Feel creative by FILA Group

F.I.L.A. GROUP
2017 HALF-YEAR REPORT

Contents

CONDENSED CONSOLIDATED 2017 HALF-YEAR FINANCIAL STATEMENTS

General Information

Corporate Bodies

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	Pietro Villa
Alternate Auditor	Sonia Ferrero

Independent Auditors

KPMG S.p.A.

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

The F.I.L.A. Group operates in the creativity tools market, producing 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 June 30, 2017 operates through 21 production facilities and 40 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 DOMS Industries Pvt Ltd.

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-west 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.

2017 Half-Year Report

Key Financial Highlights

The F.I.L.A. Group key financial highlights for 1H2017 are reported below.

Euro thousands	June 2017	% core business revenue	June 2016	% core business revenue	Change 2017 - 2016	
Core Business Revenue	260,543	*100.0%*	201,514	*100.0%*	59,029	*29.3%*
EBITDA [1]	38,988	*15.0%*	31,222	*15.5%*	7,766	*24.9%*
EBIT	29,912	*11.5%*	24,562	*12.2%*	5,350	*21.8%*
Net financial expense	(7,580)	*-2.9%*	(1,982)	*-1.0%*	(5,598)	*-282.5%*
Total income taxes	(7,588)	*-2.9%*	(8,638)	*-4.3%*	1,050	*12.2%*
F.I.L.A. Group Net Profit/(loss)	14,038	*5.4%*	13,208	*6.6%*	830	*6.3%*
Earnings per share (€ cents)						
basic	*0.34*		*0.32*			
diluted	*0.33*		*0.32*			

NORMALISED - Euro thousands	June 2017	% core business revenue	June 2016	% core business revenue	Change 2017 - 2016	
Core Business Revenue	260,543	*100.0%*	201,514	*100.0%*	59,029	*29.3%*
EBITDA [1]	43,846	*16.8%*	36,572	*18.1%*	7,274	*19.9%*
EBIT	34,770	*13.3%*	29,911	*14.8%*	4,859	*16.2%*
Net financial expense	(8,570)	*-3.3%*	(2,264)	*-1.1%*	(6,306)	*-278.6%*
Total income taxes	(7,880)	*-3.0%*	(9,765)	*-4.8%*	1,885	*19.3%*
F.I.L.A. Group Net Profit	17,614	*6.8%*	17,143	*8.5%*	471	*2.7%*
Earnings per share (€ cents)						
basic	*0.43*		*0.42*			
diluted	*0.42*		*0.41*			

Euro thousands	June 30, 2017	June 30, 2016	Change 2017 - 2016
Cash Flows from operating activities	(51,039)	(38,366)	(12,673)
Investments	8,445	4,261	4,184
% core business revenue	*3.2%*	*2.1%*	

Euro thousands	June 30, 2017	December 31, 2016	Change 2017 - 2016
Net capital employed	530,394	462,407	67,987
Net Financial debt [4]	(285,584)	(223,437)	(62,147)
Equity	(244,810)	(238,970)	(5,840)

[1] The Gross Operating Profit (EBITDA) corresponds to the operating result before amortisation and depreciation and write-down;

[2] 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 3,912 thousand, of which Euro 5 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

2017 Normalisations:

- The normalisation of the 1H2017 EBITDA relates to non-recurring operating costs of approx. Euro 4.9 million, principally for Group reorganisation plans and the Stock Grant Plan for specific Group employees.
- The normalisation of Net financial expense relates to the financial income of the company Lyra KG (Germany) and deriving from the sale of the 30% stake held in FILA Nordic AB (Sweden) amounting to approx. Euro 1 million.
- The normalisation of the 1H2017 Group Result concerns the above-stated normalisations, net of the tax effect.

2016 Normalisations:

- The normalisation of 1H2016 EBITDA relates to non-recurring operating costs of approx. Euro 5.4 million, principally for consultancy on the corporate operations carried out in 1H2016.
- The normalisation of Net financial expense relates principally to the net financial income on the currency hedging derivative opened on the loan in UK Sterling for the acquisition of the Daler-Rowney Group, net of the currency adjustments on the loan itself.
- The normalisation of the 1H2016 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 1H2017 are reported below.

Normalised operating results

The 1H2017 F.I.L.A. Group results report an increased EBITDA of 19.9% on 1H2016 (-2.8%, excluding the M&A effect in the period).

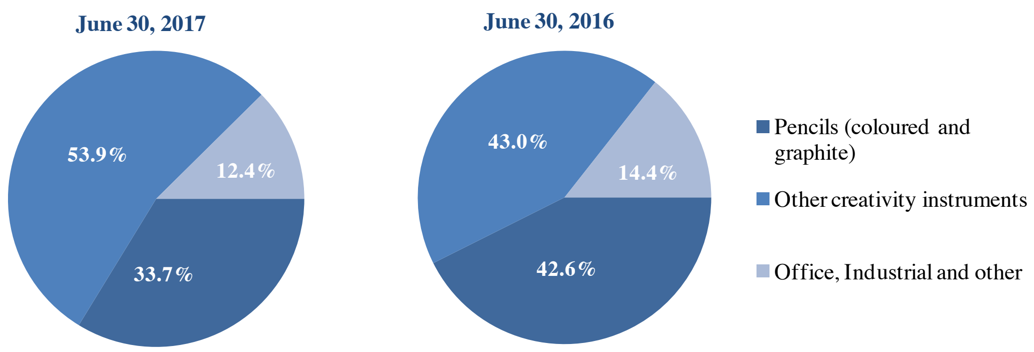
NORMALISED - Euro thousands	2017	*% core business revenue*	2016	*% core business revenue*	Change 2017 - 2016	
Core Business Revenue	260,543	*100%*	201,514	*100%*	59,029	*29.3%*
Other Revenue and Income	11,977		4,765		7,212	*151.4%*
Total Revenue	**272,520**		**206,279**		**66,241**	***32.1%***
Total operating costs	(228,674)	*-87.8%*	(169,707)	*-84.2%*	(58,967)	*-34.7%*
EBITDA	**43,846**	***16.8%***	**36,572**	***18.1%***	**7,274**	***19.9%***
Amortisation, depreciation and write-down	(9,076)	*-3.5%*	(6,661)	*-3.3%*	(2,415)	*-36.3%*
EBIT	**34,770**	***13.3%***	**29,911**	***14.8%***	**4,859**	***16.2%***
Net financial expense	(8,570)	*-3.3%*	(2,264)	*-1.1%*	(6,306)	*-278.5%*
Pre-tax profit	**26,200**	***10.1%***	**27,647**	***13.7%***	**(1,447)**	***-5.2%***
Total income taxes	(7,880)	*-3.0%*	(9,765)	*-4.8%*	1,885	*19.3%*
Net Profit	**18,320**	***7.0%***	**17,882**	***8.9%***	**438**	***2.4%***
Non-controlling interest profit	706	*0.3%*	739	*0.4%*	(33)	*-4.5%*
F.I.L.A. Group Net Profit	**17,614**	***6.8%***	**17,143**	***8.5%***	**471**	***2.7%***

The main changes compared to 1H2016 are outlined below.

"Core Business Revenue" of Euro 260,543 thousand increased on the previous year Euro 59,029 thousand (+29.3%).

Organic growth was Euro 4,128 thousand (+2.05% on 1H2016), calculated net of positive currency effects of approx. Euro 1,383 thousand (mainly due to the strengthening of the US Dollar and the Indian Rupee, only partially offset by the weakening of the Mexican Peso and GB Pound) and the M&A effect of approx. Euro 53,518 thousand (of which principally: Euro 4,693 thousand relating to a month of Daler-Rowney Lukas operations, consolidated from February 2016, Euro 46,662 thousand relating to the Canson Group, consolidated from October 2016, Euro 2,376 thousand concerning St. Cuthberts Mill, consolidated from September 2016). This growth principally relates to Asia for Euro 4,680 thousand, up 20.2% (principally relating to the Indian subsidiary), Central-South America for Euro 5,168 thousand, up 22.3% (in particular Mexico and to a lesser extent Chile and Argentina), Europe for Euro 1,052 thousand, +1.2% (Turkey, Poland and to a lesser extent Russia, Greece and Spain), while partially offset by the North American revenue contraction of Euro 6,974 thousand (-10.4%), due to the integration of the Daler Group and, to a lesser extent Canson, creating delays in the initial part of the year. The delays have since been absorbed and the invoicing will be recovered in the second half of 2017.

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 period by "*Strategic Segments":*



Other Revenue and Income of Euro 11,977 thousand increased on the previous year by Euro 7,212 thousand, mainly on the basis of exchange gains on commercial transactions.

"Operating Costs" in 2017 of Euro 228,674 thousand increased Euro 58,967 thousand on 2016, almost exclusively as a result of the M&A effect and residually the increase in acquisition, commercial, marketing and transport costs in support of the higher revenues.

"EBITDA" amounted to Euro 43,846 thousand, increasing Euro 7,274 thousand on 2016 (+19.9%, of which -2.8% entirely organic).

Amortisation, depreciation & write-downs increased Euro 2,415 thousand, due to the amortisation of "*Trademarks*" and "*Other Intangible assets*", valued according to the "Purchase Price Allocation" under the corporate operations executed in 2016 and the increase in depreciation concerning the new companies acquired.

Normalised Net Financial Expense increased on 1H2016 Euro 6,306 thousand, principally due to higher interest charges incurred by F.I.L.A. S.p.A. on the loan contracted in 2016 for the acquisitions, in addition to currency differences on inter-company loans granted in Euro to companies in the United States, Brazil, Russia and South Africa.

Normalised Group "Income taxes" of Euro 7,880 thousand decreased Euro 1,885 thousand compared to 1H2016; the tax rate was substantially in line with the previous year thanks to the use of the matured "ACE" tax base.

Excluding the non-controlling interests result, the F.I.L.A. Group normalised profit for 1H2017 was Euro 17,614 thousand, compared to Euro 17,143 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 quarterly highlights for 2017 and 2016 are reported below.

	2016				2017	
Euro thousands	First 3 mth. 2016	First 6 mth. 2016	First 9 mth. 2016	FY 2016	First 3 mth. 2017	First 6 mth. 2017
Core Business Revenue	**82,896**	**201,514**	**309,312**	**422,609**	**117,613**	**260,543**
Full year portion	*19.62%*	*47.68%*	*73.19%*	*100.00%*		
EBITDA	**10,143**	**31,222**	**49,016**	**56,824**	**16,072**	**38,988**
% core business revenue	*12.24%*	*15.49%*	*15.85%*	*13.45%*	*13.67%*	*14.96%*
Full year portion	*17.85%*	*54.94%*	*86.26%*	*100.00%*		
Normalised EBITDA	**11,870**	**36,572**	**55,169**	**67,222**	**17,106**	**43,846**
% core business revenue	*14.32%*	*18.15%*	*17.84%*	*15.91%*	*14.54%*	*16.83%*
Full year portion	*17.66%*	*54.41%*	*82.07%*	*100.00%*		
Net Financial Debt	**(166,344)**	**(188,895)**	**(175,798)**	**(223,437)**	**(255,852)**	**(285,584)**

Statement of Financial Position

The statement of financial position of the F.I.L.A. Group at June 30, 2017 is reported below.

Euro thousands	June 2017	December 2016	Change 2017 - 2016
Intangible Assets	211,930	218,440	(6,510)
Property, plant & equipment	81,837	81,321	516
Financial Assets	4,575	3,656	919
Net Fixed Assets	**298,342**	**303,416**	**(5,074)**
Other Assets/Non-Current Liabilities	**16,874**	**20,737**	**(3,863)**
Inventories	191,179	177,406	13,773
Trade and Other Receivables	183,406	113,582	69,824
Trade and Other Payables	(98,642)	(90,445)	(8,197)
Other Current Assets and Liabilities	(3,373)	154	(3,527)
Net Working Capital	**272,570**	**200,697**	**71,873**
Provisions	**(57,392)**	**(62,444)**	**5,052**
Net Capital Employed	**530,394**	**462,407**	**67,987**
Equity	**(244,810)**	**(238,970)**	**(5,840)**
Net Financial Debt	**(285,584)**	**(223,437)**	**(62,147)**
Net Funding Sources	**(530,394)**	**(462,407)**	**(67,987)**

The “Net Capital Employed” of the F.I.L.A. Group at June 30, 2017 of Euro 530,394 thousand is principally comprised of “Net Fixed Assets” of Euro 298,342 thousand (decreasing on December 31, 2016 Euro 5,074 thousand) and the “Net Working Capital” totalling Euro 272,570 (increasing on December 31, 2016 Euro 71,873 thousand).

The decrease in “Intangible Assets” on December 31, 2016 of Euro 6,510 thousand substantially relates to negative translation differences of Euro 3,302 thousand and the amortisation of intangible assets (Euro 3,405 thousand), particularly with regards to *“Trademarks”* and *“Development Technology”* by the Group companies Daler-Rowney Lukas, St. Cuthberts Mill (United Kingdom), the Canson Group and DOMS Industries Pvt Ltd (India), valued during their respective acquisitions.

The increase in “Property, plant and equipment” on December 31, 2016 of Euro 516 thousand mainly relates to investments in “Plant and machinery” and “Buildings” (in use or under construction) by Group companies in support of production volume growth and business development, in particular in the “Art & Craft” sector. Overall net investments of Euro 8,166 thousand principally concerned Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico), DOMS Industries Pvt Ltd (India), Daler Rowney Ltd (United Kingdom), Canson SAS (France) and F.I.L.A. S.p.A.. The overall movement also stems from negative currency differences for Euro 1,210 thousand and depreciation of Euro 5,465 thousand.

"Financial assets" increased by Euro 919 thousand compared to December 31, 2016, principally due to the Fair Value adjustment of the Carrying amount of hedging derivatives of F.I.L.A. S.p.A. for a total of Euro 859 thousand.

The increase in "Net Working Capital" on December 31, 2016 of Euro 71,873 thousand relates to the following:

- "Inventories" - increasing by Euro 13,773 thousand, principally due to business seasonality relating to the schools campaign. The increase concerned in particular the US subsidiaries Dixon Ticonderoga Company and Canson Inc., Daler Rowney Ltd (United Kingdom), the Mexican Grupo F.I.L.A.-Dixon, S.A. de C.V. and DOMS Industries Pvt Ltd (India);
- "Trade and Other receivables" - increasing by Euro 69,824 thousand, principally due to the seasonality of F.I.L.A. Group business, with receivables at their highest during the middle months of the year as revenue is principally generated during the "Schools campaign". The movements particularly concern F.I.L.A. S.p.A., Dixon Ticonderoga Company (U.S.A.) and Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico);
- "Trade and Other Payables" - increasing by Euro 8,197 thousand, principally due to business seasonality with procurement concentrated in the initial months of the year in support of production and supplies for peak sales concentrated in the middle months of the year.

The decrease in "Provisions" on December 31, 2016 of Euro 5,052 thousand refers substantially to deferred tax liabilities against the gradual release of the amounts calculated on the amortisation and depreciation of tangible and intangible assets valued according to the "Purchase Price Allocation" during the acquisitions carried out by the Group in recent years.

The "Equity" of the F.I.L.A. Group amounting to Euro 244,810 thousand at June 30, 2017 increased Euro 5,840 thousand on December 31, 2016. Net of the period profit of Euro 14,744 thousand (of which Euro 706 thousand concerning non-controlling interests), the residual movement principally concerns negative currency effects of Euro 8,423 thousand, the payment of dividends for Euro 3,882 thousand (of which Euro 3,711 thousand concerning F.I.L.A. S.p.A. and Euro 171 thousand minorities), the "Fair Value" adjustment of derivative instruments held by F.I.L.A. S.p.A. designated as hedges (Euro 859 thousand), the establishment of the "Share Based Premium" reserve for Euro 1,875 thousand and the increase in the IAS 19 reserve of Euro 746 thousand.

The F.I.L.A. Group "Net Financial Position" at June 30, 2017 was a net debt of Euro 285,584 thousand, increasing Euro 62,147 thousand on December 31, 2016. For greater details, reference should be made to the "Financial Overview" paragraph.

Financial overview

The overview of the 1H2017 Group operating and financial performance is completed by the Group Net Financial Debt and Statement of Cash Flows reported below.

The **Net Financial Debt** at June 30, 2017 reports a debt of Euro 285,584 thousand.

	Euro thousands	June 30, 2017	December 31, 2016	Change
A	Cash	89	73	16
B	Other cash equivalents	29,519	59,446	(29,927)
C	Securities held-for-trading	-	-	-
D	**Liquidity (A + B + C)**	**29,608**	**59,519**	**(29,911)**
E	**Current financial receivables**	**587**	**275**	**312**
F	Current bank loans and borrowings	(106,427)	(52,879)	(53,548)
G	Current portion of non-current debt	(26,916)	(24,158)	(2,758)
H	Other current loans and borrowings	(240)	(16,497)	16,257
I	**Current financial debt (F + G + H)**	**(133,583)**	**(93,534)**	**(40,049)**
J	**Net current financial debt (I + E+ D)**	**(103,388)**	**(33,740)**	**(69,648)**
K	Non-current bank loans and borrowings	(181,913)	(189,902)	7,989
L	Bonds issued	-	-	-
M	Other non-current loans and borrowings	(288)	(150)	(138)
N	**Non-current financial debt (K + L + M)**	**(182,201)**	**(190,052)**	**7,851**
O	**Net financial debt (J+N)**	**(285,589)**	**(223,792)**	**(61,797)**
P	**Loans issued to third parties**	**5**	**355**	**(350)**
Q	**Net financial debt (O + P) - F.I.L.A. Group**	**(285,584)**	**(223,437)**	**(62,147)**

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 5 thousand in relation to the non-current loans granted to third parties by Omyacolor S.A. (Euro 5 thousand)

2) At June 30, 2017 there were no transactions with related parties which impacted the net financial debt.

Compared to December 31, 2016 (debt of Euro 223,437 thousand), the net financial debt increased Euro 62,147 thousand, as outlined below in the Statement of Cash Flows.

Euro thousands	**June 2017**	**June 2016**
EBIT	29,912	24,561
Adjustments for non-cash items	10,902	6,647
Integrations for income taxes	(4,850)	(3,262)
Cash Flow from Operating Activities Before Changes in NWC	**35,964**	**27,946**
Change in NWC	**(84,529)**	**(66,366)**
Change in Inventories	(19,048)	(19,215)
Change in Trade and Other Receivables	(71,799)	(62,000)
Change in Trade and Other Payables	6,648	15,323
Change in Other Current Assets/Liabilities	(331)	(475)
Net cash Flow from Operating Activities	**(48,565)**	**(38,420)**
Investments in tangible and intangible assets	(8,445)	(4,261)
Other Investments	44	110
Equity Investments	918	(16,887)
Cash Flow used in Investing Activities	**(7,483)**	**(21,038)**
Change in Equity	(3,838)	(4,277)
Interest Expense	(4,441)	(2,357)
Cash Flow used in Financing Activities	**(8,279)**	**(6,635)**
Other changes	(396)	56
Total Net Cash Flow	**(64,723)**	**(66,037)**
Effect from exchange rate changes	1,840	2,638
NFP from M&A operations (Change in Consolidation Scope)	736	(86,752)
Change in Net Financial Debt	**(62,147)**	**(150,151)**

The net cash flow absorbed in 2017 from “Operating Activities” of Euro 48,565 thousand (absorption of operating cash in 1H2016 of Euro 38,420 thousand) concerns:

- generation of Euro 35,964 thousand (Euro 27,946 thousand in 1H2016) from “EBIT”, based on the difference of the “Value” and the “Costs of Cash Generation” and the remaining ordinary income components, excluding financial management;
- absorption of Euro 84,529 thousand (Euro 66,366 thousand at June 30, 2016) concerning “Working Capital Management” related to the seasonality of business and principally the increases both in inventory and “Trade and Other Receivables”.

“Investing Activities” absorbed net liquidity of Euro 7,483 thousand (Euro 21,038 thousand in 1H2016), of which:

- liquidity of Euro 8,445 thousand (Euro 4,261 thousand in 1H2016) absorbed from net investment in plant and machinery, principally by Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico), Daler Rowney Ltd (United Kingdom), DOMS Industries Pvt Ltd (India), Canson SAS (France) and F.I.L.A. S.p.A. for the refurbishment and extension of production facilities;

- for Euro 918 thousand (-Euro 16,887 thousand in the first half of 2016) investments and divestments in holdings, principally relating to the generation of cash from the disposal of the minority stake (30%) held in FILA Nordic AB (Sweden) by the German subsidiary Lyra KG.

"Financing Activities" absorbed net liquidity of Euro 8,279 thousand (Euro 6,635 thousand in 1H2016), of which:

- Euro 4,441 thousand (Euro 2,357 thousand in 1H2016) from interest paid on loans and credit lines granted to Group companies, principally F.I.L.A. S.p.A. (Italy) and Grupo F.I.L.A. – Dixon, S.A. de C.V. (Mexico);
- Euro 3,838 thousand (Euro 4,277 thousand in 1H2016) from the distribution of dividends to F.I.L.A. S.p.A. shareholders and Group non-controlling interests, net of those paid to non-controlling interests of the company FILA Art Products AG (Switzerland), currently in the incorporation phase.

Excluding the currency effect from the translation of the net financial positions in currencies other than the Euro (generating cash of Euro 1,840 thousand), the increase in the net debt was therefore Euro 62,147 thousand (Euro 150,151 thousand at June 30, 2016).

"Net Liquidity" movements are reported below.

Euro thousands	**June 2017**	**December 2016**
Opening Cash and Cash Equivalents	**53,973**	**17,542**
Cash and cash equivalents	59,519	30,683
Bank overdrafts	(5,546)	(13,141)
Closing Cash and Cash Equivalents	**7,067**	**53,973**
Cash and cash equivalents	29,608	59,519
Bank overdrafts	(22,541)	(5,546)

Disclosure by operating segment

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.

Geographical segments are 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 geographical segments 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.

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

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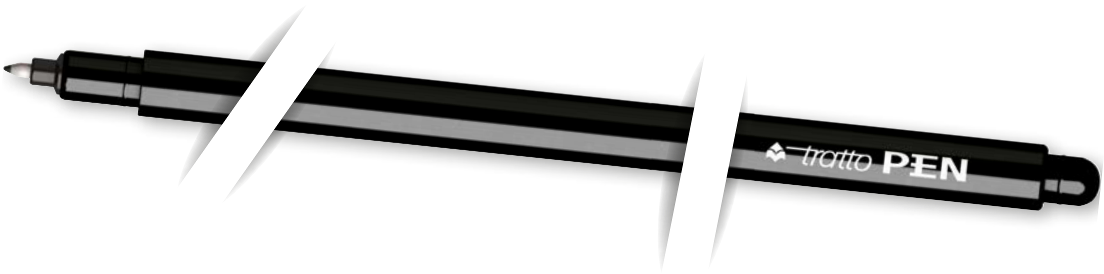
Business Segments – Statement of Financial Position

The key statement of financial position figures for the F.I.L.A. Group by geographical segments, at June 30, 2017 and December 31, 2016, are reported below:

June 2017 *Euro thousands*	**Europe**	**North America**	**Central & South America**	**Asia**	**Rest of the World**	**Consolidation**	**F.I.L.A. Group**
Intangible Assets	137,071	5,581	4,354	64,890	110	(76)	211,930
Property, plant & equipment	46,951	2,504	7,041	25,041	300		81,837
Total Intangible and Tangible Assets	**184,022**	**8,085**	**11,395**	**89,931**	**411**	**(76)**	**293,767**
of which Intercompany	*(76)*						
Inventories	78,128	54,016	35,601	27,208	2,795	(6,569)	191,179
Trade and Other Receivables	115,544	55,027	65,121	11,336	1,419	(65,041)	183,406
Trade and Other Payables	(95,165)	(32,887)	(17,134)	(14,902)	(3,531)	64,977	(98,642)
Other Current Assets and Liabilities	(2,282)	(838)	(82)	(171)			(3,373)
Net Working Capital	**96,225**	**75,318**	**83,506**	**23,471**	**683**	**(6,634)**	**272,570**
of which Intercompany	*(2,711)*	*(2,270)*	*(731)*	*(555)*	*(365)*		
Net Financial Debt	**(202,835)**	**(31,094)**	**(44,755)**	**(3,639)**	**(3,326)**	**65**	**(285,584)**
of which Intercompany	*65*						

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 Debt	**(184,961)**	**(14,052)**	**(20,923)**	**(776)**	**(2,725)**		**(223,437)**



Business Segments – Income Statement

The “income statement” for the F.I.L.A. Group by geographical segments for 1H2017 and 1H2016 is reported below:

June 2017 *Euro thousands*	**Europe**	**North America**	**Central - South America**	**Asia**	**Rest of the World**	**Consolidation**	**F.I.L.A. Group**
Core Business Revenue	161,567	85,991	48,423	49,864	2,646	(87,948)	260,543
of which Intercompany	*(41,686)*	*(8,818)*	*(18,570)*	*(18,838)*	*(36)*		
EBITDA	18,237	11,759	3,383	4,740	(846)	1,715	38,988
Net financial expense	7,685	1,339	(2,190)	(171)	(133)	(14,110)	(7,580)
of which Intercompany	*(11,447)*	*(2,817)*	*101*	*-*	*53*		
Net Profit/(loss)	19,949	8,128	(766)	1,647	(1,044)	(13,170)	14,744
Non-controlling interest profit	133	-	-	601	(28)		706
F.I.L.A. Group Net Profit	19,816	8,128	(766)	1,046	(1,016)	(13,170)	14,038

June 2016 *Euro thousands*	**Europe**	**North America**	**Central - South America**	**Asia**	**Rest of the World**	**Consolidation**	**F.I.L.A. Group**
Core Business Revenue	118,884	67,613	42,161	43,992	260	(71,396)	201,514
of which Intercompany	*(30,828)*	*(761)*	*(19,028)*	*(20,779)*	*-*		
EBITDA	11,026	12,698	4,970	5,558	(138)	(2,892)	31,222
Net financial expense	4,212	1,736	(644)	(224)	25	(7,087)	(1,982)
of which Intercompany	*(5,170)*	*(1,969)*	*40*		*12*		
Net Profit/(loss)	8,725	9,787	2,781	2,185	(122)	(9,414)	13,942
Non-controlling interest profit/(loss)	201	-	-	545	(12)		734
F.I.L.A. Group Net Profit/(loss)	8,524	9,787	2,781	1,640	(110)	(9,414)	13,208

Business Segments – Other Information

The “other information”, concerning tangible and intangible fixed asset investments of Group companies by region for June 30, 2017 and June 30, 2016 is reported below:

June 2017 *Euro thousands*	**Europe**	**North America**	**Central - South America**	**Asia**	**Rest of the World**	**F.I.L.A. Group**
Intangible Assets	305		19	1	5	329
Property, Plant and Equipment	5,212	30	814	2,047	13	8,116
Net Investments	**5,516**	**30**	**832**	**2,048**	**17**	**8,445**

** Allocation by "Entity Location"*

June 2016 *Euro thousands*	**Europe**	**North America**	**Central - South America**	**Asia**	**Rest of the World**	**F.I.L.A. Group**
Intangible Assets	94			207		301
Property, Plant and Equipment	1,866	71	503	1,519	1	3,960
Net Investments	**1,960**	**71**	**503**	**1,726**	**1**	**4,261**

** Allocation by "Entity Location"*

Significant Events in the period

- 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 controlled 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) was 50% and therefore was considered a F.I.L.A. Group subsidiary as per the definition of control in IFRS 10.

- On April 20, 2017, the Indian company DOMS Industries Pvt Ltd subscribed a portion of the share capital increase of Pioneer Stationery Pvt Ltd (India) for a total of INR 5.1 million (approx. Euro 65 thousand). The transaction resulted in changes in the ownership of Pioneer Stationery Pvt Ltd (India), now held 51% by DOMS Industries Pvt Ltd (India).

Subsequent events

- On July 21, 2017, the Indian subsidiary DOMS Industries Pvt Ltd acquired an additional 25% of Uniwrite Pens and Plastics Pvt Ltd, an Indian company specialised in writing tools and, in particular, ballpoint pens, previously held 35%. Consideration was approx. INR 9 million (approx. Euro 121 thousand), increasing the investment held by DOMS Industries Pvt Ltd in Uniwrite Pens and Plastics Pvt Ltd to 60%.

- On July 24, Canson SAS (France) signed with Mediocredito Italiano S.p.A. a long-term loan contract for a total of Euro 6,350 thousand (the loan) to fund the extension of its central warehouse located in Annonay, close to the city of Lyon. The loan is guaranteed by a mortgage on buildings owned by Canson and by a corporate surety issued by F.I.L.A. S.p.A. to guarantee the payment obligations undertaken by Canson in accordance with the loan contract.

- On July 26, 2017, F.I.L.A. S.p.A. announced the new composition of its share capital following the full execution of the share capital increase approved on April 27, 2017 by the Extraordinary Shareholders' Meeting, in accordance with Article 2349 of the Italian Civil

Code, for a nominal value of Euro 90,314, through the issue of 100,181 new ordinary shares, without nominal value, to be released through the use of a corresponding part of the existing retained earnings, allocated free of charge to employees of F.I.L.A. S.p.A. and its subsidiaries, beneficiaries of the extraordinary bonus approved by the ordinary shareholders' meeting of the same date. On July 3, 2017, 86,189 F.I.L.A. S.p.A. shares were issued in partial execution of the share capital increase.

Outlook

For the remainder of 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 developing synergies and efficiencies with the new acquired companies.

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. In addition, product quality improvements are being made by means of in-house production rather than outsourcing (from "buy" to "made").

Scheduled investments for the current year 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.

Related party transactions

The transactions with related parties, including inter-company transactions, are not atypical or unusual and fall within the ordinary business activities of the companies of the Group. They are executed at ordinary market conditions. Information on transactions with related parties in the period is reported in the Explanatory Notes to the Condensed Consolidated Half-Year Financial Statements, to which reference should be made.

CONDENSED CONSOLIDATED 2017 HALF-YEAR FINANCIAL STATEMENTS

Condensed Consolidated 2017 Half-Year Financial Statements

Consolidated Financial Statements

Condensed Consolidated Statement of Financial Position

Euro thousands		June 30, 2017	December 31, 2016
Assets		**727,700**	**680,501**
Non-Current Assets		**315,321**	**324,614**
Intangible Assets	Note 1	211,930	218,440
Property, Plant and Equipment	Note 2	81,837	81,321
Non-Current Financial Assets	Note 3	3,912	3,709
Investments Measured at Equity	Note 4	637	271
Investments Measured at Cost	Note 5	31	31
Deferred Tax Assets	Note 6	16,974	20,842
Current Assets		**412,379**	**355,887**
Current Tax Receivables	Note 3	587	275
Deferred Tax Assets	Note 7	7,599	5,105
Inventories	Note 8	191,179	177,406
Trade and Other Receivables	Note 9	183,406	113,582
Cash and Cash Equivalents	Note 10	29,608	59,519
LIABILITIES AND EQUITY		**727,700**	**680,501**
Equity	Note 12	**244,810**	**238,970**
Share Capital		37,171	37,171
Reserves		30,977	35,550
Retained Earnings		138,049	120,767
Net Profit for the period		14,038	20,993
Group Equity		**220,235**	**214,481**
Non-controlling interest equity		**24,575**	**24,489**
Non-Current Liabilities		**236,210**	**250,152**
Non-Current Financial Liabilities	Note 13	182,201	190,052
Employee Benefits	Note 14	10,293	11,343
Provisions for Risks and Charges	Note 15	1,667	1,618
Deferred Tax Liabilities	Note 16	41,949	47,034
Other Payables	Note 19	100	105
Current Liabilities		**246,680**	**191,379**
Current Financial Liabilities	Note 13	133,583	93,534
Provisions for Risks and Charges	Note 15	3,483	2,449
Current Tax Payables	Note 18	10,972	4,951
Trade and Other Payables	Note 19	98,642	90,445

Condensed Statement of Comprehensive Income

Euro thousands		June 30, 2017	June 30, 2016
Revenue from Sales and Services	Note 20	260,543	201,514
Other Revenue and Income	Note 21	11,977	4,765
Total Revenue		**272,520**	**206,279**
Raw Materials, Ancillary, Consumables and Goods	Note 22	(126,130)	(102,297)
Services and Rent, Leases and Similar Costs	Note 23	(58,658)	(48,239)
Other Operating Costs	Note 24	(13,245)	(5,692)
Change in Raw Materials, Semi-Finished, Work-in-progress & Finished Prod.	Note 22	20,187	18,526
Personnel expense	Note 25	(55,686)	(37,355)
Amortisation & Depreciation	Note 26	(8,870)	(6,504)
Write-downs	Note 27	(206)	(156)
Total Operating Costs		**(242,608)**	**(181,717)**
EBIT		**29,912**	**24,562**
Financial Income	Note 28	1,838	1,983
Financial Expense	Note 29	(9,413)	(3,965)
Income/Expense from Investments at Equity	Note 31	(5)	-
NET FINANCIAL CHARGES		**(7,580)**	**(1,982)**
Pre-Tax Profit/(loss)		**22,332**	**22,580**
Income Taxes		(8,378)	(7,976)
Deferred Tax Income and Expense		790	(662)
Total Income Taxes	Note 32	**(7,588)**	**(8,638)**
NET PROFIT/(LOSS) - CONTINUING OPERATIONS		**14,744**	**13,942**
NET PROFIT - DISCONTINUED OPERATIONS		**-**	**-**
Net Profit/(Loss) for the Period		**14,744**	**13,942**
Attributable to:			
Profit attributable to non-controlling interests		**706**	**734**
Profit/(loss) attributable to shareholders of the parent		**14,038**	**13,208**
Other Comprehensive Income Items which may be reclassified subsequently in the profit or loss account		**(7,564)**	**(11,983)**
Translation Difference recorded in Equity		(8,423)	(11,983)
Adjustment Fair value of Hedges		859	-
Other Comprehensive Income Items which may not be reclassified subsequently in the profit or loss account		**746**	**(1,179)**
Actuarial Gains/(Losses) for Employee Benefits recorded directly in Equity		1,016	(1,404)
Income Taxes on income and charges recorded directly to Equity		(270)	225
Other Comprehensive Income Items (net of tax effect)		**(6,818)**	**(13,162)**
Total Comprehensive Income		**7,926**	**780**
Attributable to:			
Profit attributable to non-controlling interests		**101**	**(178)**
Profit/(loss) attributable to shareholders of the parent		**7,825**	**958**
Earnings per share:			
	basic	*0.34*	*0.32*
	diluted	*0.33*	*0.32*

Condensed statement of Changes in Equity

Note 12.A 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, 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**
Net Profit								14,038	14,038		706	706	14,744
Other Changes in the period				647	2,499	(7,719)			(4,573)	(449)		(449)	(5,022)
Gains/(losses) recorded directly to equity	**-**	**-**	**-**	**647**	**2,499**	**(7,719)**	**-**	**14,038**	**9,465**	**(449)**	**706**	**257**	**9,722**
Allocation of the 2016 result							20,993	(20,993)	-	979	(979)	-	-
Allocation to reserves									-			-	-
Dividends							(3,711)		(3,711)	(171)		(171)	(3,882)
June 30, 2017	**37,171**	**7,434**	**65,349**	**(2,656)**	**(20,527)**	**(18,623)**	**138,049**	**14,038**	**220,235**	**23,869**	**706**	**24,575**	**244,810**

Condensed Consolidated Statement of Cash Flows

Euro thousands		June 30, 2017	June 30, 2016
EBIT		**29,912**	**24,562**
Adjustments for non-cash and other items:		**12,434**	**7,351**
Amortisation & Depreciation	Note 1 - 2	8,870	6,504
Write-down and Recovery in Value	Note 1 - 2	32	8
Doubtful Debt Provision	Note 9	174	149
Cost for Staff Living Indemnities		1,875	-
Exch. effect on Assets and Liabilities in Foreign Curr. of Commercial Transactions	Note 24	1,532	704
Gain/Losses of non-current assets Disposals	Note 21 - 24	(50)	(14)
Integrations for:		**(8,855)**	**3,913**
Income Taxes Paid	Note 7 - 18	(4,850)	(3,262)
Unrealised Exchange Rate Differences on Assets and Liabilities in Foreign Currencies	Note 28 - 29	(1,705)	1,963
Realised Exchange Rate Differences on Assets and Liabilities in Foreign Currencies	Note 28 - 29	(2,300)	(2,614)
Cash Flow from Operating Activities Before Changes in NWC		**33,491**	**28,000**
Changes in Net Working Capital:		**(84,529)**	**(66,366)**
Change in Inventories	Note 8	(19,048)	(19,215)
Change in Trade and Other Receivables	Note 9	(71,799)	(62,000)
Change in Trade and Other Payables	Note 19	6,648	15,323
Change in Other Assets/Liabilities	Note 15 - 16 - 6	713	(1,194)
Change in Post-Employment and Employee Benefits	Note 14	(1,043)	719
Cash Flow from Operating Activities		**(51,039)**	**(38,366)**
Total Investment/Divestment in Intangible Assets	Note 1	(329)	(301)
Total Investment/Divestment in Property, Plant and Equipment	Note 2	(8,116)	(3,960)
Total Investment/Divestment of Investments measured at Equity, net of Income/Expense & Adjustments (Uniwrite Pens and Plastics Pvt Ltd)		(65)	-
Totale Investimenti/Disinvestimenti in Partecipazioni valutate al Costo	Note 5	985	-
Total Investment/Divestment in Other Financial Assets	Note 3	303	(585)
Acquisition of investment in Daler & Rowney Lukas Group		-	(16,875)
Acquisition of investment in Pioneer Stationary Pvt Ltd		-	(13)
Interest Received		44	110
Cash Flow used in Investing Activities		**(7,178)**	**(21,623)**
Total Change in Equity	Note 12	(3,838)	(4,277)
Interest paid	Note 29	(4,441)	(2,357)
Total Increase/Decrease Loans and Other Financial Liabilities	Note 13	14,602	128,718
Cash Flow used in Financing Activities		**6,323**	**122,083**
Translation difference	Note 12	(8,423)	(11,984)
Other non-cash equity changes		13,450	11,469
NET CASH FLOW IN THE YEAR		**(46,867)**	**61,579**
Cash and Cash Equivalents net of Bank Overdrafts at beginning of the period		53,973	17,542
Cash and Cash Equivalents net of Bank Overdrafts at beginning of the period (change in consolidation scope)		(39)	(87,227)
Cash and Cash Equivalents net of Bank Overdrafts at end of the year		**7,067**	**(8,105)**

1. *Cash and cash equivalents at June 2017 totalled Euro 29,608 thousand; current account overdrafts amounted to Euro 22,541 thousand net of relative interest.*
2. *Cash and cash equivalents at June 2016 totalled Euro 15,626 thousand; current account overdrafts amounted to Euro 23,731 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	June 2017	December 2016
Opening Cash and Cash Equivalents	**53,973**	**17,542**
Cash and cash equivalents	59,519	30,683
Bank overdrafts	(5,546)	(13,141)
Closing Cash and Cash Equivalents	**7,067**	**53,973**
Cash and cash equivalents	29,608	59,519
Bank overdrafts	(22,541)	(5,546)

SCIENTIFIC AMERICAN

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The Adulteration of Soft Soap.

The *Manufacturers' Review* translates from the French of M. Emile Picard the following note on the adulteration of soft soaps:

"One hundred parts of fatty matter, combined with soda or potash, yield 230 to 235 parts of pure soft soap, containing 33·14 per cent of water. When certain adulterants are added in quantities too small to affect the appearance of the soap, 100 parts of grease will yield 320 to 340 parts of what would be a good commercial article, containing 33 to 38 per cent of water. The same quantity of grease can be made to produce 380 parts of soap, containing as much as 52 per cent of water. The adulterants generally used are clay, resin, fecula, and silicate of soda. All are added to increase the yield of soap, and the proportion of water it can contain. Clay is the most harmless of these adulterants. It is partly dissolved by the alkali, but makes the soap opaque, and is easily detected by its insolubility in water. It increases the amount of water required to bring the soap to the proper consistence, but is not otherwise harmful. It is less and less employed every day. Resin combines with alkali, but the resulting compound 'possesses none of the emollient qualities of fats.' It retains large quantities of water, but alters the emollient and detergent power of the soap, and makes it more caustic and corrosive. Soaps adulterated with resin only are clear, brilliant and transparent; more soluble in water than pure soap. They nearly always retain a slight odor of resin which is most noticeable when the soap is warmed. Their color is often redder than usual. They attack the skin, and make linen yellow. Fecula is very harmful, especially when combined with silicate of soda. It is generally employed with three or four times its weight of lye, water, or silicate of soda. Soap made with it contains an excess of alkali, and a very large quantity of water. It is more or less opaque, as the proportion of starch is large or small; it is easily soluble in water; it is much affected by changes of temperature; and its detergent power is much lessened by the large proportion of water it contains. The latter fault is partly concealed by making it excessively alkaline; it is then corrosive, and attacks and destroys the skin, coloring matters, and woolen and silken goods. Analysis reveals the presence of the decomposition products of the latter in the water in which they have been washed. Silicate of soda with fecula is far the most injurious adulterant of soap, and it is also the one most usually employed.

Sharpening Pencils

Almost all commercial soaps contain it. Silicate of soda in small quantity does not alter the appearance of the soap; but it is decomposed when used, and silica is deposited in the fiber of the flax or cotton, and cannot be removed, rapidly destroying the tissues. Silk and wool are also attacked, and made more liable to be destroyed by alkalies. Water in which silk and wool have been washed with this soap contains considerable quantities of sulphur and ammonia resulting from the decomposition of the material. According to Dr. Vohl, linen and cotton cloths thus treated look, under the microscope, like worn fabrics—the fiber destroyed and the surface covered with a nap. Franklin said good bargains are sometimes ruinous. This is particularly true of soaps. Low-priced samples are never cheap; a larger quantity must be used to cleanse an equal amount, and fabrics are far more rapidly destroyed."

AMERICAN INDUSTRIES.—No. 2.

BY HAMILTON S. WICKS.

THE UTILIZATION OF GRAPHITE.

The works of the Dixon Crucible Co., at Jersey City, are interesting and curious. Established something more than half a century ago, the company has had a long and successful career, never falling behind in the march of improvement, but always prompt to adopt new methods for improving the products of industry and cheapening production.

The late Mr. Joseph Dixon was the originator of the present method of making crucibles from foliated graphite, and the establishment is the oldest and largest in the world of its kind.

Graphite, or what is commonly called plumbago or black lead, has long been known to possess wonderful properties, but the Dixon Company has been mainly instrumental in familiarizing the public with its great value in the mech[illegible] arts. It was also the first to prepare the mineral in sala[illegible] form for special uses. Resisting all acids and alkalies [illegible] passing almost unhurt through a fire that will melt nickel, graphite is destined to act a prominent part in the industries of the world. It is the softest of all known minerals, a go[illegible]

Condensed statement of financial position with indication of transactions with related parties pursuant to CONSOB resolution No. 15519 of July 27, 2006

Euro thousands		June 30, 2017	*of which:* Related Parties	December 31, 2016	*of which:* Related Parties
Assets		**727,700**	**-**	**680,501**	**12**
Non-Current Assets		**315,321**	**-**	**324,614**	**12**
Intangible Assets	Note 1	211,930		218,440	
Property, Plant and Equipment	Note 2	81,837		81,321	12
Non-Current Financial Assets	Note 3	3,912		3,709	
Investments Measured at Equity	Note 4	637		271	
Investments Measured at Cost	Note 5	31		31	
Deferred Tax Assets	Note 6	16,974		20,842	
Current Assets		**412,379**	**-**	**355,887**	**-**
Current Tax Receivables	Note 3	587		275	
Deferred Tax Assets	Note 7	7,599		5,105	
Inventories	Note 8	191,179		177,406	
Trade and Other Receivables	Note 9	183,406		113,582	
Cash and Cash Equivalents	Note 10	29,608		59,519	
Liabilities and Equity		**727,700**	**1,230**	**680,501**	**802**
Equity	Note 12	**244,810**	**-**	**238,970**	**-**
Share Capital		37,171		37,171	
Reserves		30,977		35,550	
Retained Earnings		138,049		120,767	
Net Profit for the period		14,038		20,993	
Group Equity		**220,235**		**214,481**	
Non-Control. Int. Equity		**24,575**		**24,489**	
Non-Current Liabilities		**236,210**	**-**	**250,152**	**-**
Non-Current Financial Liabilities	Note 13	182,201		190,052	
Employee Benefits	Note 14	10,293		11,343	
Provisions for Risks and Charges	Note 15	1,667		1,618	
Deferred Tax Liabilities	Note 16	41,949		47,034	
Other Payables	Note 19	100		105	
Current Liabilities		**246,680**	**1,230**	**191,379**	**802**
Current Financial Liabilities	Note 13	133,583		93,534	
Provisions for Risks and Charges	Note 15	3,483		2,449	
Current Tax Payables	Note 18	10,972		4,951	
Trade and Other Payables	Note 19	98,642	1,230	90,445	802

Statement of comprehensive income with indication of transactions with related parties pursuant to CONSOB resolution No. 15519 of July 27, 2006

Euro thousands		June 30, 2017	*of which:* Related Parties	*of which:* Non-Recurring Charges	June 30, 2016	*of which:* Related Parties	*of which:* Non-Recurring Charges
Revenue from Sales and Service	Note 20	260,543			201,514		
Other Revenue and Income	Note 21	11,977			4,765		
Total Revenue		**272,520**			**206,279**		
Raw Materials, Ancillary, Consumables and Goods	Note 22	(126,130)	(1,225)		(102,297)	(854)	
Services and Rent, Leases and Similar Costs	Note 23	(58,658)	(262)	(1,027)	(48,239)	(252)	(4,905)
Other Operating Costs	Note 24	(13,245)		(243)	(5,692)		(426)
Change in Raw Materials, Semi-Finished, Work-in-progress & Finished Prod.	Note 22	20,187			18,526		
Labour Costs	Note 25	(55,686)		(3,588)	(37,355)		(19)
Amortisation & Depreciation	Note 26	(8,870)			(6,504)		
Write-downs	Note 27	(206)			(156)		
Total Operating Costs		**(242,608)**			**(181,717)**		
EBIT		**29,912**			**24,562**		
Financial Income	Note 28	1,838		990	1,983		810
Financial Expense	Note 29	(9,413)			(3,965)		(528)
Income/Expense from Investments at Equity	Note 31	(5)			-		
Net financial expense		**(7,580)**			**(1,982)**		
Pre-Tax Profit/(loss)		**22,332**			**22,580**		
Income Taxes		(8,378)		292	(7,976)		1,127
Deferred Tax Income and expense		790			(662)		
Total Income Taxes Expenses	Note 32	**(7,588)**			**(8,638)**		
Net Profit/(loss) for the year - Continuing Operations		**14,744**			**13,942**		
Net Profit for the year- Discontinued Operations		-			-		
Net Profit/(loss) for the period		**14,744**			**13,942**		
Attributable to:							
Profit attributable to non-controlling interests		**706**			**734**		
Profit/(loss) attributable to shareholders of the parent		**14,038**			**13,208**		
Other Comprehensive Income Items which may be reclassified subsequently in the Profit or Loss account		**(7,564)**			**(11,983)**		
Translation Difference recorded in Equity		(8,423)			(11,983)		
Adjustment Fair value of Hedges		859			-		
Other Comprehensive Income Items which may not be reclassified subsequently in the Profit or Loss account		**746**			**(1,179)**		
Actuarial Gains/(Losses) for Employee Benefits recorded directly to Equity		1,016			(1,404)		
Income Taxes on income and charges recorded directly to Equity		(270)			225		
Other Comprehensive Income Items (net of tax effect)		**(6,818)**			**(13,162)**		
Total Comprehensive Income		**7,926**			**780**		
Attributable to:							
Profit attributable to non-controlling interests		**101**			**(178)**		
Profit/(loss) attributable to shareholders of the parent		**7,825**			**958**		
Earnings per share:							
basic		*0.34*			*0.32*		
diluted		*0.33*			*0.32*		

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 Condensed Consolidated 2017 Half-Year Financial Statements of the F.I.L.A. Group were prepared in accordance with IAS 34 Interim Reporting, as established also by Article 154-ter of the Consolidated Finance Act (Legislative Decree No. 58/1998) and should be read together with the F.I.L.A. Group 2016 Annual Consolidated Financial Statements. Although not presenting all the information required for complete financial statement disclosure, specific explanatory notes are included outlining the events and transactions central to understanding the changes to the statement of financial position and the F.I.L.A. Group's performance since the last financial statements.

These condensed consolidated half-year financial statements are presented in Euro, as the functional currency in which the Group operates and comprise the Condensed 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 Statement of Changes in Equity, the Notes and are accompanied by the Directors' Report.
All amounts reported in the Statement of Financial Position, the Condensed Statement of Comprehensive Income, the Condensed Consolidated Statement of Cash Flows, the Statement of Changes in Equity and in the 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 standards and measurement criteria

These Condensed Consolidated Half-Year Financial Statements were prepared according to the same accounting standards used for the preparation of the F.I.L.A. Group 2016 Consolidated Annual Financial Statements.

Accounting standards, amendments and interpretations approved by the EU and applicable from January 1, 2017

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 subsequently (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 9 on the consolidated financial statements.

Accounting standards, amendments and interpretations not yet approved by the EU and applicable from January 1, 2017

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 new standard provides a new definition of leases and introduces a criterion based on control (right of use) of an asset to distinguish leasing contracts from service contracts, identifying essential differences: the identification of the asset, the right of replacement of the asset, the right to obtain substantially all the economic benefits from the use of the asset and the right to use the asset underlying the contract.

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 are effective from January 1, 2017, although advance 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.

Amendment to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"

In September 2016, the IASB published "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts". The amendments clarify the considerations deriving from application of the new IFRS 9, before the replacement by the IASB of the current IFRS 4 with the new standard currently under discussion.

Improvements to IFRS: 2014-2016 Cycle

In December 2016, the IASB published the "Annual Improvements to IFRS Standards: 2014-2016 Cycle" document. The principal changes relate to:

IFRS 1 First-time adoption of International Financial Reporting Standards - The amendments eliminate some exemptions within IFRS 1, as the benefit from these exemptions are no longer applicable. The amendments apply from January 1, 2018.

IFRS 12 - Disclosure of interests in other entities - The amendment clarifies the scope of application of IFRS 12, specifying that the disclosure required by the standard applies also to investments which are classified as held-for-sale, held-for-distribution to shareholders or as discontinued operations as per IFRS 5. The amendment standardises the disclosure required by IFRS 5 and IFRS 12. The amendments apply from January 1, 2017.

IAS 28 - Investments in associates and joint ventures - The amendment clarifies that the option for risk capital investment companies or other similar companies to measure investments in associates and joint ventures valued at fair value through profit or loss (rather than through application of the equity method) is applied for each individual investment on initial recognition. The amendments apply from January 1, 2018.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB published "IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration" in order to provide indications on how an entity should determine the date of a transaction, and consequently, the exchange rate to be utilised concerning operations in foreign currencies concerning payments made or received in advance.

The amendments apply from January 1, 2018.

Amendments to IAS 40 Investment Property: Transfers to Investment Properties

In December 2016, the IASB published the document "Amendments to IAS 40 Transfer of Investment Property". These amendments clarify the transfers of an asset to, or from, investment property.

Based on these amendments, an entity must reclassify an asset to, or from, investment property only when the asset complies with or ceases to comply with the definition of "investment property" and there has been a clear change in the utilisation of the asset. This change must be attributable to a specific event and shall not, therefore, be limited to only a change in intention by management of the entity.

The amendments apply from January 1, 2018, although early application is permitted only where the amounts may be estimated.

IFRS 17 Insurance Contracts

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

The standard is applicable from January 1, 2021, however, advance application is permitted.

IFRIC 23 – Uncertainty over income tax treatments

In June 2017, the IASB published interpretation IFRIC 23 – Uncertainty over Income Tax Treatments.

The interpretation clarifies the application of the requirements for recognition and measurement established in IAS 12 Income Taxes when uncertainties exist on tax treatment. The amendments apply from January 1, 2019.

Exchange rates adopted for conversion

The exchange rates utilised for the translation of local currencies into Euro are illustrated below:

EXCHANGE RATES	Average Exchange Rate June 30, 2017	Closing Exchange Rate June 30, 2017
Argentinean Peso	16.998	18.885
Canadian Dollar	1.444	1.479
Chilean Peso	714.131	758.214
Renminbi Yuan	7.442	7.739
Euro	1.000	1.000
Pound	0.860	0.879
Mexican Peso	21.028	20.584
US Dollar	1.083	1.141
Indonesian Rupiah	14,426.700	15,209.340
Swedish Krona	9.595	9.640
Singapore Dollar	1.520	1.571
Turkish Lira	3.938	4.013
Brazilian Real	3.439	3.760
Indian Rupee	71.124	73.745
Russian Ruble	62.735	67.545
South Africa Rand	14.310	14.920
Polish Zloty	4.268	4.226
Dominican Peso	51.085	54.170
Australian Dollar	1.436	1.485
Swiss Franc	1.076	1.093

Source: Bank of Italy

Note 1 - Intangible assets

Intangible assets at June 30, 2017 amount to Euro 211,930 thousand (Euro 218,440 thousand at December 31, 2016) and are comprised for Euro 77,452 thousand of indefinite intangible assets – goodwill (“Note 1.B - Intangible Assets with indefinite useful lives) and for Euro 134,478 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	Construction in Progress	Total
Change in Historical Cost						
December 31, 2016	**77,865**	**190**	**111,902**	**50,349**	**365**	**240,671**
Increases in the year	**-**	**-**	**36**	**73**	**220**	**329**
Increases (Investments)	-	-	36	73	220	329
Decreases in the year	**(413)**	**-**	**(2,046)**	**(1,254)**	**-**	**(3,713)**
Decrease in Translation Differences	(282)	-	(2,046)	(1,253)	-	(3,581)
Other Decrease	(131)	-	-	(1)	-	(132)
June 30, 2017	**77,452**	**190**	**109,892**	**49,168**	**585**	**237,287**
Change in Amortisation						
December 31, 2016	**-**	**(136)**	**(16,492)**	**(5,603)**	**-**	**(22,231)**
Increases in the year	**-**	**(6)**	**(2,167)**	**(1,232)**	**-**	**(3,405)**
Amortisation in Year	-	(6)	(2,167)	(1,232)	-	(3,405)
Decreases in the year	**-**	**-**	**163**	**116**	**-**	**279**
Decrease in Translation Differences	-	-	163	116	-	279
June 30, 2017	**-**	**(142)**	**(18,496)**	**(6,719)**	**-**	**(25,357)**
Carrying amount at December 31, 2016	**77,865**	**54**	**95,410**	**44,746**	**365**	**218,440**
Carrying amount at June 30, 2017	**77,452**	**48**	**91,396**	**42,449**	**585**	**211,930**
Change	**(413)**	**(6)**	**(4,014)**	**(2,297)**	**220**	**(6,510)**

The net carrying amount of intangible assets at June 30, 2017 decreased by Euro 6,510 thousand mainly due to the amortisation for the period (Euro 3,405 thousand) and exchange rate losses (Euro 3,302 thousand).

“Intangible assets with indefinite useful lives” comprise entirely of goodwill for a total amount of Euro 77,452 thousand (Euro 77,865 thousand at December 31, 2016). The decrease compared to the previous year was Euro 413 thousand is mainly due to exchange rate losses.

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 goodwill allocated to the CGU's is reported below:

NOTE 1.B GOODWILL BY CASH GENERATING UNIT

Euro thousands	June 30, 2017	December 31, 2016	Change	Translation differences	Increases for Changes in Consolidation Scope
DOMS Industries Pvt Ltd	33,287	33,291	(4)	(4)	-
Canson Group (4)	30,566	30,566	-	-	-
Daler-Rowney Lukas Group (5)	3,520	3,520	-	-	-
Dixon Group - Nord America(2)	2,150	2,264	(114)	(114)	-
Dixon Group - Central/South America(1)	1,911	2,075	(164)	(164)	-
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	-	-	-
Lyra Group (3)	1,217	1,217	-	-	-
Pioneer Stationery PVT Ltd	-	131	(131)	-	(131)
FILA SA (South Africa)	101	101	-	-	-
Licyn Mercantil Industrial Ltda (Brasil)	71	71	-	-	-
Totale	**77,452**	**77,865**	**(413)**	**(282)**	**(131)**

(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)

No potential impairments of goodwill were reported at June 30, 2017 due to the strong results recorded in the first half of the year and on the basis of the medium-term outlook. Therefore, no specific impairment test on the account was carried out on the preparation of the condensed consolidated half-year financial statements.

The movements at June 30, 2017 of "Intangible Assets with Definite 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	Construxtion in Progress	Total
Change in Historical Cost					
December 31, 2016	**190**	**111,902**	**50,349**	**365**	**162,806**
Increases in the year	**-**	**36**	**73**	**220**	**329**
Increases (Investments)	-	36	73	220	329
Decreases in the year	**-**	**(2,046)**	**(1,254)**	**-**	**(3,300)**
Decrease Translation Differences	-	(2,046)	(1,253)	-	(3,299)
Other Decrease	-	-	(1)	-	(1)
June 30, 2017	**190**	**109,892**	**49,168**	**585**	**159,835**
Change in Amortisation					
December 31, 2016	**(136)**	**(16,492)**	**(5,603)**	**-**	**(22,231)**
Increases in the year	**(6)**	**(2,167)**	**(1,232)**		**(3,405)**
Amortisation in Year	(6)	(2,167)	(1,232)		(3,405)
Decreases in the year	**-**	**163**	**116**		**279**
Decrease in Translation Differences	-	163	116		279
June 30, 2017	**(142)**	**(18,496)**	**(6,719)**	**-**	**(25,356)**
Carrying amount at December 31, 2016	**54**	**95,410**	**44,746**	**365**	**140,575**
Carrying amount at June 30, 2017	**48**	**91,396**	**42,449**	**585**	**134,478**
Change	**(6)**	**(4,014)**	**(2,297)**	**220**	**(6,097)**

"Industrial Patents and Intellectual Property Rights" amount to Euro 48 thousand at June 30, 2017 (Euro 54 thousand at December 31, 2016).

The average residual useful life of the "Industrial Patents and Intellectual Property Rights", recorded in the financial statements at June 30, 2017, is six years.

"Concessions, Licences, Trademarks and Similar Rights" amount to Euro 91,396 thousand at June 30, 2017 (Euro 95,410 thousand at December 31, 2016).

The net carrying amount reduced by Euro 4,014 thousand, principally due to amortisation (Euro 2,167 thousand) and negative exchange rate effects of Euro 1,883 thousand; A significant amount of the amortisation relates to the "Business combinations" undertaken in 2016 and relating to the brands held by the English Group Daler Rowney-Lukas (Euro 40,223 thousand) and by the Canson Group (Euro 32,400 thousand).

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, Trademarks and Similar Rights”, recorded in the financial statements at June 30, 2017, is 30 years.

“Other Intangible Assets” amount to Euro 42,449 thousand at June 30, 2017 (Euro 44,746 thousand at December 31, 2016). The account records a decrease by Euro 2,297 thousand compared to the previous year, also mainly due to the amortisation of intangible assets (Euro 1,232 thousand) and exchange rate losses of Euro 1,137 thousand. The amortisation concerns in particular the value of the “Development Technology” recorded by the companies of the Daler-Rowney Lukas Group (Euro 30,532 thousand), the Canson Group (Euro 1,500 thousand) and St. Cuthberts (Euro 2,462 thousand), identified as strategic assets through the “Purchase Price Allocation” within the business combinations undertaken in 2016.

The average useful life of “Other Intangible Assets”, recorded to the financial statements at June 30, 2017, is 13 years.

Assets in progress totalled Euro 585 thousand, entirely concerning F.I.L.A. S.p.A. and investments for the installation of the new ERP system.

In the first half of 2017, the F.I.L.A. Group did not generate any intangible assets internally. There are no intangible assets subject to restrictions.

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Note 2 - Property, plant and equipment

At June 30, 2017, “Property, Plant and Equipment” amounted to Euro 81,837 thousand (Euro 81,321 thousand at December 31, 2016).

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	Construction in Progress	Total
Change in Historical Cost							
December 31, 2016	**13,466**	**53,396**	**97,641**	**18,947**	**11,525**	**2,841**	**197,816**
Increases in the year	**-**	**536**	**5,696**	**476**	**462**	**1,078**	**8,248**
Increases (Investments)	-	533	4,306	411	440	2,558	8,248
Capitalisation from Assets in Progress	-	3	1,390	65	22	(1,480)	-
Decreases in the year	**(218)**	**(736)**	**(2,600)**	**(490)**	**(643)**	**(230)**	**(4,917)**
Decreases (Divestments)	-	(3)	(779)	(78)	(104)	-	(964)
Write-downs	-	-	(23)	-	(9)	-	(32)
Decrease Translation Differences	(218)	(196)	(1,370)	(412)	(471)	(90)	(2,757)
Other Decrease	-	(537)	(428)	-	(59)	(140)	(1,164)
June 30, 2017	**13,248**	**53,196**	**100,737**	**18,933**	**11,344**	**3,689**	**201,147**
Change in Depreciation							
December 31, 2016		**(28,542)**	**(62,067)**	**(17,015)**	**(8,870)**		**(116,495)**
Increases in the year		**(901)**	**(3,587)**	**(342)**	**(635)**		**(5,465)**
Depreciation in Year		(901)	(3,587)	(342)	(635)		(5,465)
Decreases in the year		**116**	**1,646**	**389**	**499**		**2,650**
Decreases (Divestments)		2	770	54	56		882
Decrease in Translation Differences		48	770	335	394		1,547
Other Decrease		66	106	-	49		221
June 30, 2017		**(29,327)**	**(64,008)**	**(16,968)**	**(9,006)**		**(119,310)**
Carrying amount at December 31, 2016	**13,466**	**24,854**	**35,574**	**1,932**	**2,655**	**2,841**	**81,321**
Carrying amount at June 30, 2017	**13,248**	**23,869**	**36,729**	**1,965**	**2,338**	**3,689**	**81,837**
Change	**(218)**	**(985)**	**1,155**	**33**	**(317)**	**848**	**516**

“Land” at June 30, 2017 amounts to Euro 13,248 thousand (Euro 13,466 thousand at December 31, 2016) 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), by DOMS Industries Pvt Ltd (India), Daler Rowney Ltd (UK) and by Canson SAS (France).

“Buildings” at June 30, 2017 amount to Euro 23,869 thousand (Euro 24,854 thousand at December 31, 2016) and principally concern the buildings of the Group production facilities (particularly those in Italy, Mexico, Germany, France, India and the United Kingdom). The account decreased by Euro 985 thousand compared to December 31, 2016, mainly due to depreciation on buildings (Euro 901 thousand). Group capital investments amount to Euro 533 thousand and mainly refer to DOMS Industries PVT Ltd (Euro 148 thousand relating to the upgrading of the production facilities at Jammu) and Daler Rowney Ltd (Euro 260 thousand relating to the construction of the new warehouse).

“Plant and Machinery” amounted to Euro 36,729 thousand (Euro 35,574 thousand at December 31, 2016). The account increased Euro 1,155 thousand compared to the previous year, mainly due to investments made by the companies of the Group offset by the depreciation of assets in the period (Euro 3,587 thousand) and exchange rate losses (Euro 600 thousand). Capital investments amounted to Euro 4,306 thousand and concerned in particular: DOMS Industries Pvt Ltd (Euro 993 thousand relating to the upgrading of the production plant in the ”Art Division”), F.I.L.A. S.p.A. (Euro 426 thousand), Daler Rowney Ltd (Euro 1,543 thousand) and Canson SAS (Euro 838 thousand), this latter concerning the construction and equipping of new warehouses. The total Historical Cost of “Plant and Equipment” also includes Euro 1,390 thousand transferred from “Assets in progress”, mainly concerning F.I.L.A. S.p.A. (Euro 886 thousand).

“Industrial and Commercial Equipment” amounted to Euro 1,965 thousand at June 30, 2017 (Euro 1,932 thousand at December 31, 2016). The account increased by Euro 33 thousand and is mainly due to acquisitions for Euro 411 thousand (Investments for Euro 411 thousand and assets in progress for Euro 65 thousand) offset by depreciation for the period of Euro 342 thousand and negative exchange differences of Euro 77 thousand. Investments in Industrial and Commercial Equipment principally relate to the acquisition of new production moulds and technological upgrades to existing plant.

“Other Assets” amount to Euro 2,338 thousand at June 30, 2017 (Euro 2,655 thousand at December 31, 2016) and include furniture and office equipment, EDP and motor vehicles. The account decreased by Euro 317 thousand, mainly due to depreciation of assets in the period (Euro 635 thousand) and negative exchange differences for Euro 77 thousand, only in part offset by investments of Euro 440 thousand and capitalisation of “Assets in progress” amounting to Euro 22 thousand.

“Assets in Progress” include internal constructions undertaken by the individual companies of the Group which are not yet operational. The increase in the carrying amount at June 30, 2017 amounts to Euro 848 thousand.

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

Note 3 – Financial Assets

"Financial Assets" amount to Euro 4,499 thousand at June 30, 2017 (Euro 3,984 thousand at December 31, 2016).

Note 3.A - FINANCIAL ASSETS

Euro thousands		Loans and Receivables	Derivative Financial Instruments	Other Financial Assets	Total
December 31, 2016		**355**	**462**	**3,167**	**3,984**
	non-current portion	355	462	2,892	3,709
	current portion	-	-	275	275
June 30, 2017		**355**	**1,321**	**2,823**	**4,499**
	non-current portion	5	1,321	2,586	3,912
	current portion	350	-	237	587
Change		**-**	**859**	**(344)**	**515**
	non-current portion	(350)	859	(306)	203
	current portion	350	-	(38)	312

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 June 30, 2017 concern the fair value measurement of derivative hedging instruments related to the loan (hedged instrument) issued in favour of F.I.L.A. S.p.A. 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 June 30, 2017 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	UniCredit S.p.A.	
IRS	**Date agreed**	**Loan**	**% Hedge**	**Fixed Rate**	**Variable Rate**	**Notional**	**Notional**	**Notional**	**Notional**	**Total**
IRS 1	09/06/2016	Facility A1	50%	0.06%	-0.302%	12,444,250	7,466,550	14,933,100	14,933,100	49,777,000
IRS 2	08/07/2016	Facility A1	50%	-0.08%	-0.281%	12,444,250	7,466,550	14,933,100	14,933,100	49,777,000
IRS 3	03/11/2016	FacilityTLA2	50%	-0.035%	-0.308%	1,263,870	758,322	1,516,644	1,516,644	5,055,480
IRS 4	28/10/2016	FacilityTLA2	50%	0.056%	-0.308%	1,263,870	758,322	1,516,644	1,516,644	5,055,480
IRS 5	03/11/2016	FacilityTLB1a_B1b	50%	0.10%	-0.308%	10,237,500	6,142,500	12,285,000	12,285,000	40,950,000
IRS 7	28/10/2016	FacilityTLB1a_B1b	50%	0.196%	-0.308%	10,237,500	6,142,500	12,285,000	12,285,000	40,950,000
IRS 6	03/11/2016	FacilityTLB2A	50%	0.10%	-0.336%	856,250	513,750	1,027,500	1,027,500	3,425,000
IRS 8	28/10/2016	FacilityTLB2A	50%	0.196%	-0.336%	856,250	513,750	1,027,500	1,027,500	3,425,000
Total						**49,603,740**	**29,762,244**	**59,524,488**	**59,524,488**	**198,414,960**

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 period was Euro 859 thousand.

Reference should be made to Note 11 concerning the net financial position at June 30, 2017 of the F.I.L.A. Group.

Other financial assets

The non-current portion of *"Other Financial Assets"* totalled Euro 2,586 thousand (Euro 2,892 thousand at December 31, 2016), decreasing by Euro 306 thousand. They 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 579 thousand) and F.I.L.A.-Dixon, S.A. de C.V. Group (Euro 317 thousand). In relation to the amount of Euro 662 thousand recorded by Dixon Ticonderoga Company (U.S.A.), the account concerns for an amount of Euro 647 thousand financial assets subject to indemnity plans to be paid to personnel.

The current portion of "*Other Financial Assets*" amounts to Euro 237 thousand (Euro 275 thousand at December 31, 2016), 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 MEASURED AT EQUITY	
Euro thousands	**Inv. in Associates**
December 31, 2016	**271**
Increases in the year	**371**
Increases (Investments)	65
Increase in Translation Differences	(13)
Other Increase	319
Decreases in the year	**(5)**
Movement in Investments at Equity	(5)
June 30, 2017	**637**
Change	**366**

The Investments measured at equity amount to Euro 637 thousand (Euro 271 thousand at December 31, 2016).

The increase in the period relates to the investments in associated companies held by DOMS Industries Pvt Ltd (India), consolidated under the Equity Method. At June 30, 2017, the "Carrying amount" of the investments was adjusted in line with the share of Equity held in the associated companies.

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 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 June 30, 2017.

Note 6 – Deferred Tax Assets

"Deferred Tax Assets" amount to Euro 16,974 thousand at June 30, 2017 (Euro 20,842 thousand at December 31, 2016).

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 June 30, 2017.

Note 6.A - CHANGES IN DEFERRED TAX ASSETS

Euro thousands	
December 31, 2016	**20,842**
Provisions	2,357
Utilisations	(5,693)
Translation differences	(356)
Change in Equity	(163)
Other Decreases	(13)
June 30, 2017	**16,974**
Change	**(3,868)**

The account at June 30, 2017 mainly includes deferred tax assets calculated on "Intangible and Tangible Assets", "Personnel", "Risk and Charges Provisions not deductible", "ACE" and "Inventories".

The provisions for deferred tax assets mainly refer to the Parent, F.I.L.A. S.p.A., (Euro 5,227 thousand), to the subsidiary Dixon Ticonderoga Company (U.S.A., Euro 2,661 thousand) and Canson SAS (France, Euro 2,040 thousand).

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

Note 7 - Current Tax Receivables

At June 30, 2017, tax receivables relating to income taxes amounted overall to Euro 7,599 thousand (Euro 5,105 thousand at December 31, 2016) and refer principally to the parent F.I.L.A. S.p.A. for Euro 1,312 thousand, Dixon Ticonderoga Co. (U.S.A.) for Euro 2,418 thousand and DOMS Industries Pvt Ltd (India) for Euro 1,896 thousand.

Note 8 - Inventories

Inventories at June 30, 2017 amount to Euro 191,179 thousand (Euro 177,406 thousand at December 31, 2016).

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, 2016	**43,994**	**22,542**	**110,871**	**177,406**
June 30, 2017	**44,712**	**24,818**	**121,649**	**191,179**
Change	**719**	**2,276**	**10,778**	**13,773**

The account increased Euro 13,773 thousand, mainly due to the seasonality of the business and the procurement policies to support production planning and the demand for finished products. The increases were mainly within the North American subsidiaries.

Inventories are presented net of the inventory obsolescence provision relating to raw materials (Euro 1,730 thousand), work-in-progress (Euro 278 thousand) and finished products (Euro 4,065 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, 2016	**2,086**	**396**	**4,714**	**7,195**
Provisions	160	58	683	901
Utilisations	(507)	(176)	(1,301)	(1,984)
Release	-	-	(56)	(56)
Translation differences	(9)	-	25	16
June 30, 2017	**1,730**	**278**	**4,065**	**6,072**
Change	**(356)**	**(118)**	**(649)**	**(1,123)**

The inventory obsolescence provision at June 30, 2017 reports a reduction of Euro 1,123 thousand, mainly due to the utilisation of the provision by Canson SAS (France), Canson Australia and Dixon Ticonderoga Co. (U.S.A).

Note 9 – Trade and Other Receivables

Trade and other receivables amount to Euro 183,406 thousand (Euro 113,582 thousand at December 31, 2016).

Note 9.A - TRADE AND OTHER RECEIVABLES

Euro thousands	June 30, 2017	December 31, 2016	Change
Trade Receivables	171,402	102,689	68,713
Tax Receivables	3,153	4,070	(917)
Other Receivables	6,487	4,314	2,173
Prepayments and Accrued Income	2,364	2,509	(145)
Total	**183,406**	**113,582**	**69,824**

Trade receivables increased on December 31, 2016 by Euro 68,713 thousand, which net of the exchange rate losses for Euro 1,783 thousand, amounts to Euro 70,496 thousand, mainly concerning F.I.L.A. S.p.A., Dixon Ticonderoga Company (U.S.A.) and Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico). This is in line with business seasonality and receivables at their highest during the middle months of the year as revenue is principally generated during the "Schools campaign".

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, 2016	**4,794**
Provisions	219
Utilisations	(207)
Release	(45)
Exchange rate losses	(83)
Other Decrease	(8)
June 30, 2017	**4,670**
Change	**(124)**

The provision in the period of Euro 218 thousand principally concerns Dixon Ticonderoga Company (Euro 139 thousand) and Daler Rowney Ltd (Euro 31 thousand).

"*Tax Receivables*" totalled Euro 3,153 thousand (Euro 4,070 thousand at December 31, 2016) and include VAT receivables (Euro 2,105 thousand) and other tax receivables for local taxes other than direct income taxes (Euro 1,048 thousand).

"Other Receivables" amount to Euro 6,487 thousand (Euro 4,314 thousand at December 31, 2016) and mainly concern receivables from employees (Euro 380 thousand), social security institutions (Euro 70 thousand) and advances paid to suppliers (Euro 4,313 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 June 30, 2017 amount to Euro 29,608 thousand (Euro 59,519 thousand at December 31, 2016).

Note 10 - CASH AND CASH EQUIVALENTS

Euro thousands	Bank and Post Office Deposits	Cash in hand and similar	Total
December 31, 2016	**59,446**	**73**	**59,519**
June 30, 2017	**29,519**	**89**	**29,608**
Change	**(29,927)**	**16**	**(29,911)**

"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 7,580 thousand and current accounts of the subsidiary companies for Euro 21,939 thousand, in particular: the companies of the Canson Group (Euro 4,649 thousand), F.I.L.A.-Dixon, S.A. de C.V. (Euro 3,097 thousand), DOMS Industries PVT Ltd (Euro 1,661 thousand), Omyacolor S.A. (Euro 1,495 thousand), Dixon Ticonderoga Company (Euro 1,348 thousand) and the Chinese subsidiaries of the Dixon Group (Euro 1,232 thousand).

"Cash in hand and similar" amount to Euro 89 thousand, of which Euro 5 thousand relates to the parent, F.I.L.A. S.p.A., and Euro 84 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 Debt of the F.I.L.A. Group.

Note 11 - Net Financial Debt

The F.I.L.A. Group "Net Financial Debt" at June 30, 2017 was a financial debt of Euro 285,584 thousand, increasing Euro 62,147 thousand on December 31, 2016.

	Euro thousands	June 30, 2016	December 31, 2016	Change
A	Cash	89	73	16
B	Other cash equivalents	29,519	59,446	(29,927)
C	Securities held-for-trading	-	-	-
D	**Liquidity (A + B + C)**	**29,608**	**59,519**	**(29,911)**
E	**Current financial receivables**	**587**	**275**	**312**
F	Current bank loans and borrowing	(106,427)	(52,879)	(53,548)
G	Current portion of non-current loans and borrowing	(26,916)	(24,158)	(2,758)
H	Other current loans and borrowing	(240)	(16,497)	16,257
I	**Current financial debt (F + G + H)**	**(133,583)**	**(93,534)**	**(40,049)**
J	**Net current financial debt (I + E+ D)**	**(103,388)**	**(33,740)**	**(69,648)**
K	Non-current bank loans and borrowing	(181,913)	(189,902)	7,989
L	Bonds issued	-	-	-
M	Other non-current loans and borrowing	(288)	(150)	(138)
N	**Non-current financial debt (K + L + M)**	**(182,201)**	**(190,052)**	**7,851**
O	**Net financial debt (J+N)**	**(285,589)**	**(223,792)**	**(61,797)**
P	**Loans issued to third parties**	**5**	**355**	**(350)**
Q	**Net financial debt (O + P) - F.I.L.A. Group**	**(285,584)**	**(223,437)**	**(62,147)**

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 5 thousand in relation to the non-current loans granted to third parties by Omyacolor S.A. (Euro 5 thousand)

2) At June 30, 2017 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 Debt of the F.I.L.A. Group.

Note 12 - Share Capital and Equity

Share Capital

The subscribed and paid-in share capital at June 30, 2017 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 amount;
- 6,566,508 class B shares, without nominal amount, 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 from June 30, 2017, the main shareholders of the parent were:

Shareholder	Ordinary shares	%
Pencil S.p.A.	13,133,032	37.9%
Venice European Investment Capital S.p.A.	3,741,799	10.8%
Sponsor	1,800,000	5.2%
Market Investors	15,990,957	46.1%
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.	3,741,799		3,741,799	6.9%
Sponsor	1,800,000		1,800,000	3.3%
Market Investors	15,990,957		15,990,957	29.4%
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 June 30, 2017 amounts to Euro 7,434 thousand.

Share premium reserve

The account amounts to Euro 65,349 thousand at June 30, 2017 (Euro 65,349 thousand at December 31, 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 DOMS Industries Pvt Ltd (Euro 15,052 thousand), in accordance with Article 6, paragraph 1, letter a) of Legislative Decree No. 38 of February 28, 2015, following the purchase of the majority shareholding.

Sponsor Warrants

At June 30, 2017, no sponsor warrants had been exercised.

IAS 19 Reserve

Following the application of IAS 19, the equity reserve is negative for Euro 2,656 thousand, increasing in the period Euro 647 thousand limited to the share of the F.I.L.A. Group.

Other Reserves

At June 30, 2017, the reserve is negative for Euro 20,527 thousand, increasing Euro 2,499 thousand on December 31, 2016. The increase concerns the following factors:

- The IRS fair value reserve on contracts undertaken by F.I.L.A. S.p.A. in 2016; at June 30, 2017 the reserve amounts to Euro 1,321 thousand, recording an increase of Euro 859 thousand compared to December 31, 2016.
- "Share Based Premium" reserve of Euro 1,875 thousand, set up against the incentive plan for F.I.L.A. Group Management in the first half of 2017. The accounting treatment applied is in line with the accounting standards which establish that for equity-settled share-based payments, the Fair Value at the vesting date of the share options granted to employees is recorded under personnel expenses, with a corresponding increase in Shareholders' equity within the account "Other reserves and retained earnings", over the period in which employees have the unconditional right to the incentives. The amount recorded as cost is adjusted to reflect the effective number of incentives (options) for which the conditions have matured and the "non-market" conditions have been fulfilled, so that the final cost recorded is based on the number of incentives which will mature. Similarly, in the estimate of the fair value of the options granted, consideration must be taken of the non-maturation conditions.

With reference to the non-maturation conditions, any differences between the assumptions at the vesting date and the effective conditions will not produce any impact in the financial statements.

- The reclassification between Group equity and non-controlling interest equity of Euro 236 thousand related to the sale by Lyra KG (Germany) of the 30% holding in Fila Nordic AB to third party shareholders.

Translation reserve

The account refers to the exchange rate differences relating to the translation of the financial statements of subsidiaries prepared in local currencies and converted into Euro as the consolidation currency.

The changes in the "Translation reserve" in 1H2017 are illustrated below:

TRANSLATION RESERVE	
Euro thousands	
December 31, 2016	**(10,904)**
Changes in the year:	
Difference between Period Average Rate and Year-End Rate	(254)
Difference between Historical Rate and Year-End Rate	(7,465)
June 30, 2017	**(18,623)**
Change	**(7,719)**

Retained earnings

The reserve totalled Euro 138,049 thousand and increased on the previous year Euro 17,282 thousand, principally due to:

- the distribution of dividends to F.I.L.A. S.p.A. shareholders for Euro 3,711 thousand, as per Shareholders' Meeting resolution of April 27, 2017;
- the profit for the year 2016 of Euro 20,993 thousand;

Non-controlling interest equity

This increased Euro 86 thousand and principally concerns:

- Non-controlling interest profit of Euro 706 thousand;
- Distribution of dividends to minorities of Euro 171 thousand;
- Exchange rate losses of Euro 704 thousand;

- The reclassification between Group equity and non-controlling interest equity of Euro 236 thousand related to the sale by Lyra KG (Germany) of the 30% holding in Fila Nordic AB to third party shareholders.

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 June 30, 2017 between Parent Equity and F.I.L.A. Group Equity

Euro thousands

F.I.L.A. S.p.A. Equity	**171,880**
Effect elimination intercompany margins	(2,545)
Consolidation effect Omyacolor S.A. (France)	8,194
Consolidation effect F.I.L.A. Hispania S.A. (Spain)	2,728
Consolidation efffect Licyn Mercantil Industrial Ltda (Brazil)	(4,230)
Consolidation effect Dixon Ticonderoga group	60,582
Consolidation effect Lyra group	655
Consolidation effect FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey)	(2,088)
Consolidation effect FILA Stationary O.O.O. (Russia)	(964)
Consolidation effect FILA Hellas (Greece)	896
Consolidation effect Industria Maimeri S.p.A. (Italy)	75
Consolidation effect FILA Cartorama S.A. (South Africa)	(1,114)
Consolidation effect Fila Polska Sp. Z.o.o (Poland)	391
Consolidation effect DOMS Industries Pvt Ltd (India)	22,006
Consolidation effect Daler & Rowney Group	(11,200)
Consolidation effect St Cutbert Holding (England)	202
Consolidation effect FILA Hiberia S.L. (Spain)	811
Consolidation effect Canson Group	(1,383)
Consolidation effect FILA Art Product AG (Svizzera)	(86)
Total Equity	**244,810**
"Non-controlling interest" consolidation effect	24,575
F.I.L.A. Group Equity	**220,235**

Reconciliation at June 30, 2017 between Parent Result and F.I.L.A. Group Result

Euro thousands

F.I.L.A. S.p.A. Net Profit	**10,727**
Result of Subsidiaries of the Parent	**17,187**
Elimination of the effects of transactions between consolidated companies:	
Dividends	(14,110)
Net Inventory Margins	1,243
Other Net Revenue	23
Adjustments to Group accounting standards:	
Stock Option Plan	(326)
Total Net Result	**14,744**
Non-controlling interest share	706
F.I.L.A. Group Net Profit	**14,038**

Note 13 - Financial Liabilities

The balance at June 30, 2017 amounts to Euro 315,784 thousand (Euro 283,586 thousand at December 31, 2016), of which Euro 182,201 thousand long-term and Euro 133,583 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 June 30, 2017 is illustrated below.

Note 13.A - FINANCIAL LIABILITIES: Third Parties

Euro thousands	Banks		Other Lenders		Bank Overdrafts		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
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
June 30, 2017	**296,562**	**(3,907)**	**543**	**(15)**	**22,541**	**60**	**315,784**
non-current portion	186,087	(4,174)	295	(7)	-	-	182,201
current portion	110,475	267	248	(8)	22,541	60	133,583
Change	**30,542**	**754**	**(16,106)**	**(13)**	**16,995**	**26**	**32,198**
non-current portion	(8,681)	692	131	7	-	-	(7,851)
current portion	39,223	62	(16,237)	(20)	16,995	26	40,049

Bank Loans and Borrowings

With reference to “Bank Loans and Borrowings”, the total exposure of the Group amounts to Euro 292,655 thousand, of which Euro 110,742 thousand considered as current (Euro 71,457 thousand at December 31, 2016) and Euro 181,913 thousand as non-current (Euro 189,902 thousand at December 31, 2016).

Non-current bank loans and borrowings report a reduction of Euro 7,989 thousand compared to December 31, 2016, mainly due to the reclassification to current payables of the amount due by March 31, 2018 (Euro 8,400 thousand) of the loan undertaken by F.I.L.A. S.p.A..

The structured loan undertaken by F.I.L.A. S.p.A. and 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”, was drawn down:

- In February 2016 for Euro 109,357 thousand, against the total 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).

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 June 30, 2017 of the amortised cost method was Euro 451 thousand of interest.

At June 30, 2017, the total bank loans and borrowings of F.I.L.A. S.p.A. totalled Euro 206,034 thousand, of which Euro 180,346 thousand maturing beyond 12 months and Euro 25,688 thousand classified as the current portion (of which Euro 88 thousand interest). The non-current portion, in addition to the loan of Euro 180,346 thousand, includes also the fair value of the negotiation charges related to the derivative financial instruments of Euro 1,744 thousand undertaken in 2016.

The repayment plan of the loan is outlined below:

Note 13.C - BANKS LOANS AND BORROWINGS REPAYMENT PLAN

Euro thousands	**Facility**	**Capital portion**
September 30, 2017	Facility A	7,200
By December 20, 2017	Revolving Original Facility	10,000
March 31, 2018	Facility A	8,400
Total current financial liabilities		**25,600**
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		**182,776**

Excluding the F.I.L.A. S.p.A. loan, the residual value of non-current financial liabilities amounts to Euro 1,568 thousand and principally relates to the non-current portion of the loans granted to:

- Industria Maimeri S.p.A. (Italy) by BPER, Creval and BPM for Euro 606 thousand;
- DOMS Industries Pvt Ltd (India) by HDFC Bank for Euro 501 thousand;
- Lyra KG (Germany) by Hypo Real Estate for Euro 357 thousand.
- FILA Argentina S.A. by Banco Provincia for Euro 84 thousand

The current portion of bank loans and borrowings totalled Euro 110,742 thousand, increasing Euro 39,285 thousand on 2016. The increase in total bank payables is mainly due to the greater utilisation of the credit lines granted to the Group companies and to the seasonality of business activities which concentrate funding requirements in the middle of the year, against an improvement in cash flow at the end of the year. Excluding the current portion of the loan provided to F.I.L.A. S.p.A. (Euro 25,688 thousand), the current financial payables of the other Group companies amount to Euro 85,054 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., Banco Sabadell S.A. and Scotiabank Inverlat S.A. to Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for a total of Euro 39,374 thousand. During the period, total bank loans and borrowings increased Euro 20,455 thousand, of which Euro 1,032 thousand due to the negative exchange rate losses;
- Credit Line issued by Unicredit S.p.A., Intesa Sanpaolo and Bank of the West in favour of Dixon Ticonderoga Company (U.S.A.), with a total exposure at June 30, 2017 of Euro 25,913 thousand, increasing by Euro 11,683 thousand on December 2016.
- Credit Lines issued to Lyra KG (Germany) by Commerzbank and HVB for Euro 6,900 thousand. The current debt of the German company in addition comprises the current portion of loans issued by Hypo Real Estate for Euro 226 thousand. The company's total financial exposure increased Euro 401 thousand on 2016.
- The current portion of the loan and the credit lines granted to DOMS Industries Pvt Ltd (India) by HDFC Bank for Euro 3,889 thousand; the exposure increased by Euro 1,758 thousand on December 2016;
- 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 2,623 thousand, also increasing on December 2016 (Euro 1,463 thousand);
- Credit line in favour of Canson SAS granted by Société Générale and utilised for a total amount of Euro 1.300 million.

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 Expense (NFE), 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 NFE are established by the relative loan contract.

We report below the covenant indicators and the relative parameters to be complied with at June 30, 2017.

NFD / EBITDA ≤ 4.75x

EBITDA / NFE ≥ 6.50x

The covenants at June 30, 2017 were fully complied with.

As required by Consob Communication No. DEM/6064293 of July 28, 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 June 30, 2017 totalled Euro 528 thousand (Euro 16,647 thousand at December 31, 2016), with the current portion totalling Euro 240 thousand at June 30, 2016 (Euro 16,497 thousand at December 31, 2016).

The decrease on the previous year relates to the settlement of 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 22,601 thousand (Euro 5,580 thousand at December 31, 2016) and concern the overdrafts principally of F.I.L.A. S.p.A. (Euro 16,220 thousand), Industria Maimeri S.p.A. (Euro 4,761 thousand), Fila Stationary O.O.O. (Euro 673 thousand) and the Spanish subsidiaries (Euro 602 thousand).
The increase compared to December 31, 2016 is mainly due to the increase in the exposure of F.I.L.A. S.p.A..

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 country in which the Group operates. These benefits are based on remuneration and years of employee service.
The benefits recognised to employees of the Parent F.I.L.A. S.p.A. concern salary-based Post-Employment Benefits, governed by Italian legislation and, in particular, Article 2120 of the Italian Civil Code. The amount of these benefits is in line with the contractually-established 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 personnel expense.

The defined benefit plans may be unfunded, or they may be partially or fully funded by the contributions paid by the company, and sometimes by its employees to a company or fund, legally separate from the company which provides the benefits to the employees. The 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. These plans are calculated on an actuarial basis, utilising the "projected unit credit" method.

The amounts at June 30, 2017 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, 2016	**2,414**	**8,929**	**11,343**
Disbursements	(71)	(1,323)	(1,393)
Financial Expense	20	13	33
Pension Cost for Service	53	1,357	1,410
IAS 19 Reserve	(48)	(975)	(1,023)
Translation differences	-	(71)	(71)
Other Changes	-	(5)	(5)
June 30, 2017	**2,368**	**7,925**	**10,293**
Change	**(46)**	**(1,004)**	**(1,050)**

The "Actuarial Losses" totalled Euro 1,023 thousand, recognised net of the fiscal effect directly in equity.

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	**June 30, 2017**	**December 31, 2016**
Present Value of Obligations Not Covered by Assets	2,368	2,414
	2,368	**2,414**
Present Value of Obligations Covered by plan assets	8,868	9,915
Fair Value of Plan Assets Relating to the Obligations	(943)	(986)
	7,925	**8,929**
Total	**10,293**	**11,343**

The financial assets at June 30, 2017 invested by the F.I.L.A. Group to cover financial liabilities arising from "Employee Benefits" amount to Euro 943 thousand (Euro 986 thousand at December 31, 2016) and relate to Dixon Ticonderoga Company (Euro 647 thousand) and F.I.L.A.-Dixon, S.A. de C.V. (Euro 296 thousand). The financial investments have an average return of 4.5% on invested capital (equally broken down between investments in the "Ticket PFG" fund and investments in guaranteed investment contracts). The "structure" of financial investments at June 30, 2017 did not change on the previous year.

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

2. Cost Recognised in Income Statement	**June 30, 2017**	**December 31, 2016**
Pension Cost for Service	1,410	2,177
Financial Expense	33	190
Cost Recognised in Income Statement	**1,443**	**2,367**

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)	**June 30, 2017**	**December 31, 2016**
Annual Technical Discounting Rate	3.0%	3.2%
Increase in Cost of Living index	2.8%	3.8%
Future Increase in Salaries	1.9%	2.5%
Future Increase in Pensions	1.5%	2.0%

Note 15 - Provisions for Risks and Charges

“Provisions for Risks and Charges” at June 30, 2017 amount to Euro 5,150 thousand (Euro 4,067 thousand at December 31, 2016), of which Euro 1,667 thousand (Euro 1,618 thousand at December 31, 2016) concerning the non-current portion and Euro 3,483 thousand (Euro 2,449 thousand at December 31, 2016) concerning the current portion.

Note 15A - PROVISIONS FOR RISKS AND CHARGES

Euro thousands	Provisions for Tax Disputes	Provisions for Legal Disputes	Provisions for Agents	Restructuring Provisions	Other Provisions	Total
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
June 30, 2017	**39**	**251**	**753**	**2,726**	**1,381**	**5,150**
non-current portion	-	-	715	-	952	1,667
current portion	39	251	38	2,726	428	3,483
Change	**-**	**(12)**	**(41)**	**881**	**255**	**1,083**
non-current portion	-	-	29	-	20	49
current portion	-	(12)	(70)	881	235	1,034

The movement in the account “Provision for Risks and Charges” at June 30, 2017 was as follows:

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

Euro thousands	Provisions for Tax Disputes	Provisions for Legal Disputes	Provisions for Agents	Restructuring Provisions	Other Provisions	Total
December 31, 2016	**39**	**263**	**794**	**1,845**	**1,126**	**4,067**
Utilisation of Provisions	-	-	(70)	(39)	(1)	(110)
Provisions Accrued	-	-	22	979	289	1,290
Discounting	-	-	7	-	-	7
Exchange Differences	-	(12)	-	(59)	(33)	(104)
June 30, 2017	**39**	**251**	**753**	**2,726**	**1,381**	**5,150**
Change	**-**	**(12)**	**(41)**	**881**	**255**	**1,083**

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).

Provisions for Legal Dispute

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 provision remained unchanged compared to the previous year, with the exception of Euro 12 thousand deriving from exchange differences.

Provisions for Agents

The account includes the agents' supplementary indemnity provision at June 30, 2017 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 actuarial loss in 1H2017 amounts to Euro 7 thousand. The actuarial changes in the year, net of the tax effect, are recognized directly in equity.

Restructuring Provisions

For the integration and reorganization 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 2,726 thousand. The plans involve in particular Dixon Ticonderoga Company (U.S.A.), Canson SAS (France) and Daler Rowney Ltd (UK), as per the structural reorganisation projects drawn up by the parent.

Other Provisions

The provision of Euro 1,381 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 407 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 876 thousand against liabilities deriving from the medium/long-term variable remuneration plan for a number of key management personnel 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 this is 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 41,949 thousand at June 30, 2017 (Euro 47,034 thousand at December 31, 2016).

Note 16.A CHANGES IN DEFERRED TAX LIABILITIES

Euro thousands	
December 31, 2016	**47,034**
Provisions	14
Utilisations	(4,140)
Translation differences	(938)
Change in Equity	107
Other Decreases	(128)
June 30, 2017	**41,949**
Change	**(5,085)**

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 in preceding years.

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.

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Note 18 - Current Tax Payables

“Current tax payables” total Euro 10,972 thousand at June 30, 2017 (Euro 4,951 thousand at December 31, 2016), relating mainly to the parent (Euro 1,710 thousand), Dixon Ticonderoga Company (Euro 3,471 thousand) and the Indian company DOMS Industries Pvt Ltd (Euro 1,997 thousand).

Note 19 - Trade and Other Payables

“Trade and Other Payables” at June 30, 2017 amount to Euro 98,642 thousand (Euro 90,445 thousand at December 31, 2016). 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	June 30, 2017	December 31, 2016	Change
Trade Payables	70,890	63,170	7,720
Tax Expenses	7,262	5,291	1,971
Other Expenses	19,428	20,490	(1,062)
Accrued Expemses & Def.Income	1,062	1,494	(431)
Total	**98,642**	**90,445**	**8,197**

The increase in “Trade Payables” (Euro 7,720 thousand) is principally due to business seasonality, with procurement concentrated in the initial months of the year in support of production and supplies for peak sales concentrated in the middle months of the year.

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 7,262 thousand at June 30, 2017 (Euro 5,291 thousand at December 31, 2016), of which Euro 5,631 thousand VAT payables and Euro 1,631 thousand concerning tax payables other than current taxes. VAT payables principally concern the Mexican subsidiary (Euro 1,698 thousand) and F.I.L.A. S.p.A. (Euro 1,596 thousand).
“Other Payables” amount to Euro 19,428 thousand at June 30, 2017 and principally include:

- employee salary payables of Euro 10,356 thousand (Euro 9,908 thousand at December 31, 2016);
- social security contributions to be paid of Euro 4,716 thousand (Euro 4,787 thousand at December 31, 2016);
- payables for agent commissions of Euro 565 thousand (Euro 339 thousand at December 31, 2016).
- the residual payables of Euro 3,791 thousand principally concern advances to clients (Euro 5,439 thousand at December 31, 2016).

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 June 30, 2017 amounted to Euro 100 thousand and refers to deposits paid by customers to guarantee long-term supply contracts of the Indian company DOMS Industries Pvt Ltd (India).

Note 20 – Core Business Revenue

Core business revenue in the first half of 2017 amounted to Euro 260,543 thousand (Euro 201,514 thousand in 1H2016).

Note 20.A - CORE BUSINESS REVENUE			
Euro thousands	**June 30, 2017**	**June 30, 2016**	**Change**
Revenue from Sales and Service	274,200	210,788	63,412
Adjustments on Sales	(13,657)	(9,274)	(4,383)
Returns on Sales	*(6,611)*	*(4,658)*	*(1,953)*
Discounts, Allowances and Premiums	*(7,046)*	*(4,616)*	*(2,430)*
Total	**260,543**	**201,514**	**59,029**

Revenue was up by Euro 59,029 on the same period of the previous year, mainly as a result of the revenue generated by the companies acquired in 2016 and only in part included in 1H2016 revenue. In particular, the Daler-Rowney Lukas Group was consolidated from February 2016 while the Canson and St. Cuthberts Mill were included in the consolidation scope from the second half of 2016. Overall, the M&A effect was Euro 53,518 thousand; the net increase in "Core business revenue", also considering the positive currency effects for Euro 1,383 thousand, was therefore Euro 4,128 thousand.

For further details on residual movements, reference should be made to the "Normalised operating result" paragraph of the Directors' Report.

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 rate gains on commercial operations.

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

"Other Revenue and Income" in 1H2017 amounted to Euro 11,977 thousand (Euro 4,765 thousand in 1H2016).

Note 21 – OTHER REVENUE AND INCOME

Euro thousands	June 30, 2017	June 30, 2016	Change
Gains on Sale of Property, Plant and Equipment	50	14	36
Unrealised Exchange Rate Gains on Commercial Transactions	7,983	2,350	5,633
Realised Exchange Rate Gains on Commercial Transactions	3,175	1,663	1,512
Other Revenue and Income	769	738	31
Total	**11,977**	**4,765**	**7,212**

In 1H2017, the account totalled Euro 769 thousand and principally related to commissions from Ticonderoga brand sales and the sale of production waste product by Fila Dixon Stationery (Kunshan) Co., Ltd. (China) and Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico).

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 1H2017 totalled Euro 126,130 thousand (Euro 102,297 thousand in 1H2016).

The breakdown is provided below:

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

Euro thousands	June 30, 2017	June 30, 2016	Change
Raw materials, Ancillary, Consumables and Goods	(105,619)	(85,751)	(19,868)
Shipping Expenses on Purchases	(5,777)	(4,737)	(1,040)
Packaging	(4,472)	(3,384)	(1,088)
Import Charges and Customs Duties	(2,877)	(3,368)	491
Other Accessory Charges on Purchases	(6,964)	(4,707)	(2,257)
Materials for Maintenance	(463)	(384)	(79)
Adjustments on Purchases	42	34	8
Returns on Purchases	*-*	*0*	*0*
Discounts, Allowances and Premiums	*42*	*34*	*8*
Total	**(126,130)**	**(102,297)**	**(23,833)**

The increase in “Costs for Raw Materials, Ancillary, Consumables and Goods” in 1H2017 was Euro 23,833 thousand, mainly due to the above-mentioned M&A effects.

The increase in inventories at June 30, 2017 totalled Euro 20,187 thousand, of which:

- increase of “Raw Materials, Ancillary, Consumables and Goods” for Euro 1,805 thousand (increase of Euro 746 thousand in 1H2016);
- decrease in “Contract Work-in-Progress and Semi-Finished products” of Euro 2,924 thousand (decrease of Euro 1,486 thousand in 1H2016);
- increase in “Finished Products” of Euro 15,458 thousand (increase of Euro 16,293 thousand in 1H2016).

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 1H2017 to Euro 58,658 thousand (Euro 48,239 thousand in 1H2016).

Services costs are broken down as follows:

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

Euro thousands	June 30, 2017	June 30, 2016	Change
Sundry services	(5,437)	(4,314)	(1,123)
Transport	(10,100)	(7,437)	(2,663)
Warehousing	(820)	(746)	(74)
Maintenance	(4,389)	(3,139)	(1,250)
Utilities	(4,090)	(2,745)	(1,346)
Consulting	(4,699)	(7,784)	3,085
Directors' and Statutory Auditors' Fees	(2,366)	(2,008)	(358)
Advertising, Promotions, Shows and Fairs	(3,424)	(2,721)	(703)
Cleaning	(288)	(224)	(64)
Bank Charges	(501)	(532)	31
Agents	(3,736)	(3,467)	(270)
Sales representatives	(3,027)	(1,877)	(1,150)
Sales Commissions	(6,351)	(5,259)	(1,092)
Insurance	(1,106)	(969)	(138)
Other Service Costs	(1,942)	(764)	(1,178)
Hire Charges	(4,003)	(2,710)	(1,293)
Rental	(765)	(457)	(308)
Operating Leases	(1,308)	(779)	(529)
Royalties and Patents	(306)	(308)	2
Total	**(58,658)**	**(48,239)**	**(10,419)**

The increase in "Service Costs and Rent, Leases and Similar costs" compared to 1H2016 was Euro 10,419 thousand, principally relating to the effect deriving from the corporate operations in 2016 for a total amount of Euro 11,269 thousand.

Note 24 – Other Costs

These totalled in 1H2017 Euro 13,245 thousand (Euro 5,692 thousand in 1H2016).

The account principally includes realised and unrealised exchange rate 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	June 30, 2017	June 30, 2016	Change
Unrealised Exchange Rate Losses on Commercial Transactions	(7,740)	(955)	(6,784)
Realised Exchange Rate Losses on Commercial Transactions	(4,951)	(3,762)	(1,189)
Other Operating Charges	(554)	(974)	420
Total	**(13,245)**	**(5,692)**	**(7,553)**

The increase in "Other costs" in the first half of 2017 following the change in the consolidation scope was Euro 30 thousand, with a net increase on a like-for-like basis of Euro 450 thousand. The account mainly refers to non-recurring costs incurred by the US subsidiary Dixon Ticonderoga Co. (Euro 143 thousand mainly relating to legal disputes and merchandising donations) and by the parent company F.I.L.A. S.p.A. (Euro 112 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 – Personnel expense

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

They amounted in 1H2017 to Euro 55,686 thousand (Euro 37,355 thousand in 1H2016).

These costs are broken down as follows:

Note 25 – PERSONNEL EXPENSE

Euro thousands	June 30, 2017	June 30, 2016	Change
Wages and Salaries	(39,982)	(28,813)	(11,169)
Social Security Charges	(8,948)	(6,546)	(2,402)
Employee Benefits	(1,357)	(1,132)	(225)
Post-Employment Benefits	(53)	-	(53)
Other Personnel Expenses	(5,346)	(864)	(4,482)
Total	**(55,686)**	**(37,355)**	**(18,331)**

“Personnel expense” increased Euro 18,331 thousand on 1H2016, mainly as a result of the M&A effect of the acquisitions in 2016 (Euro 13,983 thousand). The net increase on a like-for-like basis was Euro 4,348 thousand, principally concerning provisions and costs incurred for the restructuring plans involving some Group companies.

The following table reports the breakdown of the F.I.L.A. Group workforce at June 30, 2017 and December 31, 2016 by geographical segments.

	Europe	North America	Central - South America	Asia	Rest of the World	Total
December 31, 2016	1,106	186	1,753	4,709	35	7,789
June 30, 2017	1,126	173	1,792	4,606	32	7,729
Change	**20**	**(13)**	**39**	**(103)**	**(3)**	**(60)**

Note 26 – Amortisation and Depreciation

"Amortisation & Depreciation" in 1H2017 amounted to Euro 8,870 thousand (Euro 6,504 thousand in 1H2016). The breakdown for 1H2017 and 1H2016 was as follows:

Note 26 – AMORTISATION AND DEPRECIATION			
Euro thousands	**June 30, 2017**	**June 30, 2016**	**Change**
Depreciation of Property, Plant and Equipment	(5,465)	(3,867)	(1,598)
Amortisation of Intangible Assets	(3,405)	(2,637)	(768)
Total	**(8,870)**	**(6,504)**	**(2,366)**

The increase in "Amortisation and Depreciation" in 1H2017 is due to the M&A effect relating to the companies not consolidated in 2016 and to the amortisation of "*Trademarks*" and "*Other Intangible assets*", measured through the "Purchase Price Allocation" in relation to these corporate operations undertaken in the previous year.

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 1H2017 totalled Euro 206 thousand (Euro 156 thousand in 1H2016).

The write-downs recorded in 1H2017 and 1H2016 are illustrated below:

Note 27 – WRITE-DOWNS			
Euro thousands	**June 30, 2017**	**June 30, 2016**	**Change**
Write-down Property, Plant and Equipment	(32)	(8)	(24)
Doubtful Debt Provisions	(174)	(149)	(25)
Total	**(206)**	**(156)**	**(49)**

Trade receivable write-downs in 1H2017 principally concerned Dixon Ticonderoga USA (Euro 139 thousand) and Daler Rowney Ltd (Euro 31 thousand), following solvency assessments.

Note 28 – Financial Income

The account in 1H2017 amounted to Euro 1,838 thousand (Euro 1,983 thousand in 1H2016).

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

Note 28 – FINANCIAL INCOME

Euro thousands	June 30, 2017	June 30, 2016	Change
Interest on Bank Deposits	35	100	(65)
Financial Income from Disposal of Non-Current Financial Assets	-	10	(10)
Other Financial Income	1,064	834	230
Unrealised Exchange Rate Gains on Financial Transactions	712	991	(279)
Realised Exchange Rate Gains on Financial Transactions	27	48	(21)
Total	**1,838**	**1,983**	**(145)**

The main change within the account "Other Financial Income" concerns the financial income generated from the sale of the minority stake (30% of the share capital) held in FILA Nordic AB (Sweden) by the German subsidiary Lyra KG for Euro 990 thousand. In 1H2016 the item (Euro 834 thousand) principally derived from financial income (amounting to Euro 750 thousand) recorded by F.I.L.A S.p.A and relating to the closure of time deposits subscribed following the acquisition of Daler-Rowney Lukas in the first half of 2016.

Note 29 - Financial Expense

"Financial Expense" in 1H2017 amounted to Euro 9,413 thousand (Euro 3,965 thousand in 1H2016).

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

Note 29 - FINANCIAL EXPENSE

Euro thousands	June 30, 2017	June 30, 2016	Change
Interest on Bank Overdrafts	(90)	(101)	11
Interest on Bank Loans and borrowings	(4,658)	(2,262)	(2,396)
Interest to Other Lenders	(11)	(14)	3
Other Financial Expenses	(1,443)	(603)	(840)
Unrealised Exchange Rate Losses on Financial Transactions	(2,660)	(423)	(2,237)
Realised Exchange Rate Losses on Financial Transactions	(551)	(562)	11
Total	**(9,413)**	**(3,965)**	**(5,448)**

The increase of Euro 5,448 thousand in 1H2017 is, net of currency considerations, mainly due to the parent F.I.L.A. S.p.A. against the higher interest recorded on the loan contracted to fund the non-recurring transactions (Euro 1,850 thousand) and the greater effect of the amortised cost, Euro 299 thousand, calculated on the residual loan of the parent (for further information, reference should be made to Note 13).

Note 30 - Foreign Currency Transactions

Exchange rate differences on financial and commercial transactions in foreign currencies in 1H2017 are reported below.

Note 30 - FOREIGN CURRENCY TRANSACTIONS

Euro thousands	June 30, 2017	June 30, 2016	Change
Unrealised Exchange Rate Gains on Commercial Transactions	7,983	2,350	5,633
Realised Exchange Rate Gains on Commercial Transactions	3,175	1,663	1,512
Unrealised Exchange Rate Losses on Commercial Transactions	(7,740)	(955)	(6,785)
Realised Exchange Rate Losses on Commercial Transactions	(4,951)	(3,762)	(1,189)
Net exchange rate losses on commercial transactions	**(1,533)**	**(704)**	**(829)**
Unrealised Exchange Rate Gains on Financial Transactions	712	991	(279)
Realised Exchange Rate Gains on Financial Transactions	27	48	(21)
Unrealised Exchange Rate Losses on Financial Transactions	(2,660)	(423)	(2,237)
Realised Exchange Rate Losses on Financial Transactions	(551)	(562)	11
Net exchange rate gains on financial transactions	**(2,472)**	**54**	**(2,526)**
Total net value of exchange differences	**(4,005)**	**(651)**	**(3,355)**

Exchange rate losses in 2017 principally arose from the movement of local currencies (principally the Mexican Peso, the US Dollar, the Indian Rupee and GB Pound) 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 5 thousand (Euro 0 thousand in 1H2016), due to the adjustment of the investments in associated companies held by DOMS Industries Pvt Ltd (India), consolidated under the Equity method.

Note 32 - Income Taxes

They amount to Euro 7,588 thousand in 1H2017 (Euro 8,638 thousand in the first half of 2016) and concern current taxes for Euro 8,378 thousand (Euro 7,976 thousand in 2016) and net deferred tax income of Euro 790 thousand (a charge of Euro 662 thousand in 1H2016).

Note 32.A – Current Income Taxes

The breakdown is as follows.

Note 32.A - INCOME TAXES			
Euro thousands	**June 30, 2017**	**June 30, 2016**	**Change**
Current Income Taxes - Italy	(364)	(509)	145
Current Income Taxes - Foreign	(8,014)	(7,467)	(547)
Total	**(8,378)**	**(7,976)**	**(402)**

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 foreign taxes is illustrated below.

Note 32.A.1 - INCOME TAXES			
Euro thousands	June 30, 2017	June 30, 2016	Change
OMYACOLOR S.A. (France)	(674)	(702)	28
FILA Hispania S.L. (Spain)	(244)	(214)	(30)
DOMS Industries Pvt Ltd (India)	(844)	(911)	67
Licyn Mercantil Industrial LTDA (Brasil)	0	(38)	38
FILALYRA GB Ltd. (UK)	0	(38)	38
Fila Hellas SA (Greece)	(96)	(97)	1
Fila Polska Sp. Z.o.o (Polonia)	(56)	(16)	(40)
Fila Iberia S. L. (Spain)	(263)	0	(263)
Canson Brasil I.P.E. LTDA (Brasil)	(62)	0	(62)
Canson SAS (France)	(682)	0	(682)
Canson Inc. (USA)	(53)	0	(53)
Canson Qingdao Ltd. (Cina)	(76)	0	(76)
Dixon Ticonderoga Company (USA)	(3,823)	(3,846)	23
Beijing F.I.L.A.-Dixon Stationery Company Ltd. (Cgina)	0	(4)	4
Dixon Ticonderoga Inc. (Canada)	(156)	(170)	14
Grupo F.I.L.A.-Dixon, S.A. de C.V.(Mexico)	(495)	(674)	179
F.I.L.A. Chile Ltda (Chile)	(245)	0	(245)
FILA Argentina S.A. (Argentina)	(1)	(16)	15
FILA Dixon Stationery (Kunshan) Co., Ltd. (China)	(66)	(218)	152
FILA Dixon Art & Craft Yixing Co. Ltd (China)	(30)	(20)	(10)
Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG (Germany)	(110)	(212)	102
Lyra Bleistift-Fabrik Verwaltungs GmbH (Germany)	(1)	(1)	0
F.I.L.A. Nordic AB (Sweden)	(5)	(80)	75
PT. Lyra Akrelux (Indonesia)	(37)	0	(37)
FILA Benelux SA (Belgium)	5	(18)	23
Daler Rowney USA Ltd (USA)	0	(192)	192
Total	**(8,014)**	**(7,467)**	**(547)**

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 77 thousand) and the tax under Article 167 of Presidential Decree no. 917/1986 concerning "Controlled Foreign Companies" for Euro 66 thousand.

Note 32.B – Deferred Tax Income and Charges

The breakdown is provided below:

Note 32.B DEFERRED TAX INCOME AND EXPENSE			
Euro thousands	June 30, 2017	June 30, 2016	Change
Deferred Tax Charge	4,126	406	3,720
Deferred Tax Income	(3,336)	(1,068)	(2,268)
Total	**790**	**(662)**	**1,451**

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 Italian Civil Code, reference should be made to the procedure adopted by the Parent pursuant to the Regulation approved by Consob with resolution 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 first half of 2017:

F.I.L.A. GROUP RELATED PARTIES JUNE 30, 2017

		June 2017						June 2017					
		Statement of Financial Position						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	-	-	-	-	-	1,113	-	-	-	1,158	-	-
Studio Legale Salonia e Associati	Legal Consultancy	-	-	-	-	-	73	-	-	-	-	167	-
Studio Zucchetti	Tax & Administration Consultancy	-	-	-	-	-	42	-	-	-	-	74	-
Autogrill S.p.A.	Trade Supplier	-	-	-	-	-	2	-	-	-	2	-	-
Pynturas y Texturizados S.A. de C.V.	Trade Supplier	-	-	-	-	-	-	-	-	-	65	6	-
HR Trustee	Service Supplier	-	-	-	-	-	-	-	-	-	-	15	-
Totale		**-**	**-**	**-**	**-**	**-**	**1,230**	**-**	**-**	**-**	**1,225**	**262**	**-**

F.I.L.A. GROUP RELATED PARTIES JUNE 30, 2016

		December 2016						June 2016					
		Statement of Financial Position						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	-	-	-	-	-	450	-	-	-	854	-	-
Studio Legale Salonia e Associati	Legal Consultancy	-	-	-	-	-	67	-	-	-	-	131	-
Studio Zucchetti	Tax & Administration Consultancy	-	-	-	-	-	146	-	-	-	-	120	-
Beijing Majestic	Trade Supplier	12	-	-	-	-	138	-	-	-	-	-	-
Pynturas y Texturizados S.A. de C.V.	Trade Supplier	-	-	-	-	-	-	-	-	-	-	-	-
HR Trustee	Service Supplier	-	-	-	-	-	-	-	-	-	-	-	-
Totale		**12**	**-**	**-**	**-**	**-**	**802**	**-**	**-**	**-**	**854**	**252**	**-**

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.

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.

F.I.L.A. Group transactions with related parties refer to ordinary 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 usual transactions are those which, by their object or nature, are not outside the normal course of business of the F.I.L.A. Group and those which do not involve particular critical factors due to their characteristics or to the risks related to the nature of the counterparty or the time at which they are concluded; normal market conditions relate to transactions undertaken at standard Group conditions in similar situations.

On this basis, the exchange of goods, services and financial transactions between the various group companies were undertaken at competitive market conditions.

Attachment 2 - List of companies included in the consolidation and other equity 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[2]	Sweden	EU	2008	0.00%	50.00%	50.00%	Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG	Line-by-line	50.00%
FILA Stationary and Office Equipment Industry Ltd. Co.	Turckey	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	USA	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	Brasile	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 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%
DOMS Industries Pvt Ltd [3]	India	AS	2015	51.00%	0.00%	51.00%	FILA S.p.A.	Line-by-line	49.00%
Renoir Topco Ltd	UK	EU	2016	100.00%	0.00%	100.00%	FILA S.p.A.	Line-by-line	0.00%
Renoir Midco Ltd	UK	EU	2016	0.00%	100.00%	100.00%	Renoir Topco Ltd	Line-by-line	0.00%
Renoir Bidco Ltd	UK	EU	2016	0.00%	100.00%	100.00%	Renoir Midco Ltd	Line-by-line	0.00%
Daler Rowney Group Ltd	UK	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	Line-by-line	0.00%
Daler Rowney Ltd	UK	EU	2016	0.00%	100.00%	100.00%	Renoir Bidco Ltd	Line-by-line	0.00%
Longbeach Arts Ltd	UK	EU	2016	0.00%	100.00%	100.00%	Daler Rowney Group Ltd	Line-by-line	0.00%
Daler Board Company Ltd	UK	EU	2016	0.00%	100.00%	100.00%	Daler Rowney Group Ltd	Line-by-line	0.00%
Daler Holdings Ltd	UK	EU	2016	0.00%	100.00%	100.00%	Longbeach Arts Ltd	Line-by-line	0.00%
Daler Designs Ltd	UK	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	UK	EU	2016	0.00%	100.00%	100.00%	Daler Rowney Ltd	Line-by-line	0.00%
Rowney & Company Pencils Ltd	UK	EU	2016	0.00%	100.00%	100.00%	Daler Rowney Ltd	Line-by-line	0.00%
Rowney (Artists Brushes) Ltd	UK	EU	2016	0.00%	100.00%	100.00%	Daler Rowney Ltd	Line-by-line	0.00%
Daler Rowney USA Ltd	USA	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	UK	EU	2016	100.00%	0.00%	100.00%	FILA S.p.A.	Line-by-line	0.00%
St. Cuthberts Mill Limited	UK	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.	USA	NA	2016	100.00%	0.00%	100.00%	FILA S.p.A.	Line-by-line	0.00%
Canson Inc.	USA	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	Brasil	CSA	2016	0.19%	99.81%	100.00%	Canson SAS	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%	100.00%	Lodi 12 SAS	Line-by-line	0.00%
FILA Art Products AG	Switzerland	EU	2017	52.00%	0.00%	52.00%	FILA S.p.A.	Line-by-line	48.00%
Pioneer Stationery Pvt Ltd.	India	AS	2015	0.00%	51.00%	51.00%	DOMS Industries Pvt Ltd	Equity	49.00%
Uniwrite Pens and Plastics Pvt Ltd	Inida	AS	2016	0.00%	35.00%	35.00%	DOMS Industries Pvt Ltd	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- During 2017 the name of the indian company Writefine Products private Limited was changed in DOMS Industries Pvt Ltd

Atypical and/or unusual transactions

In accordance with Consob Communication of July 28, 2006, during 2017 the F.I.L.A. Group did not undertake any atypical and/or unusual transactions as defined by this communication, whereby atypical and/or unusual transactions refers to transactions which for size/importance, nature of the counterparties, nature of the transaction, method in determining the transfer price or time period (close to the 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 shareholders.

The Board of Directors
THE CHAIRMAN
Mr. Gianni Mion

Statement of the Manager in Charge and Corporate Bodies

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

August 3rd, 2017

Declaration of the Executive Officer and the Corporate Boards - F.I.L.A. S.p.A. Half-Year Report (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 compilation of the F.I.L.A. S.p.A. 2017 Half-Year Report.

The assessment of the adequacy of the administrative-accounting procedures for the preparation of the F.I.L.A. S.p.A. Half-Year Report at June 30, 2017 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 F.I.L.A. S.p.A. Half-Year Report at June 30, 2017:
   - is drawn up in conformity with the applicable international accounting standards recognised by the European Union in conformity with Regulation (CE) No. 1606/2002 of the European Parliament and the Commission of July 19, 2002;
   - correspond to the underlying accounting documents and records;
   - provide a true and fair view of the financial situation and results of the issuer and of the other companies in the consolidation scope.
2. The Interim Report at June 30, 2017 includes a reliable analysis of the significant events in the first six months of the year and their impact on the condensed half-year financial statements, with a description of the principal risks and uncertainties for the remaining six months. The Report also includes a reliable analysis of the information on significant transactions with related parties.

The Chief Executive Officer
Massimo Candela

The Executive Officer
for Financial Reporting
Stefano De Rosa

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Auditors' Report

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

Report on review of condensed interim consolidated financial statements

To the shareholders of
F.I.L.A. S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the F.I.L.A. Group comprising the statements of financial position, comprehensive income, changes in equity and cash flows and notes thereto as at and for the six months ended 30 June 2017. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

F.I.L.A. Group
Report on review of condensed interim consolidated financial statements
30 June 2017

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the F.I.L.A. Group as at and for the six months ended 30 June 2017 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 4 August 2017

KPMG S.p.A.

(signed on the original)

Domenico Bellini
Director of Audit

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