from Sales and Service	91,565	48,241	43,324
Adjustments on Sales	(6,293)	(3,549)	(2,744)
Returns on Sales	(746)	(461)	(285)
Discounts, Allowances and Premiums	(5,547)	(3,088)	(2,459)
Total	**85,272**	**44,692**	**40,580**

The breakdown of revenue by end customer location is reported in the following table:

Note 20.B - CORE BUSINESS REVENUE BY REGION

Euro thousands	December 31, 2016	December 31, 2015	Change
Europe	80,167	40,997	39,170
North America	378	415	(37)
Central/South America	1,586	1,484	102
Rest of the World	3,141	1,796	1,345
Total	**85,272**	**44,692**	**40,580**

Note 21 – Other Revenue and Income

The account other income relates to ordinary operations and does not include the sale of goods and provision of services.

“Other Revenue and Income” in 2016 amounted to Euro 2,569 thousand (Euro 906 thousand in 2015).

Note 21 – OTHER REVENUE AND INCOME

Euro thousands	December 31, 2016	December 31, 2015	Change
Gains on Sale of Property, Plant and Equipment	18	14	5
Unrealised Exchange Gains on Commercial Transactions	96	40	56
Realised Exchange Gains on Commercial Transactions	158	119	39
Other Revenue and Income	2,297	733	1,564
Total	**2,569**	**906**	**1,663**

“Other Revenue and Income” (Euro 2,297 thousand) mainly includes:

- recharges for services and consultancy provided by F.I.L.A. S.p.A. in favour of Dixon Ticonderoga Company (U.S.A. - Euro 153 thousand), Industria Maimeri S.p.A. (Italy - Euro 150 thousand), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico - Euro 140 thousand), the English subsidiaries (Euro 134 thousand), Omyacolor S.A. (France - Euro 129 thousand), Lyra KG (Germany - Euro 101 thousand), Fila Dixon Stationery (Kunshan) Co, Ltd. (China - Euro 79 thousand), F.I.L.A. Hispania S.L. (Spain - Euro 60 thousand), Canson Italy S.r.l. (Italy – Euro 53 thousand), Lyra Scandinavia AB (Sweden - Euro 24 thousand) and Writefine Products PVT Ltd (India – Euro 20 thousand);
- recharges for commissions on loans granted by F.I.L.A. S.p.A. to Daler Rowney Ltd (United Kingdom - Euro 816 thousand);
- recharges for costs incurred by F.I.L.A. S.p.A. against Group insurance coverage in favour of the company Omyacolor S.A. (France - Euro 60 thousand), Lyra KG (Germany - Euro 42 thousand) and F.I.L.A. Hispania S.L. (Spain - Euro 10 thousand) by F.I.L.A. S.p.A.;
- recharges of costs to subsidiaries for sureties granted in favour of FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey - Euro 18 thousand) and Licyn Mercantil Industrial Ltda (Brazil - Euro 6 thousand) by F.I.L.A. S.p.A., in guarantee of credit lines contracted with Banca Nazionale del Lavoro S.p.A..

Note 22 - Costs for Raw Materials, Ancillary, Consumables and Goods

The account includes all purchases of raw materials, semi-processed products, transport for purchases, goods and consumables for operating activities.

The breakdown is provided below:

Note 22 - COSTS FOR RAW MATERIALS, ANCILLARY, CONSUMABLES AND GOODS

Euro thousands	December 31, 2016	December 31, 2015	Change
Raw materials, Ancillary, Consumables and Goods	(34,064)	(26,020)	(8,044)
Shipping Expenses on Purchases	(1,652)	(1,984)	332
Packaging	(285)	(158)	(127)
Other Accessory Charges on Purchases	(2,867)	(1,517)	(1,350)
Total	**(38,868)**	**(29,679)**	**(9,189)**

“Cost for Raw Materials, Ancillaries, Consumables and Goods” includes purchases for production and the provision of adequate inventory for future sales.

“Other Accessory Charges and Other Raw Material, Consumable and Goods Purchases” include all accessory charges, such as outsourcing and consortium contributions.

“Raw Materials, Semi-Finished, Work in Progress and Goods” in 2016 decreased Euro 745 thousand (increase of Euro 8,650 thousand in 2015), due to:

- increase of “Raw Materials, Ancillary, Consumables and Goods” for Euro 8 thousand;
- increase in “Contract Work in Progress and Semi-Finished products” of Euro 208 thousand;
- decrease in “Finished Products” of Euro 961 thousand.

Note 23 - Service Costs and Rent, Leases and Similar Costs

“Service Costs and Rent, Leases and Similar Costs” amounted in 2016 to Euro 25,621 thousand (Euro 15,337 thousand in 2015).

Services costs are broken down as follows:

Note 23 - SERVICE COSTS AND RENT, LEASES AND SIMILAR COSTS

Euro thousands	December 31, 2016	December 31, 2015	Change
Sundry services	(4,189)	(2,453)	(1,736)
Transport	(3,988)	(2,152)	(1,836)
Maintenance	(384)	(211)	(173)
Utilities	(1,033)	(682)	(351)
Consulting	(5,138)	(3,865)	(1,273)
Directors and Statutory Auditors Fees	(3,507)	(2,039)	(1,468)
Advertising, Promotions, Shows and Fair	(1,593)	(863)	(730)
Cleaning	(86)	(44)	(42)
Bank Charges	(292)	(239)	(53)
Agents	(2,209)	(1,104)	(1,105)
Sales representatives	(704)	(252)	(452)
Sales Commissions	(770)	(321)	(449)
Insurance	(331)	(161)	(170)
Other Service Costs	(259)	(259)	0
Hire Charges	(391)	(239)	(152)
Rental	(220)	(128)	(92)
Operating Leases	(80)	(68)	(12)
Royalties and Patents	(445)	(257)	(188)
Total	**(25,621)**	**(15,337)**	**(10,282)**

Consultancy costs were incurred principally for the acquisitions involving FILA S.p.A. in the year (for further details, reference should be made to the “Directors’ Report”).

“Operating Leases” amount to Euro 80 thousand, concerning operating leases undertaken by F.I.L.A. S.p.A. for company motor vehicles. Operating lease instalments to be paid in the following year amount to Euro 159 thousand and to be paid in the next 5 years amount to Euro 207 thousand.

Note 24 – Other Costs

"Other Costs" in 2016 totalled Euro 614 thousand (Euro 428 thousand in 2015).

Note 24 – OTHER COSTS

Euro thousands	December 31, 2016	December 31, 2015	Change
Unrealised Exchange Losses on Commercial Transactions	(2)	(7)	5
Realised Exchange Losses on Commercial Transactions	(382)	(214)	(168)
Other Operating Charges	(230)	(207)	(23)
Total	**(614)**	**(428)**	**(186)**

"Other Operating Charges" include residual costs such as municipal property tax (IMU - Euro 76 thousand).

Note 25 – Labour Costs

"Labour Costs" include all costs and expenses incurred for employees.
These costs are broken down as follows:

Note 25.A - LABOUR COSTS

Euro thousands	December 31, 2016	December 31, 2015	Change
Wages and Salaries	(8,406)	(4,544)	(3,862)
Social Security Charges	(2,732)	(1,534)	(1,198)
Defined benefit plan charges	(584)	(348)	(236)
Other Personnel Expenses	(284)	(136)	(148)
Total	**(12,006)**	**(6,562)**	**(5,444)**

For comparative purposes, we report that the cost for salaries and wages in the first 5 months of 2015 of the company ex Space S.p.A. related to the only employee.

At December 31, 2016, the workforce of F.I.L.A. S.p.A. was as follows:

Note 23.B - PERSONNEL

	Manager	White-collar	Blue-collar	Number Total Amount
Total at December 31, 2015	**6**	**82**	**140**	**228**
Increases	2	14	26	42
Decreases	(1)	(8)	(39)	(48)
Total at December 31, 2016	**7**	**88**	**127**	**222**
2016 Average headcount	**7**	**85**	**135**	**227**

Turnover in 2016 related to normal staffing changes, which mainly involved the blue-collar category. At the same time, the main company functions were strengthened in terms of the white-collar and manager category, as described above.

Note 26 – Amortisation and Depreciation

Amortisation and depreciation in 2016 and 2015 is reported below:

Note 26 – AMORTISATION AND DEPRECIATION

Euro thousands	December 31, 2016	December 31, 2015	Change
Depreciation of Property, Plant and Equipment	(1,853)	(1,032)	(821)
Amortisation of Intangible Assets	(114)	(63)	(51)
Total	**(1,967)**	**(1,095)**	**(872)**

For further details, reference should be made to “Note 1 – Intangible Assets” and “Note 2 – Property, Plant and Equipment”.

No impairments were recognised in the year.

Note 27 – Financial Income

Financial income, together with the comment on the main changes on the previous year, was as follows:

Note 27 – FINANCIAL INCOME			
Euro thousands	**December 31, 2016**	**December 31, 2015**	**Change**
Investment Income	8,504	18,275	(9,771)
Dividends	*8,504*	*3,223*	*5,281*
Other Income from Investments measured at cost	*0*	*15,052*	*(15,052)*
Interest and Income from Group Companies	1,673	84	1,589
Interest on Bank Deposits	0	483	(483)
Other Financial Income	822	826	(4)
Unrealised Exchange Gains on Financial Transactions	-	4	(4)
Realised Exchange Gains on Financial Transactions	61	12	49
Total	**11,060**	**19,684**	**(8,624)**

"Financial Income" includes dividends received from the subsidiary Dixon Ticonderoga Co. (U.S.A. Euro 4,497 thousand), the subsidiary Omyacolor S.A. (France – Euro 1,899 thousand), F.I.L.A. Hispania S.L. (Spain – Euro 968 thousand), the subsidiary Writefine Products PVT Ltd (India – Euro 512 thousand), the subsidiary Lyra KG (Germany – Euro 498 thousand) and the subsidiary FILA Hellas S.A. (Greece – Euro 130 thousand).

"Interest and Income from Group companies" mainly relates to interest recharged to the subsidiaries of the Daler Group (Euro 1,170 thousand), the subsidiaries of the Canson Group (Euro 348 thousand), the subsidiary Licyn Mercantil Industrial Ltda (Brazil – Euro 85 thousand), the subsidiary FILA S.A. (Pty) Ltd. (South Africa – Euro 25 thousand), the subsidiary Fila Stationery O.O.O. (Russia – Euro 20 thousand), the subsidiary Industria Maimeri S.p.A. (Italy - Euro 19 thousand), calculated on the loans granted by F.I.L.A. S.p.A..

For further information, reference should be made to "Note 3 - Financial Assets".

"Other Financial Income" principally includes income on the interest rate hedge (forward contract) undertaken following the acquisition of the Daler Group in February 2016 on the English currency (Euro 750 thousand).

Note 28 - Financial Expense

Financial expense, together with the comment on the main changes on the previous year, was as follows:

Note 28 - FINANCIAL EXPENSE			
Euro thousands	December 31, 2016	December 31, 2015	Change
Interest on Bank Overdrafts	(86)	(151)	65
Interest on Bank Loans	(2,408)	(157)	(2,251)
Other Financial Charges	(1,602)	(64,121)	62,519
Realised Exchange Losses on Financial Transactions	(686)	(50)	(637)
Total	**(4,782)**	**(64,479)**	**59,697**

"Other Financial Charges" amounted to Euro 1,602 thousand in 2016 (Euro 64,121 thousand in 2015) and are broken down as follows:

- financial commissions (Euro 525 thousand) applied by credit institutions issuing the loan for the acquisitions carried out in 2016 (for further details, reference should be made to "Note 13 - Financial Liabilities";
- charges in 2016 relating to the amortised cost (Euro 488 thousand) (for further details, reference should be made to "Note 13 - Financial Liabilities").

For comparative purposes, in 2015 the parent F.I.L.A. S.p.A. reported the following:

- the difference of Euro 45,791 thousand between the Fair Value of Space at May 31, 2015 (the market capitalisation of shares at May 29, 2015) and the relative book equity at the same date, due to the above-mentioned merger between Space S.p.A. and F.I.L.A. S.p.A.. This difference in fact derives from the application of IFRS 2, which establishes the accounting of Space S.p.A at Fair Value (in accounting terms defined as the company acquired or "accounting acquirer"). However, this amount could not be recognised to fixed assets as goodwill or an intangible asset as not having been generated by a business combination (as in accounting terms Space is not a business) and does not fulfil the recognition requirements of IAS 38;
- the adjustments to the Fair Value of the market warrants not exercised at December 31, 2016 (Euro 15,989 thousand); the fair value was established utilising level 1 of the hierarchy as market warrants are listed on an active market;

- financial charges related to the Market Warrants (Euro 1,647 thousand) to compensate financially such parties following the alteration of the terms and conditions of the Market Warrant regulation following any distribution of reserves.

"Interest Charges on Bank Loans" include interest matured on loans undertaken by F.I.L.A. S.p.A. (Euro 2,151 thousand) against the acquisitions executed in 2016. In addition, the account includes the interest differentials paid following the issue of interest rate hedging instruments on the notional of the overall loan (Euro 257 thousand). For further details, reference should be made to "Note 13 - Financial Liabilities".

Note 29 - Foreign Currency Transactions

Exchange differences on financial and commercial transactions in foreign currencies in 2016 are reported below.

Note 29 - FOREIGN CURRENCY TRANSACTIONS

Euro thousands	December 31, 2016	December 31, 2015
Unrealised Exchange Losses on Commercial Transactions	(2)	(7)
Realised Exchange Losses on Commercial Transactions	(382)	(214)
Unrealised Exchange Gains on Commercial Transactions	96	40
Realised Exchange Gains on Commercial Transactions	158	119
Total exchange differences on commercial transactions	**(130)**	**(62)**
Unrealised Exchange Gains on Financial Transactions	-	4
Realised Exchange Gains on Financial Transactions	61	12
Unrealised Exchange Losses on Financial Transactions	0	0
Realised Exchange Losses on Financial Transactions	(686)	(50)
Total exchange differences on financial transactions	**(625)**	**(34)**
Total net value of exchange differences	**(755)**	**(96)**

Exchange differences in 2016 arose from transactions in US Dollars against the Euro, in addition to the movement in the year of assets and liabilities in foreign currencies, following commercial and financial transactions.

Note 30 - Income Taxes

They amount to Euro 2,267 thousand in 2016 (negative Euro 2,897 thousand in 2015) and concern current taxes for Euro 2,399 thousand (Euro 308 thousand in 2015) and a net deferred tax charge of Euro 132 thousand (negative Euro 3,205 thousand in 2015).

Note 30.A - Current Income Taxes

The breakdown is as follows.

Note 30.A - INCOME TAXES			
Euro thousands	December 31, 2016	December 31, 2015	Change
Current taxes	(2,399)	(308)	(2,091)
Total	**(2,399)**	**(308)**	**(2,091)**

Current income taxes in 2016 refer to IRES and IRAP calculated on assessable income in accordance with current legislation (Euro 498 thousand) and foreign taxes related to the subsidiary Lyra KG (Germany - Euro 274 thousand), in addition to the tax charge as per Presidential Decree 917/1986 concerning "Controlled Foreign Companies" for Euro 1,197 thousand.

In addition, "Current Taxes" include tax receivables for income produced overseas (principally dividends) for Euro 389 thousand under Article 165 of the Income Tax Law following the absence of an IRES tax charge.

Note 30.B - Deferred Tax Income and Charges

The breakdown is provided below:

Note 30.B DEFERRED TAX INCOME & CHARGES			
Euro thousands	December 31, 2016	December 31, 2015	Change
Deferred Tax Income	235	3,092	(2,857)
Deferred Tax Charges	(103)	113	(216)
Total	**132**	**3,205**	**(3,073)**

The overall tax effects in the year, compared to the previous year, are reported below.

Note 30.C TOTAL INCOME TAXES IN YEAR

Euro thousands	2016 I.R.E.S.	2016 I.R.A.P.	Total Income Taxes
Assessable Tax Base	13,693	24,554	-
Tax adjustments	9,839	(11,774)	-
Assessable income	23,532	12,780	-
Total current income taxes	**-**	**(498)**	**(498)**
IRES tax credit on overseas income	(389)	-	(389)
Lyra KG (Germany) German tax representation	(274)	-	(274)
Controlled Foreign Company	(1,197)		(1,197)
Other changes	(41)	-	(41)
Total current income taxes	**(1,901)**	**(498)**	**(2,399)**
Deferred Tax Asset in Year on Temporary Differences	231	4	235
Deferred Tax Liability in Year on Temporary Differences	(103)	-	(103)
Total deferred tax income & charges	**128**	**4**	**132**
Total income taxes	**(1,773)**	**(494)**	**(2,267)**

The breakdown of current and deferred income taxes recognised to the income statement was as follows:

Note 30.D - DEFERRED AND CURRENT TAXES

Euro thousands	December 31, 2016	December 31, 2015
Current taxes	(2,399)	(308)
Current taxes	**(2,399)**	**(308)**
Deferred Tax Charges	132	3,205
Deferred tax charges	**132**	**3,205**
Total	**(2,267)**	**2,897**

In relation to deferred tax liabilities recorded through equity, reference should be made to “Note 16 - “Deferred Tax Liabilities”.

Subsequent events

Refer to section "*Subsequent Events*" of Directors' Report for further information related to the nature and the economic and financial effects of Subsequent events.

Transactions relating to Atypical and/or Unusual Operations

In accordance with Consob Communication of July 28, 2006, during 2016, F.I.L.A. S.p.A. did not undertake any atypical and/or unusual operations as defined by this communication, whereby atypical and/or unusual operations refers to operations 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 company's assets and the protection of minority shareholders.

The Board of Directors
THE CHAIRMAN
Mr. Gianni Mion

Final Considerations

These explanatory notes, as is the case for the entire financial statements of which they are an integral part, provide a true and fair view of the statement of financial position of F.I.L.A. S.p.A. and the result for the year.

The present financial statements comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of changes in Equity and the Explanatory Notes, and reflect the underlying accounting records.

Declaration of the Executive Responsible and Corporate Boards

Fabbrica Italiana Lapis ed Affini
F.I.L.A. S.p.A.
Via XXV Aprile, 5
20016 Pero (Milan)

March 21, 2017

Declaration of the Executive Officer and the Corporate Boards - Separate Financial Statements (ref. Article 154-bis, paragraph 5)

The undersigned Massimo Candela, as Chief Executive Officer, and Stefano De Rosa, as Executive Officer for Financial Reporting of F.I.L.A. S.p.A., declare, 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 for 2016.

The assessment of the adequacy of the administrative-accounting procedures for the preparation of the separate financial statements at December 31, 2016 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 2016 Separate Financial Statements of F.I.L.A. S.p.A.:
   - have been drawn up in conformity with the applicable international accounting standards (I.F.R.S.) recognised 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 representation of the financial position and results 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	The Executive Officer for Financial Reporting
Massimo Candela	Stefano De Rosa

F.I.L.A. - Fabbrica Italiana Lapis ed Affini Società per Azioni
Sede Legale, Amministrativa e Commerciale:
Via XXV Aprile, 5 20016 Pero (MI)
Cod. Fisc. / P.IVA 08391050963
P.I. internazionale CEE IT 08391050963
Tel. +39 02 38105.1 Fax +39 02 3538546
E-Mail: fila@fila.it - Web: www.fila.it
Capitale Sociale
Euro 37.170.830,00 int. versato
C.C.I.A.A. Milano n. Rea 2022589
Stabilimento di Rufina (Firenze):
Via Meucci
50068 Loc. Scopeti - Rufina
Tel. +39 055 83501 Fax +39 055 8350440
C.C.I.A.A. Firenze n. 12/01

Board of Statutory Auditors' Report on the Financial Statements at December 31, 2016 prepared as per Article 2429 of the Civil Code.

Report of the Board of Statutory Auditors of
F.I.L.A. – FABBRICA ITALIANA LAPIS ED AFFINI S.P.A.
to the Shareholders' Meeting
called for the approval of the 2016 Annual Accounts

Dear Shareholders,

This Report was prepared by the Board of Statutory Auditors appointed for a three-year mandate by the Shareholders' Meeting of July 22, 2015, comprising Claudia Mezzabotta, Chairperson, Stefano Amoroso and Rosalba Casiraghi, Statutory Auditors, while confirming that the activities carried out by the previous Board of Statutory Auditors have been based on the underlying accounting records. The Board of Statutory Auditors will remain in office until the approval of the 2017 Annual Accounts.

1. *Independence of the members of the Board of Statutory Auditors and activities carried out*

The Board verified the absence of grounds for loss of office, in accordance with Article 148 of the CFA, with regard to its members, in addition to their independence as per point 10.C.2 of the current Self-Governance Code for listed companies (hereafter the "Self-Governance Code"), which the Company adopted with Board of Directors' motion of March 15, 2016.

The Board of Statutory Auditors, in accordance with Article 153 of Legislative Decree No. 58/1998 (hereafter the "CFA") and Article 2429, paragraph 2 of the Civil Code, is called to report to the Shareholders' Meeting on the supervisory activities carried out and on any omissions or citable events arising. The Board of Statutory Auditors may also make observations and proposals upon the financial statements, with regard to their approval and on any matters within their remit.

During the year ended December 31, 2016, the Board performed the supervisory activities required by law, in accordance with the Conduct principles for Boards of Statutory Auditors endorsed by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).

On the activities undertaken during the year, as per Consob's indications of Communication of April 6, 2001, as amended and supplemented by Communication DEM/3021582 of April 4, 2003, and subsequently by Communication DEM/6031329 of April 7, 2006, the Board:

(a) oversaw compliance with law and the By-Laws;

(b) obtained from the Directors the required information on activities carried out and upon the operations of greatest economic, financial and equity significance in the year of F.I.L.A. FABBRICA ITALIANA LAPIS ED AFFINI S.p.A. (hereafter F.I.L.A. S.p.A.) and its subsidiaries; this disclosure was exhaustively provided in the Directors' Report, to which reference should be made. On the basis of the information made available to the Board, we reasonably consider that these operations comply with law and the By-Laws and were not manifestly imprudent, hazardous or against the motions undertaken by the Shareholders' Meeting or such as to compromise the integrity of the company's assets;

(c) did not note any atypical or unusual operations with Group companies, third parties or with other related parties. The Board of Statutory Auditors had not received at 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 Directors in the Annual Report provided exhaustive disclosure upon the operations executed with subsidiaries and with other related parties, outlining the economic effects, in addition to the method for the calculation of consideration, highlighting that they were undertaken within the course of normal operations and were generally governed at market conditions - i.e. the same conditions that would be applied between unrelated parties for transactions of a similar nature.

With regard to the activities of the current Board of Statutory Auditors, we met on 9 occasions with almost full attendance, as highlighted in greater detail in the table included in the relevant section of the 2016 Corporate Governance Report. The Board of Statutory Auditors attended the meetings of the Board of Directors and ensured the presence of at least one member at all Control and Risks Committee, Remuneration Committee and Related Parties Committee meetings in the period.

In the same period, the Board of Statutory Auditors also supervised the adequacy of the organisational, administrative and accounting structure of the Company, to the extent of its remit and did not encounter in this regard substantial irregularities requiring disclosure in this Report. The oversight activities of the Board particularly focused on these issues, in view also of the acquisition of the Daler-Rowney-Lukas on February 3, 2016, of the Canson Group (France) on October 5, 2016 and of the company St. Cuthberts Holding Limited on September 14, 2016. The Board of Statutory Auditors indicates that the company in 2016 significantly improved the functioning of its corporate boards, which are now more in line with best practice for listed companies. We recall that the listing took place in 2015 and in the subsequent months extensive and at times complex fine-tuning activities were undertaken to optimise the functioning of the Boards. The Board of Statutory Auditors consistently supervised and will continue to closely supervise the proper functioning of the corporate governance boards.

2. *Relations with the Independent Audit Firm, in accordance with Legislative Decree 39/2010 and observations on its independence*

With regard to the audit of accounts, such was awarded to the independent audit firm KPMG S.p.A. (hereafter the "Independent Audit Firm").

The Board of Statutory Auditors supervised the efficacy of the audit, examining in specific meetings with the Independent Audit Firm the audit plan and discussing the activities carried out.

The above-stated Audit Firm communicated the fees invoiced to F.I.L.A. S.p.A. for the audit of the 2016 Consolidated Annual Accounts, in addition to the limited audit of the half-year financial statements and the control activities on the proper maintenance of accounting records. The 2016 fees for the services provided to the F.I.L.A. Group by the Independent Audit Firm and entities belonging to its network (including non-audit services) are reported, with a breakdown of the various appointments in the paragraph "Disclosure as per Article 149-*duodecies* of the Consob Issuers' Regulation" in the *Explanatory Notes to the Consolidated Financial Statements of the F.I.L.A. Group* for 2016, in compliance with the above-stated Article 149-*duodecies* of the Issuers' Regulation.

The Independent Audit Firm also communicated to the Board of Statutory Auditors that, taking account of the regulatory and professional requirements for audit activities, on the basis of the best information available, it has maintained in the period considered by this Report, its independence and objectivity towards F.I.L.A. S.p.A. and that no changes occurred in terms of the absence of any causes of incompatibility, particularly with regards to the situations and parties considered by Article 17, Legislative Decree No. 39/2010 and by the Articles of Heading I-bis ("Incompatibility") of Section VI ("Audit") of the Issuers' Regulation. The verifications carried out by the Board of Statutory Auditors were also executed in accordance with Regulation EC 537/2014 of the European Parliament and Council of April 16, 2014 and in particular Article 5 of this Regulation. In drawing up our opinion, the Board of Statutory Auditors also took account of that reported in this regard in the "Position Paper" on the "Interpretative questions on the application of Regulation (EC) No. 537/2014 and of Legislative Decree No. 39 of January 27, 2010, as amended by Legislative Decree No. 135 of July 17, 2016 in enactment of Directive 2014/56/EC", published by Assirevi on January 23, 2017.

Following the specific meeting with the Independent Audit Firm KPMG S.p.A., the Board of Statutory Auditors noted that the Auditor's Report upon the 2016 financial statements, dated March 29, 2017, did not highlight any critical aspects.

The Board of Statutory Auditors in addition examined the Report on Fundamental Questions arising on the audit of accounts and in particular significant deficiencies raised in terms of the internal control system on the financial disclosure process prepared by the Independent Audit Firm KPMG S.p.A. in implementation of Article 19 of Legislative Decree 39/2010. The report does not indicate any significant deficiencies.

3. *Financial disclosure process and the internal control system*

The current Board of Statutory Auditors, as indicated above, 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 Committee, the Internal Audit department and the Independent Audit Firm.

The Board of Statutory Auditors supervise, also through periodic meetings with the Executive Officer responsible for financial reporting, the organisation and company procedures for the drawing up of the statutory financial statements, the consolidated financial statements and the periodic financial reports, in addition to other financial communications, assessing their adequacy and effective adoption.

The Board of Statutory Auditors also noted the declaration issued by the Executive Officer for financial reporting in accordance with Article 36, paragraph 1, letter c) point ii) of the Markets' Regulation, on the adequacy and appropriateness of the powers and financial means assigned to the Board of Directors for the execution of office.

The Board of Statutory Auditors considers the administrative and accounting systems substantially adequate and reliable in view of the size and complexity of the Company and of the Group, and in this regard, indicates that the work for the adoption of a Group ERP system has begun, overseen by the Executive Director Mr. Luca Pelosin.

As not having any responsibility for the audit of the accounts, 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 system: a) obtaining information from the managers of the respective company departments, so as to verify the existence, adequacy and proper implementation of the procedures; b) attended the meetings of the Control and Risks Committee and of the other Board-established Committees; c) met periodically with the Internal Audit manager; d) exchanged information on an ongoing basis with the Independent Audit Firm.

The Board of Statutory Auditors also met with the Supervisory Board set up in accordance with Legislative Decree 231/2001 and subsequent amendments, obtaining adequate disclosure on the activities carried out by them.

The Board of Statutory Auditors, on the basis of the control activities put in place and the improvement actions being implemented, considers that the internal control system should be considered in overall terms adequate to the size and complexity of the operations undertaken by the Company and by the Group. The Board of Statutory Auditors, considering the overseas acquisitions in the period covered by this report and the consequent further expansion of the Group internationally, also in non-EU countries, highlights the need for a greater commitment by company management to further strengthen the control functions and in particular the internal audit function.

4. *Additional activities of the Board of Statutory Auditors and Consob required disclosure*

In accordance with that required by Consob, the Board of Statutory Auditors reports the following:

a) the current 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, during the year, did not receive disclosure requests from Consob, in accordance with Article 115 of the CFA, nor disclosure requests (to the market) from Consob in accordance with Article 114 of the CFA;
c) the current Board of Statutory Auditors, during the year, did not receive any disclosure requests from Consob, neither as per Article 115 of the CFA, nor as per Article 114 of the CFA;
d) during the year, the Board of Statutory Auditors issued opinions as per Article 2389, paragraph 3 of the Civil Code, concerning the remuneration of directors with specific offices;
e) the Board of Statutory Auditors examined the instructions imparted by the Company to the subsidiaries, in accordance with Article 114, paragraph 2 of the CFA, considering such as adequate;
f) the Board of Statutory Auditors noted the preparation of the Remuneration Report as per Article 123-ter, CFA, and 84-quater of the Issuers' Regulation and did not raise any particular issues in this regard;
g) with regard to the meetings of the Board of Directors, the Board of Statutory Auditors notes that these were carried out during the reference period of the present Report in compliance with the statutory, legislative and regulatory rules governing their functioning. During these meetings, the directors provided, in accordance with the corporate governance rules of the Company, information on the general operating performance and on the outlook.

5. *Final considerations*

During the course of the supervisory activities described above, no citable events, omissions or irregularities which require disclosure in this report were noted.
On the basis of that reported above, the Board of Statutory Auditors does not raise, within the extent of its remit, any reason to oppose the approval of the 2016 Annual Accounts drawn up by the Board of Directors, nor raises any objections with regard to the proposal for the allocation of the net profit.

Milan, March 29, 2017

Claudia Mezzabotta, Chairperson

Stefano Amoroso

Rosalba Casiraghi

(Signed on the original)

Auditors’ Report pursuant to Article 14 of Legislative Decree No. 39 of January 27, 2010