# F.I.L.A. GROUP

# 2018 HALF-YEAR REPORT

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

Via XXV Aprile 5 Pero (MI)

## Contents

# DIRECTORS' REPORT

# General Information

## Corporate Bodies

### Board of Directors

| | |
|---|---|
| Chairman | Gianni Mion |
| Honorary Chairman | Alberto Candela |
| Chief Executive Officer | Massimo Candela |
| Executive Director | Luca Pelosin |
| Director (**) | Filippo Zabban |
| Director (**) | Annalisa Barbera |
| Director (*) | Sergio Ravagli |
| Director (*)(***) | Gerolamo Caccia Dominioni |
| Director (*) | Francesca Prandstraller |
| Director (*) | Paola Bonini |

*(*) 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
Paola Bonini
Filippo Zabban
Sergio Ravagli

### Board of Statutory Auditors

| | |
|---|---|
| Chairman | Gianfranco Consorti |
| Statutory Auditor | Elena Spagnol |
| Standing Auditor | Pietro Villa |
| Alternate Auditor | Stefano Amoroso |
| Alternate Auditor | Sonia Ferrero |

### Independent Auditors

KPMG S.p.A.

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

The F.I.L.A. Group operates in the creativity tools market, producing 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, 2018 operates through 20 production facilities and 39 subsidiaries across the globe and employs approx. 9,000, becoming a pinnacle for creative solutions in many countries with brands such as GIOTTO, DAS, LYRA, Canson, Maimeri, Daler & Rowney Lukas, Ticonderoga, Pacon, Strathmore and Princeton.

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 non controlling interests 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.

In June 2018, F.I.L.A. S.p.A., through its US subsidiary Dixon Ticonderoga Co. (U.S.A.), consolidated its role as a leading player on the US market with the acquisition of the US Group Pacon, which through brands such as Pacon, Riverside, Strathmore and Princeton, is a US schools and Art&Crafts sector leader.

# 2018 Half-Year Report

## Key Financial Highlights

The F.I.L.A. Group key financial highlights for H1 2018 are reported below.

| *Euro thousands* | First Half of 2018 | % revenue | First Half of 2017 | % revenue | Change 2018 - 2017 | | Normalizations: *of which: IFRS 15 effect* [3] | Normalizations: *of which: IFRS 9 effect* [3] | Normalizations: *of which:* Non-Recurring Charges |
|---|---|---|---|---|---|---|---|---|---|
| Core Business Revenue | 259,140 | *100.0%* | 260,543 | *100.0%* | (1,403) | *-0.5%* | (2,844) | - | - |
| EBITDA [1] | 34,548 | *13.3%* | 38,988 | *15.0%* | (4,440) | *-11.4%* | (231) | - | (9,823) |
| EBIT | 23,491 | *9.1%* | 29,912 | *11.5%* | (6,421) | *-21.5%* | (231) | (878) | (9,823) |
| Net financial expense | (9,909) | *-3.8%* | (7,580) | *-2.9%* | (2,329) | *-30.7%* | 231 | - | (1,377) |
| Total income taxes | (7,599) | *-2.9%* | (7,588) | *-2.9%* | (11) | *-0.1%* | - | 221 | 963 |
| Profit Attributable to the Owners of Parent | 5,325 | *2.1%* | 14,038 | *5.4%* | (8,713) | *-62.1%* | - | (657) | (10,135) |
| *Earnings per share (€ cents)* | | | | | | | | | |
| *basic* | *0.13* | | *0.34* | | | | | | |
| *diluted* | *0.13* | | *0.33* | | | | | | |

| ***NORMALISED** - Euro thousands* | First Half of 2018 | % revenue | First Half of 2017 | % revenue | Change 2018 - 2017 | | *of which: Pacon Group* [4] |
|---|---|---|---|---|---|---|---|
| Core Business Revenue | 261,984 | *100.0%* | 260,543 | *100.0%* | 1,441 | *0.6%* | 16,302 |
| EBITDA [1] | 44,602 | *17.0%* | 43,846 | *16.8%* | 756 | *1.7%* | 3,120 |
| EBIT | 34,423 | *13.1%* | 34,770 | *13.3%* | (347) | *-1.0%* | 2,650 |
| Net financial expense | (8,763) | *-3.3%* | (8,570) | *-3.3%* | (193) | *-2.3%* | (598) |
| Total income taxes | (8,783) | *-3.4%* | (7,880) | *-3.0%* | (903) | *-11.5%* | (554) |
| Profit Attributable to the Owners of Parent | 16,117 | *6.2%* | 17,614 | *6.8%* | (1,497) | *-8.5%* | 1,498 |
| *Earnings per share (€ cents)* | | | | | | | |
| *basic* | *0.39* | | *0.43* | | | | |
| *diluted* | *0.38* | | *0.42* | | | | |

| *Euro thousands* | First Half of 2018 | First Half of 2017 | Change 2018 - 2017 |
|---|---|---|---|
| Cash Flows from operating activities | (44,825) | (51,039) | 6,214 |
| Investments | 10,252 | 8,445 | 1,807 |
| *% revenue* | *3.9%* | *3.2%* | |

| *Euro thousands* | June 30, 2018 | December 31, 2017 | Change 2018 - 2017 | *of which: IFRS 9 effect* [3] | *of which: Pacon Group* [4] |
|---|---|---|---|---|---|
| Net Invested Capital | 856,029 | 479,191 | 376,838 | (1,814) | 190,516 |
| Net Financial debt [4] | (612,657) | (239,614) | (373,043) | - | (86,735) |
| Equity | (243,372) | (239,577) | (3,795) | 1,814 | (103,781) |

*(1) The Gross Operating Profit (EBITDA) corresponds to the operating profit (loss) before amortisation and depreciation and impairment losses;*

*(2) Indicator of the net financial structure, calculated as the aggregate of the current and non-current financial liabilities, net of cash and cash equivalents and current financial assets and loans assets provided to third parties classified as non-current. 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 June 30, 2017 amount to Euro 3,331 thousand, of which Euro 271 thousand included in the calculation of the net financial position; therefore the F.I.L.A. Group financial indicator does not match, for this amount, net financial position as defined in the above-mentioned Consob communication. For further*

*(3) The Group has adopted IFRS 15 and IFRS 9 for the first time on January 1, 2018. According to first time adoption methods, the comparative information has not been restated. Please refer to the Annex - "Change of accounting standards - Impact of IFRS 15 and IFRS 9 on the consolidated financial statements" for more information about the effects related the*

*(4) Please refer to the Annex - "Business Combinations" for more information about the effects related the first consolidation of Pacon Group*

2018 Normalization:

- The Normalization to “Core Revenue” concerns the first-time adoption of IFRS 15, resulting in a reclassification which reduced revenue by Euro 2.8 million;
- The Normalization on H1 2018 “EBITDA” concerns non-recurring charges of approx. Euro 9.8 million, principally concerning extraordinary consultancies for the M&A in H1 2018 and, residually, from the application of IFRS 15 (Euro 0.2 million);
- The Normalization to “EBIT” relates to the first-time adoption in 2018 of IFRS 9 for Euro 0.9 million;
- The Normalization to Net financial expenses concerns fees and financial charges relating to the funding activities for the M&A undertaken in the period;
- The Normalization of the H1 2018 Profit attributable to the owners of the parent concerns the above-stated adjustments, net of the tax effect.

2017 Normalization:

- The Normalization of the H1 2017 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 Normalization of the financial items 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 Normalization of the H1 2017 Profit attributable to the owners of the parent concerns the above normalization, net of the tax effect.

# F.I.L.A Group Key Financial Highlights

The F.I.L.A. Group Key Financial Highlights for H1 2018 are reported below.

## Adjusted operating performance

The H1 2018 F.I.L.A. Group performance reports an increased EBITDA of 1.7% on H1 2017 (-0.9% excluding the M&A effect in the period).

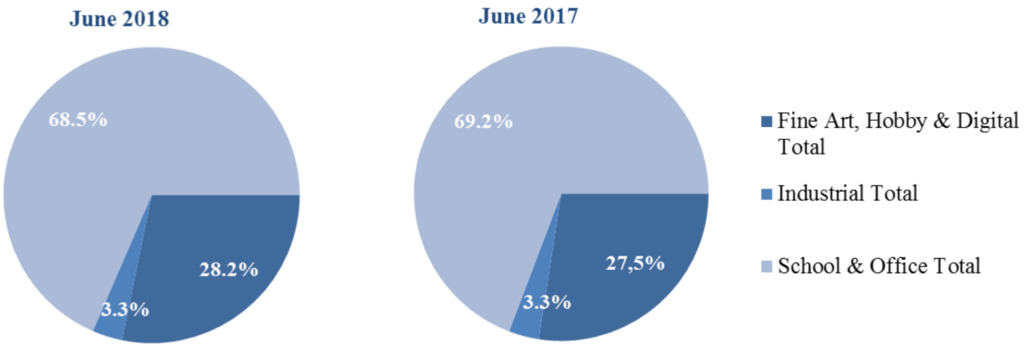
| ***NORMALIZED** - Euro thousands* | First Half of 2018 | % revenue | First Half of 2017 | % revenue | Change 2018 - 2017 | |
|---|---|---|---|---|---|---|
| Core Revenue | 261,984 | *100%* | 260,543 | *100%* | 1,441 | *0.6%* |
| Other Revenue and Income | 4,951 | | 11,977 | | (7,026) | *-58.7%* |
| **Total Revenue** | **266,935** | | **272,520** | | **(5,585)** | ***-2.0%*** |
| Total operating costs | (222,333) | *-84.9%* | (228,674) | *-87.8%* | 6,341 | *2.8%* |
| **EBITDA** | **44,602** | ***17.0%*** | **43,846** | ***16.8%*** | **756** | ***1.7%*** |
| Amortisation, depreciation and Impairment losses | (10,179) | *-3.9%* | (9,076) | *-3.5%* | (1,103) | *-12.2%* |
| **EBIT** | **34,423** | ***13.1%*** | **34,770** | ***13.3%*** | **(347)** | ***-1.0%*** |
| Net financial expense | (8,763) | *-3.3%* | (8,570) | *-3.3%* | (193) | *-2.3%* |
| **Pre-tax profit** | **25,660** | ***9.8%*** | **26,200** | ***10.1%*** | **(540)** | ***-2.1%*** |
| Total income taxes | (8,783) | *-3.4%* | (7,880) | *-3.0%* | (903) | *-11.5%* |
| **Profit for the Period - Continuing Operations** | **16,877** | ***6.4%*** | **18,320** | ***7.0%*** | **(1,443)** | ***-7.9%*** |
| **Net Profit** | **16,877** | ***6.4%*** | **18,320** | ***7.0%*** | **(1,443)** | ***-7.9%*** |
| Profit Attributable to Non Controlling Interests | 760 | *0.3%* | 706 | *0.3%* | 54 | *7.6%* |
| **Profit Attributable to the Owners of Parent** | **16,117** | ***6.2%*** | **17,614** | ***6.8%*** | **(1,497)** | ***-8.5%*** |

The main changes compared to H1 2017 are outlined below.

"Core Revenue" of Euro 261,984 thousand increased on the previous year by Euro 1,441 thousand (+0.6% on the same period of the previous year).

Organic growth was Euro 1,759 thousand (+0.7% on H1 2017), calculated net of negative currency effects of approx. Euro 16,620 thousand (mainly due to the weakening of the US Dollar, the Indian Rupee and the currencies of the Central-South American countries) and the M&A effect of approx. Euro 16,302 thousand. This growth principally relates to Asia for Euro 6,436 thousand (+20.7% and mainly relating to the Indian subsidiary), Central-South America for Euro 1,552 thousand (+5.2%, in particular Chile, Argentina and Brazil), and was partially offset by the revenue contraction in Europe of Euro 5,555 thousand (-4.6%, Italy and France), in North America of Euro 241 thousand (-0.3%) and in the Rest of the World for Euro 433 thousand (-16.6%, Australia).

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 4,951 thousand decreased on the previous year by Euro 7,026 thousand, mainly on the basis of reduced exchange rate gains on commercial operations.

"Operating Costs" in 2018 of Euro 222,333 thousand reduced by approx. Euro 6,341 thousand on 2017, mainly due to the weakening currencies of the main Group companies against the Euro and despite increased M&A related costs. Finally, raw material costs rose in the period - particularly for pulp, packaging and cedar wood - alongside higher transport costs (in particular in the U.S.A.) and overhead costs (in India and Mexico relating mainly to the expanded workforce and at F.I.L.A. S.p.A. for the introduction of SAP).

"EBITDA" amounted to Euro 44,602 thousand, increasing by Euro 756 thousand on 2017 (+1.7%). A contraction of 0.9% was reported at organic level, principally due to operating costs and the currency effects stated above.

Amortisation, depreciation and Impairment losses increased by Euro 1,103 thousand, principally due to larger losses on trade receivables in the period and the M&A effect.

Adjusted "Net Financial expenses" are substantially in line with the same period of the previous year.

Adjusted Group "Income taxes" amounted to Euro 8,783 thousand, increasing on H1 2017 by Euro 903 thousand.

Excluding Profit attributable to non-controlling interests, the F.I.L.A. Group adjusted net profit in H1 2018 was Euro 16,117 thousand, compared to Euro 17,614 thousand in the same period of 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 2018 and 2017 are reported below.

| | 2017 | | | | 2018 | | 2018 - Net of M&A Effects |
|---|---|---|---|---|---|---|---|
| *Euro thousands* | First 3 mth. 2017 | First 6 mth. 2017 | First 9 mth. 2017 | FY 2017 | First 3 mth. 2018 | First 6 mth. 2018 | First 6 mth. 2018 |
| **Core Revenue** | **117,613** | **260,543** | **391,548** | **510,354** | **104,796** | **259,140** | **242,838** |
| *Full year portion* | *23.05%* | *51.05%* | *76.72%* | *100.00%* | | | *100.00%* |
| **EBITDA** | **16,072** | **38,988** | **62,018** | **73,124** | **15,511** | **34,548** | **31,490** |
| *% core revenue* | *13.67%* | *14.96%* | *15.84%* | *14.33%* | *14.80%* | *13.33%* | *12.97%* |
| *Full year portion* | *21.98%* | *53.32%* | *84.81%* | *100.00%* | | | |
| **Normalized EBITDA** | **17,106** | **43,846** | **67,959** | **80,605** | **16,200** | **44,602** | **41,482** |
| *% core revenue* | *14.54%* | *16.83%* | *17.36%* | *15.79%* | *15.46%* | *17.21%* | *17.08%* |
| *Full year portion* | *21.22%* | *54.40%* | *84.31%* | *100.00%* | | | |
| **Net Financial Debt** | **(255,852)** | **(285,584)** | **(276,466)** | **(239,614)** | **(269,878)** | **(612,657)** | **NA** |

## Statement of Financial Position

The statement of financial position of the F.I.L.A. Group as at June 30, 2018 is reported below.

| Euro thousands | June 30, 2018 | December 31, 2017 | Change 2018 - 2017 |
|---|---|---|---|
| Intangible Assets | 423,810 | 208,091 | 215,719 |
| Property, plant and equipment | 97,774 | 88,355 | 9,419 |
| Financial Assets | 3,902 | 4,725 | (823) |
| **Net Fixed Assets** | **525,486** | **301,171** | **224,315** |
| **Other Assets/Non-Current Liabilities** | **15,126** | **15,564** | **(438)** |
| Inventories | 264,162 | 178,699 | 85,463 |
| Trade Receivables and Other Assets | 237,650 | 132,768 | 104,882 |
| Trade Paybles and Other Liabilities | (128,639) | (96,263) | (32,376) |
| Other Current Assets and Liabilities | (1,280) | 241 | (1,521) |
| **Net Working Capital** | **371,893** | **215,445** | **156,448** |
| **Provisions** | **(56,476)** | **(52,989)** | **(3,487)** |
| **Net Invested Capital** | **856,029** | **479,191** | **376,838** |
| **Equity** | **(243,372)** | **(239,577)** | **(3,795)** |
| **Net Financial Debt** | **(612,657)** | **(239,614)** | **(373,043)** |
| **Net Funding Sources** | **(856,029)** | **(479,191)** | **(376,838)** |

The “Net Invested Capital” of the F.I.L.A. Group at June 30, 2018 of Euro 856,029 thousand is principally comprised of “Net Fixed Assets” of Euro 525,486 thousand (increasing on December 31, 2017 by Euro 224,315 thousand) and the “Net Working Capital” totalling Euro 371,893 (increasing on December 31, 2017 by Euro 156,448 thousand).

“Intangible assets” increased on December 31, 2017 by Euro 215,719 thousand, mainly due to the change in the consolidation scope. The acquisition of the Pacon Group in fact contributed to the consolidated financial statements intangible assets of Euro 100,576 thousand and Goodwill generated by the transaction of Euro 114,265 thousand.

“Property, plant and equipment” increased on December 31, 2017 by Euro 9,419 thousand. This is due both to the acquisition of the Pacon Group (contribution at the consolidation date of Euro 7,777 thousand) and net investments made in the period of Euro 7,893 thousand, principally by DOMS Industries Pvt Ltd (India), Canson SAS (France), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and Daler Rowney Ltd (United Kingdom) to extend and develop production facilities and logistical offices. The variation is mainly offset by depreciation of Euro 5,712 thousand.

The reduction in "Financial Assets" on December 31, 2017 was Euro 823 thousand and principally concerned the settlement of derivatives (IRS) by the parent F.I.L.A. S.p.A. for Euro 1,053 thousand following the renegotiation of the underlying loan.

The increase in "Net Working Capital" of Euro 156,448 thousand relates to the following:

- "Inventories" - the increase of Euro 85,463 thousand is due both to inventories from the consolidation of the Pacon Group (contribution at the acquisition date of Euro 56,760 thousand) and the seasonality of the schools campaign business. 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. (Mexico) and DOMS Industries Pvt Ltd (India);
- "Trade Reveivables and Other Assets" - increasing Euro 104,882 thousand, due to the consolidation of the Pacon Group (contribution at the acquisition date of Euro 45,293 thousand) and 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 variation 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); in addition, "Trade Receivables and Other Liabilities" as per IFRS 9 reduced in adjustment to fair value by Euro 2,938 thousand;
- "Trade Payables and Other Liabilities" - increasing by Euro 32,376 thousand, principally due to the consolidation of the Pacon Group (contribution at the acquisition date of Euro 15,766 thousand) and 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 increase in "Provisions" on December 31, 2017 of Euro 3,487 thousand principally concerns the:

- Increase in "Provisions for Risks and Charges" of Euro 1,711 thousand, mainly due to the change in consolidation scope;
- Increase in "Deferred tax liabilities" of Euro 3,106 thousand, also mainly due to the acquisition of the Pacon Group, with a contribution at the consolidation date of Euro 4,359 thousand, in part offset by the gradual release of deferred taxes on amortisation and depreciation valued using the Purchase Price Allocation on prior period acquisitions;
- Reduction in "Employee benefits" of Euro 1,330 thousand, mainly due to the actuarial gains recorded in the period by the company Daler Rowney Ltd (United Kingdom).

The "Equity" of the F.I.L.A. Group, amounting to Euro 243,372 thousand, increased on December 31, 2017 by Euro 3,795 thousand. Net of the period profit of Euro 5,983 thousand (of which Euro 658 thousand concerning non-controlling interests) the residual variation principally concerns positive currency effects of Euro 2,325 thousand, the release of the reserves set up for fair value changes to derivatives recognized by F.I.L.A. S.p.A. for Euro 1,053 thousand, the fair value adjustment of derivative hedging instruments held by Canson SAS (negative for Euro 15 thousand), the increase in the “Share Based Premium” reserve of Euro 262 thousand, the increase in the IAS 19 reserve for Euro 1,216 thousand and the negative effects from application of IFRS 9 for Euro 1,157 thousand.

The F.I.L.A. Group “Net Financial Debt” at June 30, 2018 was a net debt of Euro 612,657 thousand, worsening by Euro 373,043 thousand on December 31, 2017. For greater details, reference should be made to the “Financial Overview” paragraph.

## Financial overview

The overview of the H1 2018 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, 2018 amount to Euro 612,657 thousand.

| | *Euro thousands* | June 30, 2018 | December 31, 2017 | Change 2018 - 2017 |
|---|---|---|---|---|
| A | Cash | 146 | 67 | 79 |
| B | Other cash equivalents | 38,620 | 38,491 | 129 |
| C | Securities held-for-trading | - | - | - |
| **D** | **Liquidity ( A + B + C)** | **38,766** | **38,558** | **208** |
| **E** | **Current Loan Assets** | **492** | **419** | **73** |
| F | Current bank loans and borrowings | (101,226) | (72,724) | (28,502) |
| G | Current portion of non-current debt | (27,193) | (18,710) | (8,483) |
| H | Other current loans and borrowings | (271) | (8,239) | 7,968 |
| **I** | **Current financial debt ( F + G + H )** | **(128,690)** | **(99,673)** | **(29,017)** |
| **J** | **Net current financial debt (I + E+ D)** | **(89,432)** | **(60,696)** | **(28,736)** |
| K | Non-current bank loans and borrowings | (522,358) | (178,420) | (343,938) |
| L | Bonds issued | - | - | - |
| M | Other non-current loans and borrowings | (1,138) | (504) | (634) |
| **N** | **Non-current financial debt ( K + L + M )** | **(523,496)** | **(178,924)** | **(344,572)** |
| **O** | **Net financial debt (J+N)** | **(612,928)** | **(239,620)** | **(373,308)** |
| **P** | **Loans issued to third parties** | **271** | **6** | **265** |
| **Q** | **Net financial debt (O + P) - F.I.L.A. Group** | **(612,657)** | **(239,614)** | **(373,043)** |

*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 271 thousand in relation to the non-current loans granted to third parties by Omyacolor S.A and Pacon Corporation*

*2) At June 30, 2018 there were no transactions with related parties which impacted the net financial debt.*

Compared to December 31, 2017 (debt of Euro 239,614 thousand), the Net Financial Debt worsening by Euro 373,043 thousand, as outlined below in the Statement of Cash Flows.

| *Euro thousands* | **First Half of 2018** | **First Half of 2017** |
|---|---|---|
| Operating Profit | 23,491 | 29,912 |
| Non Monetary Adjustments | 12,887 | 10,902 |
| Addition for income taxes | (6,539) | (4,850) |
| **Cash Flows from Operating Activities Before Changes in NWC** | **29,839** | **35,964** |
| **Change in NWC** | **(74,568)** | **(84,529)** |
| Change in Inventories | (26,623) | (19,048) |
| Change in Trade Receivables and Other Assets | (61,646) | (71,799) |
| Change in Trade Paybles and Other Liabilities | 15,755 | 6,648 |
| Change in Other Assets/Liabilities | (2,054) | (331) |
| **Net cash Flows from Operating Activities** | **(44,729)** | **(48,565)** |
| Investments in Property, Plant and Equipment and Intangible Assets | (10,252) | (8,445) |
| Interest Income | (92) | 44 |
| Equity Investments | (215,188) | 918 |
| **Net Cash Flows used in Investing Activities** | **(225,532)** | **(7,483)** |
| Change in Equity | (3,762) | (3,838) |
| Financial Expense | (11,436) | (4,441) |
| **Net Cash Flow used in Financing Activities** | **(15,198)** | **(8,279)** |
| Other changes | 833 | (396) |
| **Total Net Cash Flows** | **(284,627)** | **(64,723)** |
| Exchange Differences | (1,693) | 1,840 |
| NFP from M&A Transactions (Change in Consolidation Scope) | (86,724) | 736 |
| **Change in Net Financial Debt** | **(373,043)** | **(62,147)** |

"Net Cash Flows from Operating Activities" of Euro 44,729 thousand (cash flows used in H1 2017 of Euro 48,565 thousand) concerns:

- Euro 29,839 thousand (Euro 35,964 thousand in H1 2017) inflows from "Operating Profit", based on the difference of the "Value" and the "Costs of Cash Generation" and the remaining ordinary income components, excluding financial income /expense;
- Euro 74,568 thousand (Euro 84,529 thousand in H1 2017) outflows concerning "Working Capital" related to the seasonality of business and principally the increases both in inventories and "Trade Receivables and Other Assets".

"Net Cash Flows in Investing Activities" amount to Euro 225,532 thousand (Euro 7,483 thousand in H1 2017), of which:

- Acquisition of the Pacon Group by the US subsidiary Dixon Ticonderoga Company (U.S.A.) for Euro 215,188 thousand;
- Investments in Property, Plant and Equipment and Intangible Assets for Euro 10,252 thousand (Euro 8,445 thousand in H1 2017), mainly by DOMS Industries Pvt Ltd (India), Canson SAS (France), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and Daler Rowney Ltd (United Kingdom);

"Net Cash Flows in Financing Activities" amount to Euro 15,198 thousand (Euro 8,279 thousand in H1 2017), of which:

- Euro 11,436 thousand (Euro 4,441 thousand in H1 2017) concerning interest and other financial charges incurred by the Group companies concerning loans and credit lines granted, mainly concerning F.I.L.A. S.p.A. (Italy) and Dixon Ticonderoga Company (U.S.A.) with Euro 7,045 thousand of one-off charges concerning the new loan undertaken, and F.I.L.A. – Dixon, S.A. de C.V. (Mexico);
- Euro 3,762 thousand (Euro 3,838 thousand in H1 2017) from the distribution of dividends to F.I.L.A. S.p.A. shareholders and Group non-controlling interests.

Excluding the Exchange Rate effect from the translation of the net financial positions in currencies other than the Euro (outflows of Euro 1,693 thousand) and from the change in the consolidation scope (cash outflows of 86,724 thousand) the increase in the Net Financial Debt was therefore Euro 373,043 thousand (Euro 62,147 thousand in H1 2017).

"Net Liquidity" movements are reported below.

| *Euro thousands* | June 30, 2018 | December 31, 2017 |
|---|---|---|
| **Opening Cash and Cash Equivalents** | **20,425** | **53,973** |
| Cash and cash equivalents | 38,558 | 59,519 |
| Bank overdrafts | (18,133) | (5,546) |
| **Closing Cash and Cash Equivalents** | **26,173** | **20,425** |
| Cash and cash equivalents | 38,766 | 38,558 |
| Bank overdrafts | (12,593) | (18,133) |

## 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 reporting standards are in line with those utilised for the consolidated financial statements.

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

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

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

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

## Geographical Segments – Statement of Financial Position

The key statement of financial position figures for the F.I.L.A. Group by Geographical Segment, at June 30, 2018 and December 31, 2017, are reported below:

| **June 30, 2018**<br>*Euro thousands* | **Europe** | **North America** | **Central & South America** | **Asia** | **Rest of the World** | **Consolidation** | **F.I.L.A. Group** |
|---|---|---|---|---|---|---|---|
| Intangible Assets | 118,834 | 239,903 | 3,479 | 61,562 | 108 | (76) | 423,810 |
| Property, plant & equipment | 53,438 | 10,320 | 7,190 | 26,622 | 204 | | 97,774 |
| **Total Intangible and Property, Plant and Equipment Assets** | **172,272** | **250,223** | **10,669** | **88,185** | **312** | **(76)** | **521,584** |
| *of which Intercompany* | *(76)* | | | | | | |
| Inventories | 86,109 | 118,235 | 36,007 | 26,003 | 2,992 | (5,184) | 264,162 |
| Trade Receivables and Other Assets | 114,105 | 110,384 | 65,529 | 17,245 | 1,226 | (70,839) | 237,650 |
| Trade Payables and Other Liabilities | (97,988) | (58,796) | (18,908) | (19,157) | (3,076) | 69,286 | (128,639) |
| Other Current Assets and Liabilities | (894) | (450) | 404 | (507) | 167 | | (1,280) |
| **Net Working Capital** | **101,331** | **169,373** | **83,032** | **23,584** | **1,309** | **(6,737)** | **371,893** |
| *of which Intercompany* | *(4,566)* | *(1,280)* | *(529)* | *(204)* | *(157)* | | |
| **Net Financial Debt** | **(273,485)** | **(283,503)** | **(47,586)** | **(3,329)** | **(4,860)** | **106** | **(612,657)** |
| *of which Intercompany* | *106* | | | | | | |

| **December 31, 2017**<br>*Euro thousands* | **Europe** | **North America** | **Central - South America** | **Asia** | **Rest of the World** | **Consolidation** | **F.I.L.A. Group** |
|---|---|---|---|---|---|---|---|
| Intangible Assets | 124,612 | | 3,746 | 62,760 | 108 | (76) | 208,091 |
| Property, plant & equipment | 53,216 | 2,571 | 6,338 | 25,973 | 257 | | 88,355 |
| **Total Intangible and Property, Plant and Equipment Assets** | **177,828** | **19,512** | **10,084** | **88,733** | **365** | **(76)** | **296,446** |
| *of which Intercompany* | *(76)* | | | | | | |
| Inventories | 76,251 | 48,103 | 31,761 | 26,074 | 3,166 | (6,656) | 178,699 |
| Trade Receivables and Other Assets | 78,285 | 44,305 | 55,515 | 11,595 | 1,189 | (58,121) | 132,768 |
| Trade Payables and Other Liabilities | (89,969) | (24,226) | (21,166) | (16,324) | (2,858) | 58,280 | (96,263) |
| Other Current Assets and Liabilities | (277) | 1,077 | (411) | (148) | | | 241 |
| **Net Working Capital** | **64,290** | **69,259** | **65,699** | **21,197** | **1,497** | **(6,497)** | **215,445** |
| *of which Intercompany* | *(2,461)* | *(2,720)* | *(631)* | *(449)* | *(234)* | | |
| **Net Financial Debt** | **(181,937)** | **(22,207)** | **(28,537)** | **(2,571)** | **(4,479)** | **117** | **(239,614)** |
| *of which Intercompany* | *117* | | | | | | |

| **June 30, 2018**<br>**LIKE-FOR-LIKE CONSOLIDATION SCOPE**<br>*Euro thousands* | **Europe** | **North America** | **Central - South America** | **Asia** | **Rest of the World** | **Consolidation** | **F.I.L.A. Group** |
|---|---|---|---|---|---|---|---|
| Intangible Assets | 114,956 | 26,853 | 3,479 | 60,738 | 108 | (76) | 206,058 |
| Property, plant & equipment | 53,139 | 2,882 | 7,190 | 26,622 | 204 | | 90,037 |
| **Total Intangible and Property, Plant and Equipment Assets** | **168,095** | **29,734** | **10,669** | **87,360** | **312** | **(76)** | **296,095** |
| *of which Intercompany* | *(76)* | | | | | | |
| Inventories | 83,946 | 65,172 | 36,007 | 26,003 | 2,992 | (4,991) | 209,129 |
| Trade Receivables and Other Assets | 111,821 | 61,846 | 65,529 | 16,977 | 1,226 | (70,459) | 186,940 |
| Trade Payables and Other Liabilities | (96,868) | (42,565) | (18,908) | (18,988) | (3,076) | 68,905 | (111,500) |
| Other Current Assets and Liabilities | (529) | 686 | 404 | (467) | 167 | | 261 |
| **Net Working Capital** | **98,365** | **85,139** | **83,032** | **23,525** | **1,309** | **(6,545)** | **284,830** |
| *of which Intercompany* | *(4,566)* | *(1,087)* | *(529)* | *(204)* | *(157)* | | |
| **Net Financial Debt** | **(267,798)** | **(202,229)** | **(47,586)** | **(3,555)** | **(4,860)** | **106** | **(525,922)** |
| *of which Intercompany* | *106* | | | | | | |

## Geographical Segments – Income Statement

The "income statement" for the F.I.L.A. Group by Geographical Segment for H1 2018 and H1 2017 is reported below:

| First Half of 2018<br>*Euro thousands* | Europe | North America | Central - South America | Asia | Rest of the World | Consolidation | F.I.L.A. Group |
|---|---|---|---|---|---|---|---|
| Core Business Revenue | 147,947 | 92,300 | 43,703 | 55,223 | 2,111 | (82,142) | 259,140 |
| *of which Intercompany* | *(36,255)* | *(7,553)* | *(16,036)* | *(22,210)* | *(87)* | | |
| EBITDA | 10,326 | 14,246 | 2,237 | 6,440 | (284) | 1,583 | 34,548 |
| Net financial Income (Expense) | 4,459 | 2,419 | (3,206) | (183) | (435) | (12,964) | (9,909) |
| *of which Intercompany* | *(10,348)* | *(2,860)* | *157* | *-* | *88* | | |
| Profit (loss) for the Period | 6,008 | 12,303 | (1,904) | 2,763 | (776) | (12,413) | 5,983 |
| Profit (loss) Attributable to Non Controlling Interests | (30) | - | - | 730 | (42) | | 658 |
| Profit (loss) Attributable to the Owners of Parent | 6,038 | 12,303 | (1,904) | 2,033 | (734) | (12,413) | 5,325 |

| First Half of 2017<br>*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 Income (Expense) | 7,685 | 1,339 | (2,190) | (171) | (133) | (14,110) | (7,580) |
| *of which Intercompany* | *(11,447)* | *(2,817)* | *101* | *-* | *53* | | |
| Profit (loss) for the Period | 19,949 | 8,128 | (766) | 1,647 | (1,044) | (13,170) | 14,744 |
| Profit (loss) Attributable to Non Controlling Interests | 133 | - | - | 601 | (28) | | 706 |
| Profit (loss) Attributable to the Owners of Parent | 19,816 | 8,128 | (766) | 1,046 | (1,016) | (13,170) | 14,038 |

| First Half of 2018<br>LIKE-FOR-LIKE CONSOLIDATION SCOPE<br>*Euro thousands* | Europe | North America | Central - South America | Asia | Rest of the World | Consolidation | F.I.L.A. Group |
|---|---|---|---|---|---|---|---|
| Core Business Revenue | 147,454 | 76,500 | 43,703 | 55,212 | 2,111 | (82,142) | 242,838 |
| *of which Intercompany* | *(36,255)* | *(7,554)* | *(16,036)* | *(22,210)* | *(87)* | - | - |
| EBITDA | 10,001 | 11,513 | 2,237 | 6,440 | (284) | 1,583 | 31,490 |
| Net financial Income (Expense) | 4,607 | 2,867 | (3,206) | (183) | (435) | (12,961) | (9,311) |
| *of which Intercompany* | *(10,345)* | *(2,861)* | *157* | *-* | *88* | - | - |
| Profit (loss) for the Period | 5,900 | 10,957 | (1,904) | 2,766 | (776) | (12,410) | 4,533 |
| Profit (loss) Attributable to Non Controlling Interests | (30) | - | - | 730 | (42) | - | 658 |
| Profit (loss) Attributable to the Owners of Parent | 5,930 | 10,957 | (1,904) | 2,036 | (734) | (12,410) | 3,875 |

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

| First Half of 2018<br>*Euro thousands* | Europe | North America | Central - South America | Asia | Rest of the World | F.I.L.A. Group |
|---|---|---|---|---|---|---|
| Fine Art, Hobby & Digital | 39,047 | 28,483 | 2,556 | 2,263 | 1,418 | 73,767 |
| Industrial | 4,384 | 3,343 | 763 | 130 | 1 | 8,620 |
| School & Office | 68,776 | 52,404 | 24,348 | 30,620 | 604 | 176,753 |
| **Core Business Revenue** | **112,206** | **84,230** | **27,667** | **33,013** | **2,023** | **259,140** |

| First Half of 2017<br>*Euro thousands* | Europe | North America | Central - South America | Asia | Rest of the World | F.I.L.A. Group |
|---|---|---|---|---|---|---|
| Fine Art, Hobby & Digital | 38,302 | 27,614 | 1,584 | 2,305 | 1,689 | 71,494 |
| Industrial | 4,197 | 3,682 | 766 | 4 | 2 | 8,649 |
| School & Office | 77,384 | 45,878 | 27,503 | 28,716 | 919 | 180,399 |
| **Core Business Revenue** | **119,883** | **77,174** | **29,852** | **31,025** | **2,610** | **260,543** |

## Geographical Segments – Other Information

The “other information”, concerning investments in Property, Plant and Equipment and Intangible assets investments of Group companies by Geographical Segment for H1 2018 and H1 2017 is reported below:

| First Half of 2018<br>*Euro thousands* | Europe | North America | Central - South America | Asia | Rest of the World | F.I.L.A. Group |
|---|---|---|---|---|---|---|
| Intangible Assets | 2,502 | | 5 | 71 | 3 | 2,581 |
| Property, Plant and Equipment | 2,535 | 530 | 1,412 | 3,179 | 15 | 7,671 |
| **Net Investments** | **5,037** | **530** | **1,417** | **3,250** | **18** | **10,252** |

** Allocation by "Entity Location"*

| First Half of 2017<br>*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** | **18** | **8,445** |

** Allocation by "Entity Location"*

## Significant Events in the period

- On January 18, 2018, F.I.L.A. S.p.A., on the basis of strong operating and financial developments both at company and Group level, negotiated with the lending banks a number of amendments to the medium/long-term loan, taken out on May 12, 2016 for a total maximum amount of Euro 236,900 thousand and agreed with Intesa Sanpaolo S.p.A., Mediobanca – Banca di Credito Finanziario S.p.A., Banca Nazionale del Lavoro S.p.A. and UniCredit S.p.A..

  The amendments and supplements to the Loan Contract negotiated with the lending banks related to the approval of improved conditions and terms for the company and the other Group companies, both in terms of reducing the borrowing costs and with regard to lessening the commitments in terms of the associated financial documentation and covenants. In addition, these amendments included the undertaking by the company F.I.L.A. S.p.A. of an additional debt of a total maximum amount of Euro 30 million from Banca Popolare di Milano, maturing on February 2, 2022, increasing the total amount set out under the loan contract to Euro 266.9 million.

- On March 7, 2018, 51% of the share capital of FILA Art and Craft Ltd (Israel) was acquired, a company involved in the sale of F.I.L.A. Group writing, art and design products in Israel;

- On June 7, 2018, the acquisition of 100% of the shares of Pacon Holding Company ("Pacon") by the subsidiary Dixon Ticonderoga Company (U.S.A.) was completed at an Enterprise Value of USD 325 million, in addition to USD 15 million concerning tax benefits. For this purpose, on May 1, 2018 the vehicle company FILA Acquisition Company was incorporated, with registered office in Delaware (U.S.A.), held entirely by Dixon Ticonderoga Company (U.S.A.). Completion of the transaction was subject to antitrust approval as per the Hart-Scott-Rodino Antitrust Improvements Act in the United States of America, which was obtained on May 29, 2018.

  The Pacon acquisition is further testament to the Group's overseas market development commitment and further expands F.I.L.A on the world's largest market. With Pacon - in addition - the Group will be in a position to complete its color and paper segment offer with a broad and recognised portfolio of recreational - educational - creative products and tools targeting a highly diversified audience.

Pacon, founded in 1951, is a leading schools and arts & craft operator on the US market, headquartered in Appleton in the state of Wisconsin. The range of products includes over 8,500 items produced at 8 facilities located in the United States (3 in Appleton and 3 in Neenah, in the state of Wisconsin), in Great Britain (1 facility in the West Midlands) and in Canada (1 facility in Barrie, in the state of Ontario). The transaction was funded by a medium/long-term bank loan obtained from a syndicate comprising Mediobanca - Banca di Credito Finanziario S.p.A., UniCredit S.p.A., Banca IMI S.p.A., Banco BPM S.p.A. and Banca Nazionale del Lavoro S.p.A., for a total amount of Euro 520 million, including also the refinancing of the existing FILA S.p.A. debt, accompanied by a Euro 50 million revolving line to cover any needs generated by Group working capital. Euro 150 million of the medium/long-term loan shall be repaid according to a 5-year settlement plan, with the residual settled through a single instalment (of which Euro 125 million with maturity at 5 years and Euro 245 million with maturity at 6 years). Interest matures on the loan at Euribor/LIBOR at 3 months, respectively for the amounts issued in Euro and USD. The Board of Directors, in order to optimise the capital structure, also submitted for the approval of the Shareholders' Meeting of F.I.L.A. S.p.A. a share capital increase for a maximum Euro 100 million (including any share premium), by way of a rights offering with pre-emption rights and earmarked for the early repayment of Group debt. Mediobanca - Banca di Credito Finanziario S.p.A. and UniCredit Corporate & Investment Banking will act as Joint Global Coordinator and Joint Bookrunner for the planned share capital increase and have signed a pre-underwriting agreement by which they have committed, in accordance with typical market conditions, to underwrite the subscription of any newly issued shares remaining unopted on conclusion of the auctioning of unopted rights for a maximum amount equal to the value of the share capital increase. Pacon Group H1 2018 revenues were USD 125.9 million, with adjusted EBITDA of USD 20.6 million. These figures, provided by Pacon management and not approved by F.I.L.A.'s Board of Directors or management, nor subject to audit or other checks by the latter, were included in the statement of cash flows for the period only from the acquisition date and therefore respectively for only Euro 16.3 million and Euro 3.1 million.

## Subsequent events

On July 31, 2018, F.I.L.A. and Dixon Ticonderoga Company (U.S.A.) chose to hedge interest rates on Euro 420 million of a total Euro 520 million loan undertaken for the acquisition of the Pacon Group through Interest Rate Swaps (IRS), running from June 29, 2016 and concluding on loan maturity. The IRS contract was undertaken with the same lending banks and swaps the Euribor at 3 months for the

Euro denominated borrowings and the LIBOR at 3 months for the amount issued in Dollars with a fixed rate. The margin paid on the variable rates is not hedged.

## Outlook

Management will closely focus again in the second half of 2018 on the production, commercial, logistics and IT level integration of the recently-acquired entities, which hinges on the introduction of SAP at the main Group companies and the restructuring of some of the principal Group warehouses - including for example the establishment of a centralised European distribution Hub.

Scheduled investments for the current year concern new plant and production machinery and industrial equipment and the rolling out of the SAP system as per the Road Map.

## Related party transactions

Related party transactions, including inter-company transactions, were not atypical or unusual and were part of ordinary Group company operations. These transactions are governed at normal market conditions. Disclosure on related party transactions in the period is provided in the Notes to the Condensed Interim Consolidated Financial Statements, to which reference should be made.

# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2018

# Condensed Interim Consolidated Financial Statements as at and for the six months ended June 30, 2018

## Consolidated Financial Statements

### Condensed Consolidated Statement of Financial Position

| *Euro thousands* | | June 30, 2018 | December 31, 2017 |
|---|---|---|---|
| **Assets** | | **1,094,601** | **675,970** |
| **Non-Current Assets** | | **540,973** | **316,837** |
| Intangible Assets | Note 1 | 423,810 | 208,091 |
| Property, Plant and Equipment | Note 2 | 97,774 | 88,355 |
| Non-Current Loan Assets | Note 3 | 3,331 | 3,918 |
| Equity Accounted Investments | Note 4 | 811 | 782 |
| Other Investments | Note 5 | 31 | 31 |
| Deferred Tax Assets | Note 6 | 15,216 | 15,660 |
| **Current Assets** | | **553,628** | **359,133** |
| Current Loan Assets | Note 3 | 492 | 419 |
| Current Tax Assets | Note 7 | 12,558 | 8,689 |
| Inventories | Note 8 | 264,162 | 178,699 |
| Trade Receivables and Other Assets | Note 9 | 237,650 | 132,768 |
| Cash and Cash Equivalents | Note 10 | 38,766 | 38,558 |
| **Liabilities and Equity** | | **1,094,601** | **675,970** |
| **Equity** | Note 12 | **243,372** | **239,577** |
| Share Capital | | 37,261 | 37,261 |
| Reserves | | 27,558 | 23,872 |
| Retained Earnings | | 148,939 | 138,049 |
| Profit for the period/year | | 5,325 | 15,767 |
| **Equity Attributable to the Owners of the Parent** | | **219,083** | **214,949** |
| **Equity Attributable to Non Controlling Interests** | | **24,289** | **24,628** |
| **Non-Current Liabilities** | | **575,834** | **229,092** |
| Non-Current Loan and Borrowings | Note 13 | 523,446 | 178,889 |
| Financial Instruments | Note 17 | 50 | 35 |
| Employee Benefits | Note 14 | 7,406 | 8,736 |
| Provisions for Risks and Charges | Note 15 | 2,495 | 2,095 |
| Deferred Tax Liabilities | Note 16 | 42,347 | 39,241 |
| Other Liabilities | Note 19 | 90 | 96 |
| **Current Liabilities** | | **275,395** | **207,301** |
| Current Loan and Borrowings | Note 13 | 128,690 | 99,673 |
| Provisions for Risks and Charges | Note 15 | 4,228 | 2,917 |
| Current Tax Liabilities | Note 18 | 13,838 | 8,448 |
| Trade Payables and Other Liabilities | Note 19 | 128,639 | 96,263 |

## Statement of Comprehensive Income

| *Euro thousands* | | First Half of 2018 | First Half of 2017 |
|---|---|---|---|
| Revenue from Sales and Service | Note 20 | 259,140 | 260,543 |
| Other Revenue and Income | Note 21 | 4,951 | 11,977 |
| **Total Revenue** | | **264,091** | **272,520** |
| Raw Materials, Consumables Supplies and Goods | Note 22 | (130,607) | (126,130) |
| Services and use of Third Parties Assets | Note 23 | (65,836) | (58,658) |
| Other Operating Costs | Note 24 | (5,949) | (13,245) |
| Change in Raw Materials, Semi-Finished, Work-in-progress & Finished Prod. | Note 22 | 27,135 | 20,187 |
| Personnel expense | Note 25 | (54,286) | (55,686) |
| Amortisation & Depreciation | Note 26 | (9,468) | (8,870) |
| Impairment Losses | Note 27 | (1,589) | (206) |
| **Total Operating Costs** | | **(240,600)** | **(242,608)** |
| **Operating Profit** | | **23,491** | **29,912** |
| Financial Income | Note 28 | 4,151 | 1,838 |
| Financial Expense | Note 29 | (14,120) | (9,413) |
| Income/Expense from Equity - Accounted Investments | Note 31 | 60 | (5) |
| **Net Financial Expense** | | **(9,909)** | **(7,580)** |
| **Pre-Tax Profit** | | **13,582** | **22,332** |
| Income Taxes | | (7,245) | (8,378) |
| Deferred Taxes | | (354) | 790 |
| **Income Taxes** | Note 32 | **(7,599)** | **(7,588)** |
| **Profit - Continuing Operations** | | **5,983** | **14,744** |
| **Profit (loss) - Discontinued Operations** | | **-** | **-** |
| **Profit for the Period** | | **5,983** | **14,744** |
| *Attributable to:* | | | |
| **Non-controlling interests** | | **658** | **706** |
| **Owners of the parent** | | **5,325** | **14,038** |
| **Other Comprehensive Income (Expense) which may be reclassified subsequently to profit or loss** | | **1,257** | **(7,564)** |
| Translation Difference recorded in Equity | | 2,325 | (8,423) |
| Adjustment Fair value of Hedges | | (1,068) | 859 |
| **Other Comprehensive Income (Expense) which may not be reclassified subsequently to profit or loss** | | **1,216** | **746** |
| Actuarial Gains for Employee Benefits recorded directly in Equity | | 1,456 | 1,016 |
| Income Taxes on income and charges recorded directly in Equity | | (240) | (270) |
| **Other Comprehensive Income (Expense) - Net of tax effect** | | **2,473** | **(6,818)** |
| **Comprehensive Income** | | **8,456** | **7,926** |
| *Attributable to:* | | | |
| **Non-controlling interests** | | **(297)** | **101** |
| **Owners of the parent** | | **8,753** | **7,825** |
| **Earnings per share:** | | | |
| | *basic* | *0.13* | *0.34* |
| | *diluted* | *0.13* | *0.33* |

# Statement of Changes in Equity

| *Euro thousands* | Share capital | Legal Reserve | Share Premium Reserve | IAS 19 Reserve | Other Reserves | Translation Difference | Retained Earnings | Profit/(loss) Attributable to the Owners of the Parent | Equity Attributable to the Owners of the Parent | Attributable to Non Controlling Interests Capital and Reserves | Attributable to Non Controlling Interests Non-Control. Int. Profit/Loss | Equity Attributable to Non Controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **December 31, 2017** | **37,261** | **7,434** | **65,349** | **(1,671)** | **(20,404)** | **(26,836)** | **138,049** | **15,767** | **214,949** | **23,028** | **1,600** | **24,628** | **239,577** |
| Adjustment at first application of IFRS 15 (net of taxes) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Adjustment at first application of IFRS 9 (net of taxes) | - | - | - | - | - | - | (1,157) | - | (1,157) | - | - | - | (1,157) |
| **January 1, 2018 restated** | **37,261** | **7,434** | **65,349** | **(1,671)** | **(20,404)** | **(26,836)** | **136,892** | **15,767** | **213,792** | **23,028** | **1,600** | **24,628** | **238,420** |
| Net Profit | | | | | | | | 5,325 | 5,325 | | 658 | 658 | 5,983 |
| Other Changes in the period | | | | 1,221 | (808) | 3,273 | | | 3,686 | (955) | | (955) | 2,731 |
| **Gains/(losses) recorded directly to equity** | - | - | - | **1,221** | **(808)** | **3,273** | - | **5,325** | **9,011** | **(955)** | **658** | **(297)** | **8,714** |
| Allocation of the 2017 result | | | | | | | 15,767 | (15,767) | - | 1,600 | (1,600) | - | - |
| Dividends | | | | | | | (3,720) | | (3,720) | (42) | | (42) | (3,762) |
| **June 30, 2018** | **37,261** | **7,434** | **65,349** | **(450)** | **(21,212)** | **(23,563)** | **148,939** | **5,325** | **219,083** | **23,631** | **658** | **24,289** | **243,372** |

## Statement of Cash Flows

| *Euro thousands* | | First Half of 2018 | First Half of 2017 |
|---|---|---|---|
| **Operating Profit** | | **23,491** | **29,912** |
| **Non-Monetary and Other Adjustments:** | | **14,925** | **12,434** |
| Amortisation & Depreciation | Note 1 - 2 | 9,468 | 8,870 |
| Reversal of (Impairment Losses) on Intangible Assets and Property, Plant and Equipment | Note 1 - 2 | 7 | 32 |
| Allowance for Impairment and Inventory Write-Down | Note 9 | 1,071 | 174 |
| Accruals for Post Employment and Other Employees Benefits | | 1,587 | 1,875 |
| Provision for Risks and Charges | | 1,011 | - |
| Net Exchange Rate Gains (losses) on Foreign Currency Trade Receivables and Payables | Note 24 | 2,037 | 1,532 |
| Net Losses on the Sale of Intangible Assets and Property, Plant and Equipment | Note 21 - 24 | (256) | (50) |
| **Addition for:** | | **(8,673)** | **(8,855)** |
| Income Taxes Paid | Note 7 - 18 | (6,540) | (4,850) |
| Net Unrealised Exchange Rate Gain (Losses) on Assets and Liabilities in Foreign Currency | Note 28 - 29 | (3,162) | (1,705) |
| Net Realised Exchange Rate Gains (losses) on Assets and Liabilities in Foreign Currency | Note 28 - 29 | 1,029 | (2,300) |
| **Cash Flows from Operating Activities Before Changes in NWC** | | **29,743** | **33,491** |
| **Changes in Net Working Capital:** | | **(74,568)** | **(84,529)** |
| Change in Inventories | Note 8 | (26,623) | (19,048) |
| Change in Trade Receivables and Other Assets | Note 9 | (61,647) | (71,799) |
| Change in Trade Payables and Other Liabilities | Note 19 | 15,755 | 6,648 |
| Change in Other Assets/Liabilities | Note 15 - 16 - 6 | (906) | 713 |
| Change in Post Employment and Other Employee Benefits | Note 14 | (1,147) | (1,043) |
| **Net Cash Flows from Operating Activities** | | **(44,825)** | **(51,039)** |
| Net Increase in Intangible Assets | Note 1 | (2,581) | (329) |
| Net Increase in Property, Plant and Equipment | Note 2 | (7,671) | (8,116) |
| Net Increase in Equity-Accounted Investments, Net Profi (Losses) and Impairment Losses | | - | (65) |
| Net Increase/Decrease in Equity Investments measured at Cost | Note 5 | (215,188) | 985 |
| Net Increase in Other Financial Assets | Note 3 | (93) | 303 |
| Interests | | (92) | 44 |
| **Net Cash Flows used in Investing Activities** | | **(225,625)** | **(7,178)** |
| Change in Equity | Note 12 | (3,762) | (3,838) |
| Interests Paid | Note 29 | (11,436) | (4,441) |
| Net Increase/Decrease Loans and Borrowings and Other Financial Liabilities | Note 13 | 379,827 | 14,602 |
| **Cash Flows from Financing Activities** | | **364,629** | **6,323** |
| Translation difference | Note 12 | 2,325 | (8,423) |
| Other Non-Monetary Equity Changes | | (4,033) | 13,450 |
| **NET CASH FLOW IN THE YEAR** | | **92,456** | **(46,867)** |
| Cash and Cash Equivalents net of Bank Overdrafts at beginning of the period | | 20,426 | 53,973 |
| Cash and Cash Equivalents net of Bank Overdrafts at beginning of the period (change in consolidation scope) | | (86,724) | (39) |
| **Cash and Cash Equivalents net of Bank Overdrafts at end of the year** | | **26,173** | **7,067** |

1. *Cash and cash equivalents in H1 2018 totalled Euro 38,766 thousand; current account overdrafts amounted to Euro 12,593 thousand net of relative interest.*
2. *Cash and cash equivalents in H1 2017 totalled Euro 29,608 thousand; current account overdrafts amounted to Euro 22,541 thousand net of relative interest.*
3. *The cash flows are presented using the indirect method. In order to provide a more complete and accurate presentation of the individual cash flows, the effects of non-cash operations were separated (including the translation of statement of financial position items in currencies other than the Euro), where significant. These effects were combined and included in "Other Non-Monetary Changes".*

| *Euro thousands* | June 30, 2018 | December 31, 2017 |
|---|---|---|
| **Opening Cash and Cash Equivalents** | **20,425** | **53,973** |
| Cash and cash equivalents | 38,558 | 59,519 |
| Bank overdrafts | (18,133) | (5,546) |
| **Closing Cash and Cash Equivalents** | **26,173** | **20,425** |
| Cash and cash equivalents | 38,766 | 38,558 |
| Bank overdrafts | (12,593) | (18,133) |

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

| *Euro thousands* | | June 30, 2018 | *of which:* Related Parties | December 31, 2017 | *of which:* Related Parties |
|---|---|---|---|---|---|
| **Assets** | | **1,094,601** | **-** | **675,970** | **-** |
| **Non-Current Assets** | | **540,973** | **-** | **316,837** | **-** |
| Intangible Assets | Note 1 | 423,810 | | 208,091 | |
| Property, Plant and Equipment | Note 2 | 97,774 | | 88,355 | |
| Non-Current Loan Assets | Note 3 | 3,331 | | 3,918 | |
| Equity Accounted Investments | Note 4 | 811 | | 782 | |
| Other Investments | Note 5 | 31 | | 31 | |
| Deferred Tax Assets | Note 6 | 15,216 | | 15,660 | |
| **Current Assets** | | **553,628** | **-** | **359,133** | **-** |
| Current Loan Assets | Note 3 | 492 | | 419 | |
| Current Tax Assets | Note 7 | 12,558 | | 8,689 | |
| Inventories | Note 8 | 264,162 | | 178,699 | |
| Trade Receivables and Other Assets | Note 9 | 237,650 | | 132,768 | |
| Cash and Cash Equivalents | Note 10 | 38,766 | | 38,558 | |
| **Liabilities and Equity** | | **1,094,601** | **1,312** | **675,970** | **1,191** |
| **Equity** | Note 12 | **243,372** | **-** | **239,577** | **-** |
| Share Capital | | 37,261 | | 37,261 | |
| Reserves | | 27,558 | | 23,872 | |
| Retained Earnings | | 148,939 | | 138,049 | |
| Profit for the period/year | | 5,325 | | 15,767 | |
| **Equity Attributable to the Owners of the Parent** | | **219,083** | | **214,949** | |
| **Equity Attributable to Non Controlling Interests** | | **24,289** | | **24,628** | |
| **Non-Current Liabilities** | | **575,834** | **-** | **229,092** | **-** |
| Non-Current Loan and Borrowings | Note 13 | 523,446 | | 178,889 | |
| Financial Instruments | Note 17 | 50 | | 35 | |
| Employee Benefits | Note 14 | 7,406 | | 8,736 | |
| Provisions for Risks and Charges | Note 15 | 2,495 | | 2,095 | |
| Deferred Tax Liabilities | Note 16 | 42,347 | | 39,241 | |
| Other Liabilities | Note 19 | 90 | | 96 | |
| **Current Liabilities** | | **275,395** | **1,312** | **207,301** | **1,191** |
| Current Loan and Borrowings | Note 13 | 128,690 | | 99,673 | |
| Provisions for Risks and Charges | Note 15 | 4,228 | | 2,917 | |
| Current Tax Liabilities | Note 18 | 13,838 | | 8,448 | |
| Trade Payables and Other Liabilities | Note 19 | 128,639 | 1,312 | 96,263 | 1,191 |

# Condensed Statement Comprehensive Income with indication of Related Parties transactions pursuant to CONSOB resolution No. 15519 of July 27, 2006

| *Euro thousands* | | First Half of 2018 | *of which:* Related Parties | *of which:* Non-Recurring Charges | First Half of 2017 | *of which:* Related Parties | *of which:* Non-Recurring Charges |
|---|---|---|---|---|---|---|---|
| Revenue from Sales and Service | Note 20 | 259,140 | | | 260,543 | | |
| Other Revenue and Income | Note 21 | 4,951 | | | 11,977 | | |
| **Total Revenue** | | **264,091** | | | **272,520** | | |
| Raw Materials, Consumables Supplies and Goods | Note 22 | (130,607) | (1,438) | | (126,130) | (1,225) | |
| Services and use of Third Parties Assets | Note 23 | (65,836) | (315) | (8,633) | (58,658) | (262) | (1,027) |
| Other Operating Costs | Note 24 | (5,949) | | (50) | (13,245) | | (243) |
| Change in Raw Materials, Semi-Finished, Work-in-progress & Finished Prod. | Note 22 | 27,135 | | | 20,187 | | |
| Personnel expense | Note 25 | (54,286) | | (1,140) | (55,686) | | (3,588) |
| Amortisation & Depreciation | Note 26 | (9,468) | | | (8,870) | | |
| Impairment Losses | Note 27 | (1,589) | | | (206) | | |
| **Total Operating Costs** | | **(240,600)** | | | **(242,608)** | | |
| **Operating Profit** | | **23,491** | | | **29,912** | | |
| Financial Income | Note 28 | 4,151 | | 1,433 | 1,838 | | 990 |
| Financial Expense | Note 29 | (14,120) | | (2,810) | (9,413) | | |
| Income/Expense from Equity - Accounted Investments | Note 31 | 60 | | | (5) | | |
| **Net Financial Expense** | | **(9,909)** | | | **(7,580)** | | |
| **Pre-Tax Profit** | | **13,582** | | | **22,332** | | |
| Income Taxes | | (7,245) | | 963 | (8,378) | | 292 |
| Deferred Taxes | | (354) | | | 790 | | |
| **Income Taxes** | Note 32 | **(7,599)** | | | **(7,588)** | | |
| **Profit - Continuing Operations** | | **5,983** | | | **14,744** | | |
| **Profit (loss) - Discontinued Operations** | | **-** | | | **-** | | |
| **Profit for the Period** | | **5,983** | | | **14,744** | | |
| *Attributable to:* | | | | | | | |
| **Non-controlling interests** | | **658** | | **102** | **706** | | |
| **Owners of the parent** | | **5,325** | | | **14,038** | | |
| **Other Comprehensive Income (Expense) which may be reclassified subsequently to profit or loss** | | **1,257** | | | **(7,564)** | | |
| Translation Difference recorded in Equity | | 2,325 | | | (8,423) | | |
| Adjustment Fair value of Hedges | | (1,068) | | | 859 | | |
| **Other Comprehensive Income (Expense) which may not be reclassified subsequently to profit or loss** | | **1,216** | | | **746** | | |
| Actuarial Gains for Employee Benefits recorded directly in Equity | | 1,456 | | | 1,016 | | |
| Income Taxes on income and charges recorded directly in Equity | | (240) | | | (270) | | |
| **Other Comprehensive Income (Expense) - Net of tax effect** | | **2,473** | | | **(6,818)** | | |
| **Comprehensive Income** | | **8,456** | | | **7,926** | | |
| *Attributable to:* | | | | | | | |
| **Non-controlling interests** | | **(297)** | | | **101** | | |
| **Owners of the parent** | | **8,753** | | | **7,825** | | |
| **Earnings per share:** | | | | | | | |
| *basic* | | *0.13* | | | *0.34* | | |
| *diluted* | | *0.13* | | | *0.33* | | |

# Notes

## 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 company limited by shares 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. These condensed interim consolidated financial statements at June 30, 2018 include the financial statements of the company and its subsidiaries (collectively, the "Group").

The Condensed Interim Consolidated Financial Statements of the F.I.L.A. Group were prepared in accordance with IAS 34 Interim Financial 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 2017 Annual Consolidated Financial Statements ("latest financial statements"). Although not presenting all the information required for complete financial statement disclosure, specific notes are included outlining the events and transactions central to understanding the changes to the F.I.L.A. Group's statement of financial position and performance since the latest financial statements.

These condensed interim consolidated financial statements are presented in Euro, as the functional currency in which the Group operates and comprise the Consolidated Statement of Financial Position, in which assets and liabilities are classified under current and non-current, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and the these Notes and are accompanied by the Directors' Report.
All amounts reported in the Statement of Financial Position, the Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Statement of Changes in Equity and in these 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 policies

Except for that stated below, these Condensed Interim Consolidated Financial Statements were prepared according to the same accounting policies used for the preparation of the F.I.L.A. Group 2017 Consolidated Annual Financial Statements.

The Group adopted IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments from January 1, 2018. The other new standards entering into force from January 1, 2018 did not have significant impacts on the Group's consolidated financial statements.

The changes to the accounting policies will impact also the Group's consolidated financial statements as at and for the year ending December 31, 2018.

## Accounting standards, amendments and interpretations applied from January 1, 2018

### IFRS 15 Revenue from Contracts with Customers

IFRS 15 introduces a single general model to establish whether, when and to what extent to recognise revenue. The standard replaces IAS 18 Revenues, IAS 11 Construction contracts and the relative interpretations.

On first-time application, IFRS 15 must be applied retrospectively. A number of simplifications are however permitted, in addition to an alternative 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 open equity of the period of first-time application of IFRS 15.

The Group applied IFRS 15 retrospectively with cumulative effect (without the adoption of practical expedients) at the date of first-time application (January 1, 2018). Therefore, the 2017 figures were not restated i.e. they were presented as per IAS 18, IAS 11 and the relative interpretations. Reference should be made to "Attachment 3 - Changes to accounting standards" for further details on the effects from application of IFRS 15.

### IFRS 9 – Financial instruments

The standard, issued by the IASB in July 2014 and endorsed 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 hedge accounting. In addition, the standard includes provisions for the recognition and derecognition of financial instruments in line with the current IAS 39.

The Group applied IFRS 9 at the date of first-time application (January 1, 2018).

The analysis carried out in implementation of IFRS 9 concerned the valuation of the Expected Credit Losses of trade receivables, of tax receivables, of other receivables and of cash and cash equivalents.

Reference should be made to “Attachment 3 - Changes to accounting standards” for further details on the effects from application of IFRS 9.

### 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 preparation.

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

In June 2016, the IASB published amendments to IFRS 2 “Classification and measurement of share-based payment transactions” which contains clarifications upon the recognition of the effects of vesting conditions in the presence of cash-settled share-based payments, on the classification of share-based payments with characteristics of net settlement and the recognition of the amendments to the terms and conditions of a share-based payment which changes the classification from cash-settled to equity-settled.

### 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.

### IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB published the "IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration" document. The interpretation provides guidelines for transactions in foreign currencies where advances or non-monetary payments on account are recorded in the financial statements, before the recognition of the relative asset, cost or revenue. This document provides 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.

### 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.
- 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 at fair value through profit or loss (rather than through application of the equity method) is applied for each individual investment on initial recognition.

### Accounting standards, amendments and interpretations endorsed by the EU and applicable from January 1, 2018

### Amendment to IFRS 9 Financial instruments: "Prepayment Features with Negative Compensation"

In October 2017, the IASB published amendments to IFRS 9 Prepayment Features with Negative Compensation. The amendment proposes that financial instruments repaid early, which may give rise to negative offsetting, may apply the amortised cost or fair value through other comprehensive income method depending on the business model adopted. The amendments will be applicable from periods beginning January 1, 2019.

### IFRS 16 – Leases

The standard, published by the IASB in January 2016, proposes substantial changes to the accounting treatment of leases in the lessee's financial statements, which must recognise the assets and liabilities deriving from contracts, without distinction between operating and finance 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 leases 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.

The Group is undertaking analysis to define and assess the potential effects from application of IFRS 16 on the consolidated financial statements.

### Accounting standards, amendments and interpretations not yet endorsed by the EU and applicable from January 1, 2018

#### 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 will be applicable from periods beginning January 1, 2019, although early application is permitted.

#### Amendment to IAS 28 Investments in associates: Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9 is applied to long-term receivables from an associate or joint venture which, in substance, are part of the net investment in the associate or joint venture. The amendment in addition establishes that IFRS 9 is applied to these receivables before the application of IAS 28, so that the entity does not take account of any adjustments to long-term interests from application of the above IAS. The amendments will be applicable from periods beginning January 1, 2019, although early application is permitted.

### Improvements to IFRS: 2015-2017 Cycle

In December 2017, the IASB published the "Improvements to IFRS: Cycle 2015-2017" document, with the principal amendments concerning:

- IFRS 3 - Business Combination and IFRS 11 – Joint Arrangements - The amendments to IFRS 3 clarify that when an entity obtains control of a joint operation, it should restate the fair value of the interest that it previously held in this joint operation. The amendments to IFRS 11 clarify that when an entity obtains joint control of a joint operation, the entity does not restate the fair value of the interest previously held in the joint operation.
- IAS 12 - Income tax consequences of payments on financial instruments classified as equity - The proposed amendments clarify that the entity should recognise any tax effects from the distribution of dividends.
- IAS 23 - Borrowing costs eligible for capitalisation - The amendments clarify that where loans specifically undertaken for the acquisition and/or construction of an asset remain in place even after the asset is ready for use or sale, these loans cease to be considered specific and therefore are included in the generic loans of the entity for the calculation of the capitalisation rate of the loans.

The amendments will be applicable from periods beginning January 1, 2019. Earlier application is permitted.

### Amendment to IAS 19 - Plan Amendment, Curtailment or Settlement (published in February 2018)

The amendments clarifies how current service costs and net interest is calculated where there is a change to the defined benefit plan. The amendments will be applicable from periods beginning January 1, 2019. Earlier application is permitted.

### Amendment to IFRS 10 and IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture" (published on September 11, 2014)

The document was published in order to resolve the current conflict between IAS 28 and IFRS 10 relating to the measurement of the gain or loss from the sale or contribution of a non-monetary asset to a joint venture or associate in exchange for a share of the capital of this latter. Currently, the IASB has suspended the application of this amendment.

In accordance with IFRS 2 - Share-based payments, the key data regarding the "2017-2019 Performance shares plan" and the "One-off Extraordinary bonus", approved by the Shareholders' Meeting of F.I.L.A. S.p.A. on April 27, 2017 and based on the free awarding of shares of the parent F.I.L.A. S.p.A to managers and senior executives of the FILA Group, is presented below.
The free awarding of shares to beneficiaries of the extraordinary bonus was made and concluded in the year ended December 31, 2017, while the "2017-2019 Performance shares plan" covers a medium/long-term period.
With regard to the variables underlying the allocation of equity instruments, specifically the extraordinary bonus, the achievement of quantitative or qualitative performance objectives was not required.
On the other hand, for the "2017-2019 Performance Shares Plan" the right to receive F.I.L.A. S.p.A. shares is subject to the maintenance of the beneficiaries position as an employee or director of the company until the conclusion of the vesting period of the plan (December 31, 2019) and the achievement of performance objectives (average ROI over the 2017-2019 three-year period).
The total number of shares to be assigned to beneficiaries of the "One-off Extraordinary Bonus" was established as 100,181. This number is calculated on the basis of the average closing price of the share over the trading days before the date of March 21, 2017 excluded.

The total maximum number of shares to be assigned to beneficiaries of the "2017-2019 Performance Shares Plan" was established as 94,765. This number was also calculated according to the average share closing price over the trading days prior to March 21, 2017 excluded and taking account of the shares which may be assigned by the Board of Directors to any additional Plan beneficiaries.

## Exchange rates adopted for translation

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

| EXCHANGE RATES | | |
|---|---|---|
| | Average Exchange Rate Fist Half of 2018 | Fixed Exchange Rate First Half of 2018 |
| Argentinean Peso | 26.025 | 32.705 |
| Canadian Dollar | 1.546 | 1.544 |
| Chilean Peso | 740.170 | 757.260 |
| Renminbi Yuan | 7.710 | 7.717 |
| Euro | 1.000 | 1.000 |
| Pound | 0.880 | 0.886 |
| Mexican Peso | 23.080 | 22.882 |
| US Dollar | 1.211 | 1.166 |
| Indonesian Rupiah | 16,671.740 | 16,654.040 |
| Swedish Krona | 10.152 | 10.453 |
| Singapore Dollar | 1.606 | 1.590 |
| Turkish Lira | 4.955 | 5.339 |
| Brazilian Real | 4.141 | 4.488 |
| Indian Rupee | 79.512 | 79.813 |
| Russian Ruble | 71.980 | 73.158 |
| South Africa Rand | 14.890 | 16.048 |
| Polish Zloty | 4.220 | 4.373 |
| Dominican Peso | 59.386 | 57.570 |
| Australian Dollar | 1.569 | 1.579 |
| Swiss Franc | 1.170 | 1.157 |
| Shekel | 4.260 | 4.263 |

*Source: Bank of Italy*

## Note 1 - Intangible assets

Intangible assets at June 30, 2018 amount to Euro 423,810 thousand (Euro 208,091 thousand at December 31, 2017) and are comprised for Euro 237,502 thousand of intangible assets with an indefinite useful life – goodwill ("Note 1.B - Intangible Assets with indefinite useful lives) and for Euro 186,308 thousand intangible assets with a finite useful life ("Note 1.D – Intangible Assets with finite useful lives").

**Note 1.A - INTANGIBLE ASSETS**

| *Euro thousands* | Goodwill | Industrial Patents & Intellectual Property Rights | Concessions, Licenses, Trademarks & Similar Rights | Other Intangible Assets | Assets Under Development | Total |
|---|---|---|---|---|---|---|
| **Change in Historical Cost** | | | | | | |
| **December 31, 2017** | **77,208** | **190** | **107,862** | **48,604** | **2,007** | **235,870** |
| **Increases in the year** | **160,294** | **10** | **76,081** | **7,109** | **(154)** | **243,340** |
| Increases (Investments) | 114,265 | 10 | 356 | 1,103 | 1,107 | 116,841 |
| Transfer from Assets Under Development | - | - | - | 1,261 | (1,261) | - |
| Change in consolidation scope | 43,531 | - | 75,310 | 4,745 | - | 123,587 |
| Increase in Translation Differences | 2,498 | - | 415 | - | - | 2,913 |
| **Decreases in the year** | **-** | **-** | **-** | **(527)** | **-** | **(527)** |
| Decreases (Divestments) | - | - | - | (15) | - | (15) |
| Decrease in Translation Differences | - | - | - | (512) | - | (512) |
| **June 30, 2018** | **237,502** | **200** | **183,943** | **55,186** | **1,852** | **478,684** |
| **Change in Amortisation** | | | | | | |
| **December 31, 2017** | **-** | **(147)** | **(19,823)** | **(7,809)** | | **(27,779)** |
| **Increases in the year** | **-** | **(5)** | **(25,714)** | **(1,507)** | | **(27,226)** |
| Amortisation in Year | - | (5) | (2,615) | (1,137) | | (3,757) |
| *of which Change in Consolidation Scope* | *-* | *-* | *(273)* | | | *(273)* |
| Change in consolidation scope | - | - | (22,641) | (370) | | (23,011) |
| Increase in Translation Differences | - | - | (458) | - | | (458) |
| **Decreases in the year** | **-** | **-** | **-** | **131** | | **131** |
| Decreases (Divestments) | - | - | - | 15 | | 15 |
| Decrease in Translation Differences | - | - | - | 116 | | 116 |
| **June 30, 2018** | **-** | **(152)** | **(45,537)** | **(9,185)** | | **(54,874)** |
| **Carrying amount at December 31, 2017** | **77,208** | **43** | **88,039** | **40,795** | **2,007** | **208,091** |
| **Carrying amount at June 30, 2018** | **237,502** | **48** | **138,406** | **46,001** | **1,853** | **423,810** |
| **Change** | **160,294** | **5** | **50,367** | **5,206** | **(154)** | **215,719** |

### Intangible assets with indefinite useful lives

"Intangible assets with indefinite useful lives" are comprised entirely of goodwill for a total amount of Euro 237,502 thousand (Euro 77,208 thousand at December 31, 2017). The movement on the previous year is due to the acquisition of the Pacon Group which resulted in the consolidation of Goodwill already recognised in the financial statements of the Group companies (Euro 43,531 thousand) and of Goodwill of Euro 114,265 thousand generated by the transaction. At June 30, 2018, in line with IFRS 3, the values of the acquisition were preliminarily allocated to Goodwill and within 12 months from the acquisition date the PPA will be made.

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

In accordance with the provisions of IAS 36, goodwill is allocated to the various cash generating units (CGU's) and at least on an annual basis subject to recoverability analysis through an impairment test.

Goodwill allocated to the CGU's is reported below:

**NOTE 1.B INTANGIBLE ASSETS AT INFINITE USEFUL LIVES**

| *Euro thousands* | June 30, 2018 | December 31, 2017 | Change | Increase (Investment) | Exchange Rate Difference | Consolidation Area Change |
|---|---|---|---|---|---|---|
| Pacon Group (7) | 160,207 | - | 160,207 | 114,265 | 2,411 | 43,531 |
| DOMS Industries Pvt Ltd | 33,276 | 33,281 | (5) | - | (5) | - |
| Canson Group (4) | 10,875 | 10,875 | - | - | - | - |
| Daler-Rowney Lukas Group (5) | 1,647 | 1,647 | - | - | - | - |
| Dixon - Nord America Group(2) | 23,683 | 23,646 | 37 | - | 37 | - |
| Dixon - Centro/Sud America Group(1) | 1,867 | 1,812 | 55 | - | 55 | - |
| 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 | - | - | - | - |
| FILA SA (South Africa) | 101 | 101 | - | - | - | - |
| **Totale** | **237,502** | **77,208** | **160,294** | **114,265** | **2,498** | **43,531** |

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

*(2) - Dixon Ticonderoga Company (U.S.A.); Dixon Ticonderoga Inc. (Canada); Canson Inc (U.S.A); Daler USA Ltd (U.S.A); Brideshore Srl (Dominical Republic) as CGU North America; Eurholdam USA Inc. (U.S.A).*

*(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); Canson Brasil I.P.E. LTDA (Brasil); Canson Australia PTY LTD (Australia); Canson Qingdao Ltd.(China); Canson Italy (Italy).*

*(5) - Renoir Topco Ltd (UK); Renoir Midco Ltd (UK); Renoir Bidco Ltd (UK); Daler Rowney Group Ltd (UK); FILA Benelux SA (Belgium); Daler Rowney Ltd (UK); Longbeach Arts Ltd (UK); Daler Board Company Ltd (UK); Daler Holdings Ltd (UK); Daler Designs Ltd (UK); Daler Rowney GmbH (Germany); Lukas-Nerchau GmbH (Germany); Nerchauer Malfarben GmbH (Germany); Lastmill Ltd (UK); Rowney & Company Pencils Ltd (UK); Rowney (Artists Brushes) Ltd (UK); Brideshore srl (Dominican Republic) as CGU Daler.*

*(6) - St. Cuthberts Holding (UK); St. Cuthberts Mill (UK).*

*(7) - Pacon Holding Company (U.S.A.); Pacon Corporation (U.S.A.), Pacon Canadian Holding Co (U.S.A.); Baywood Paper ULC (Canada); Castle Hill Craft (UK); Creativity International (UK), Princeton Hong Kong (Hong Kong).*

No potential indicators of Impairment of goodwill were reported at June 30, 2018 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 caption was carried out when preparing the condensed interim consolidated financial statements.

## Intangible assets with finite useful lives

The movements at June 30, 2018 of "Intangible Assets with finite Useful Lives" are reported below.

| Note 1.D - INTANGIBLE ASSETS WITH FINITE USEFUL LIVES | | | | | |
|---|---|---|---|---|---|
| *Euro thousands* | Industrial Patents & Intellectual Property Rights | Concessions, Licenses, Trademarks & Similar Rights | Other | Assets Under Development | Total |
| **Change in Historical Cost** | | | | | |
| **December 31, 2017** | **190** | **107,862** | **48,604** | **2,007** | **158,663** |
| **Increases in the year** | **10** | **76,082** | **7,109** | **(154)** | **83,046** |
| Increases (Investments) | 10 | 356 | 1,103 | 1,107 | 2,576 |
| Transfer from Assets Under Development | - | - | 1,261 | (1,261) | - |
| Change in consolidation scope | - | 75,310 | 4,745 | - | 80,055 |
| Increase in Translation Differences | - | 415 | - | - | 415 |
| **Decreases in the year** | - | - | **(527)** | - | **(527)** |
| Decrease Translation Differences | - | - | (15) | - | (15) |
| Decrease in Translation Differences | - | - | (512) | - | (512) |
| **June 30, 2018** | **200** | **183,943** | **55,186** | **1,853** | **241,181** |
| **Change in Amortisation** | | | | | |
| **December 31, 2017** | **(147)** | **(19,823)** | **(7,809)** | | **(27,779)** |
| **Increases in the year** | **(5)** | **(25,714)** | **(1,507)** | | **(27,226)** |
| Amortisation in Year | (5) | (2,615) | (1,137) | | (3,757) |
| *of which Change in Consolidation Scope* | - | *(273)* | - | | *(273)* |
| Change in consolidation scope | - | (22,641) | (370) | | (23,011) |
| Increase in Translation Differences | - | (458) | - | | (458) |
| **Decreases in the year** | - | - | **131** | | **131** |
| Decreases (Divestments) | - | - | 15 | | 15 |
| Decrease in Translation Differences | - | - | 116 | | 116 |
| **June 30, 2018** | **(152)** | **(45,537)** | **(9,185)** | **-** | **(54,874)** |
| **Carrying amount at December 31, 2017** | **43** | **88,039** | **40,795** | **2,007** | **130,884** |
| **Carrying amount at June 30, 2018** | **48** | **138,406** | **46,001** | **1,853** | **186,308** |
| **Change** | **5** | **50,367** | **5,206** | **(154)** | **55,424** |

"Industrial Patents and Intellectual Property Rights" amount to Euro 48 thousand at June 30, 2018 (Euro 43 thousand at December 31, 2017).

The average residual useful life of the "Industrial Patents and Intellectual Property Rights", recorded in the financial statements at June 30, 2018, is 6 years.

"Concessions, Licenses, Trademarks and Similar Rights" amount to Euro 138,406 thousand at June 30, 2018 (Euro 88,039 thousand at December 31, 2017).

The carrying amount increased over December 31, 2017 by Euro 50,367 thousand, mainly against the initial consolidation of the Pacon Group, with a contribution at the consolidation date of Euro 52,669 thousand; this increase was partly offset by amortisation in the period of Euro 2,615 thousand (of which Euro 273 thousand concerning the acquired companies). In addition, a significant amount of the amortisation relates to the "Business combinations" undertaken in 2016 and relating to the

trademarks held by the English Group Daler Rowney-Lukas (Euro 40,223 thousand) and by the Canson Group (Euro 32,400 thousand).
The other historical trademarks subject to amortisation refer principally to "*Lapimex*" held by F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and the brands "*Lyra*" held by Lyra KG (Germany) and *"DOMS"* held by DOMS Industries Pvt Ltd (India).
The average useful life of the "Concessions, Licenses, Trademarks and Similar Rights", recorded in the financial statements at June 30, 2018, is 30 years.

"Other" amounts to Euro 46,001 thousand at June 30, 2018 (Euro 40,795 thousand at December 31, 2017). The increase on the previous year of Euro 5,206 thousand is due to the contribution of the Pacon Group companies (Euro 4,375 thousand) and investments and the entry into use of assets under development for a total of Euro 2,364 thousand. Investments in the period principally concerned the installation and roll out of the new ERP system at some Group companies. The amortisation of Euro 1,137 thousand 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", recorded to the financial statements at June 30, 2018, is 13 years.

Assets under development totalled Euro 1,853 thousand and mainly relate to investments for the installation of the new ERP system.

## Note 2 - Property, plant and equipment

At June 30, 2018, "Property, Plant and Equipment" amounted to Euro 97,774 thousand (Euro 88,355 thousand at December 31, 2017).

The movements in the period are shown below:

**Note 2.A - PROPERTY, PLANT AND EQUIPMENT**

| *Euro thousands* | Land | Buildings | Plant and Machinery | Industrial & Commercial Equipment | Other Assets | Assets Under Development | Total |
|---|---|---|---|---|---|---|---|
| **Change in Historical Cost** | | | | | | | |
| **December 31, 2017** | **13,639** | **53,519** | **104,884** | **19,055** | **11,502** | **8,208** | **210,807** |
| **Increases in the year** | **66** | **1,451** | **18,176** | **442** | **2,034** | **4,587** | **26,756** |
| Increases (Investments) | 66 | 332 | 3,552 | 274 | 421 | 3,940 | 8,585 |
| *of which Change in Consolidation Scope* | - | - | - | - | - | *75* | *75* |
| Transfer from Assets Under Development | - | 5 | 200 | 12 | 10 | (227) | - |
| Change in consolidation scope | - | 1,114 | 14,518 | - | 1,590 | 859 | 18,081 |
| Increase Translation Differences | - | - | 16 | 46 | 13 | 15 | 90 |
| Reclassification | - | - | (110) | 110 | - | - | - |
| **Decreases in the year** | **(370)** | **(642)** | **(2,557)** | **(515)** | **(96)** | **-** | **(4,180)** |
| Decreases (Divestments) | (207) | (525) | (2,557) | (514) | (90) | - | (3,893) |
| Impairment Losses | - | - | - | (1) | (6) | - | (7) |
| Decrease Translation Differences | (163) | (117) | - | - | - | - | (280) |
| **June 30, 2018** | **13,335** | **54,328** | **120,503** | **18,982** | **13,440** | **12,795** | **233,383** |
| **Change in Depreciation** | | | | | | | |
| **December 31, 2017** | **-** | **(29,965)** | **(66,286)** | **(17,024)** | **(9,176)** | | **(122,452)** |
| **Increases in the year** | | **(1,674)** | **(13,586)** | **(449)** | **(649)** | | **(16,358)** |
| Depreciation in Year | | (907) | (3,899) | (332) | (574) | | (5,712) |
| *of which Change in Consolidation Scope* | | *(17)* | *(212)* | - | *(1)* | | *(230)* |
| Change in consolidation scope | | (739) | (9,476) | - | (89) | | (10,304) |
| Increase in Translation Differences | | (28) | (266) | (62) | 14 | | (342) |
| Reclassification | | - | 55 | (55) | - | | - |
| **Decreases in the year** | | **246** | **2,363** | **502** | **90** | | **3,201** |
| Decreases (Divestments) | | 246 | 2,363 | 502 | 90 | | 3,201 |
| **June 30, 2018** | | **(31,393)** | **(77,509)** | **(16,971)** | **(9,735)** | | **(135,609)** |
| **Carrying amount at December 31, 2017** | **13,639** | **23,554** | **38,598** | **2,031** | **2,326** | **8,208** | **88,355** |
| **Carrying amount at June 30, 2018** | **13,335** | **22,935** | **42,993** | **2,011** | **3,705** | **12,795** | **97,774** |
| **Change** | **(304)** | **(619)** | **4,395** | **(20)** | **1,379** | **4,587** | **9,419** |

"Land" at June 30, 2018 amounts to Euro 13,335 thousand (Euro 13,639 thousand at December 31, 2017) 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). The movement in the period is due to, in addition to negative currency effects of Euro 163 thousand, the sale of land as part of the disposal of a warehouse by Daler Rowney Ltd (United Kingdom) for Euro 207 thousand and an additional purchase of Euro 66 thousand by DOMS Industries Pvt Ltd (India).

"Buildings" at June 30, 2018 amount to Euro 22,935 thousand (Euro 23,554 thousand at December 31, 2017) and principally concern the buildings of the Group production facilities. A reduction on

December 31, 2017 of Euro 619 thousand is reported. Net investments amount to Euro 53 thousand and were principally made by Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and St. Cuthberts Mill (United Kingdom), offset by the sale by Daler Rowney Ltd (United Kingdom) of buildings belonging to the Wareham warehouse disposed of for a net value of Euro 236 thousand. The increase from the acquisition of the Pacon Group was Euro 375 thousand, relating to buildings held principally by the company Pacon Corporation (U.S.A.).
Depreciation of Euro 907 thousand particularly concerns Canson SAS (France), F.I.L.A. S.p.A. and DOMS Industries Pvt Ltd (India).

"Plant and Machinery" amounts to Euro 42,993 thousand (Euro 38,598 thousand at December 31, 2017). The increase on the previous year of Euro 4,395 thousand is mainly due to the contribution from the acquisition of the Pacon Group for a carrying amount of Euro 5,042 thousand. Net investments by the Group in the period amounted to Euro 3,358 thousand and principally concerned DOMS Industries Pvt Ltd (India) for Euro 1,952 thousand, regarding the development of production, with particular regard to the Art Division and Daler Rowney Ltd (United Kingdom) for Euro 819 thousand, for the setting up of the new warehouse. The movement also includes negative currency effects of Euro 250 thousand and Euro 3,899 thousand of depreciation, of which Euro 212 thousand concerning the companies acquired in the period.

"Industrial and Commercial Equipment" amounted to Euro 2,011 thousand at June 30, 2018 (Euro 2,031 thousand at December 31, 2017). The decrease for Euro 20 thousand principally concerns depreciation in the period of Euro 332 thousand, partly offset by net investments of Euro 262 thousand, made in particular by F.I.L.A. S.p.A. and Daler Rowney Ltd (United Kingdom).

"Other Assets" amount to Euro 3,705 thousand at June 30, 2018 (Euro 2,326 thousand at December 31, 2017) and include furniture and office equipment, EDP and motor vehicles. The increase of Euro 1,379 thousand mainly relates to the contribution at the acquisition date of the Pacon Group for Euro 1,501 thousand. Net of M&A effects, Group investments amount to Euro 421 thousand and principally concern DOMS Industries Pvt Ltd (India), Dixon Ticonderoga Company (U.S.A.), Brideshore srl (Dominican Republic) and Canson Brasil I.P.E. LTDA (Brazil). The movement was partially offset by depreciation in the period of Euro 574 thousand.

"Assets under Development" 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, 2018 was Euro 4,587 thousand, principally concerning the French company Canson SAS (Euro 1,380 thousand) for residual investments in progress concerning the setting up of the new European logistics "Hub" at

Annonay, Grupo F.I.L.A.-Dixon, S.A. de C.V. (Euro 890 thousand) and DOMS Industries Pvt Ltd (Euro 768 thousand), for the development and extension of local production facilities.
There is no property, plant and equipment subject to restrictions.

## Note 3 – Loan Assets

"Loan Assets" amount to Euro 3,823 thousand at June 30, 2018 (Euro 4,337 thousand at December 31, 2017).

**Note 3.A - LOAN ASSETS**

| *Euro thousands* | Loans and Receivables | Derivative Financial Instruments | Other Financial Assets | Total |
|---|---|---|---|---|
| **December 31, 2017** | **358** | **1,053** | **2,926** | **4,337** |
| non-current portion | 6 | 1,053 | 2,859 | 3,918 |
| current portion | 352 | - | 67 | 419 |
| **June 30, 2018** | **714** | **-** | **3,109** | **3,823** |
| non-current portion | 271 | - | 3,060 | 3,331 |
| current portion | 443 | - | 49 | 492 |
| **Change** | **356** | **(1,053)** | **183** | **(514)** |
| non-current portion | 265 | (1,053) | 201 | (587) |
| current portion | 91 | - | (18) | 73 |

### Loans and Receivables

These amount to Euro 714 thousand and concern the issue of a loan to third parties by F.I.L.A. S.p.A. for Euro 274 thousand, Pacon Corporation (U.S.A.) for Euro 434 thousand and Omyacolor SA for Euro 6 thousand.

### Derivative Financial Instruments

Financial instruments presented in the consolidated financial statements at December 31, 2017 concerned 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. With the settlement of the loan in question in the first half of the year, the related derivative instruments were terminated. Considering that the accounting treatment adopted was that for derivative hedging instruments (hedge accounting), the settlement of the IRS opened for Euro 1,053 thousand was entirely offset by the simultaneous elimination of the equity reserve established to incorporate the fair value changes.

### Other financial assets

*"Other Financial Assets"* totalled Euro 3,109 thousand (Euro 2,926 thousand at December 31, 2017), increasing by Euro 183 thousand. They principally concern the guarantee deposits required for goods and service supply contracts of the various Group companies, including in particular Canson SAS (Euro 794 thousand), DOMS Industries Pvt Ltd (Euro 854 thousand) and Grupo F.I.L.A.-Dixon, S.A. de C.V. (Euro 314 thousand). In relation to the amount of Euro 741 thousand recorded by Dixon Ticonderoga Company (U.S.A.), the caption concerns financial assets subject to a portion of the indemnity plans to be paid to personnel.

The current portion of "*Other Financial Assets*" also concerns guarantee deposits on supply contracts maturing within 12 months.

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

## Note 4 – Equity-Accounted Investments

**Note 4.A EQUITY-ACCOUNTED INVESTMENTS**

| *Euro thousands* | **Inv. in Associates** |
|---|---|
| **December 31, 2017** | **782** |
| **Increases in the year** | **60** |
| Movement in Investments at Equity | 60 |
| **Decreases in the year** | **(31)** |
| Translation Differences | (31) |
| **June 30, 2018** | **811** |
| **Change** | **29** |

Equity-Accounted Investments amount to Euro 811 thousand (Euro 782 thousand at December 31, 2017).

The increase in the period relates to the investments in associates held by DOMS Industries Pvt Ltd (India), consolidated under the Equity Method. At June 30, 2018, the "Carrying amount" of the investments was adjusted in line with the share of Equity held in the associates.

## Note 5 - Other investments

Other Investments, amounting to Euro 31 thousand, relate to the investments in Maimeri S.p.A. by F.I.L.A. S.p.A. for a value of Euro 28 thousand, corresponding to 1% of the share capital, and the quota held in the consortiums Conai, Energia Elettrica Zona Mugello and Energia Elettrica Milano by F.I.L.A. S.p.A. at June 30, 2018. The carrying amount reflects the fair value of the investments.

## Note 6 – Deferred Tax Assets

“Deferred Tax Assets” amount to Euro 15,216 thousand at June 30, 2018 (Euro 15,660 thousand at December 31, 2017).

The movement of “Deferred Tax Assets” is illustrated in the table below with indication of the opening balance, changes during the period and the closing balance at June 30, 2018.

**Note 6.A - CHANGES IN DEFERRED TAX ASSETS**

*Euro thousands*

| | |
|---|---|
| **December 31, 2017** | **15,660** |
| Provisions | 2,329 |
| Utilisations | (3,458) |
| Translation differences | 58 |
| Change in Equity | 627 |
| **June 30, 2018** | **15,216** |
| **Change** | **(444)** |

The caption at June 30, 2018 mainly includes deferred tax assets calculated on “Intangible Assets and Property, Plant and Equipment”, taxed provisions for “Risk and Charges”, “ACE” and “Inventories”.

With regard to the change recognised in equity of Euro 627 thousand, Euro 903 thousand concerns the estimated tax effect on the opening balance (first-time adoption) from the IFRS 9 adjustments to the equity reserve; the amount is partially offset by the tax effect concerning the actuarial gain/loss recognised to the pension provisions of various Group companies and amounting to Euro 276 thousand.

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

## Note 7 - Current Tax Assets

At June 30, 2018, the tax assets relating to income taxes amount overall to Euro 12,558 thousand (Euro 8,689 thousand at December 31, 2017) and refer principally to the parent F.I.L.A. S.p.A. for Euro 2,676 thousand, Dixon Ticonderoga Co. (U.S.A.) for Euro 4,491 thousand and DOMS Industries Pvt Ltd (India) for Euro 1,985 thousand.

## Note 8 - Inventories

Inventories at June 30, 2018 amount to Euro 264,162 thousand (Euro 178,699 thousand at December 31, 2017).

**Note 8.A - INVENTORIES**

| *Euro thousands* | Raw Materials and Consumables Supplies | Work-in-progress and Semi-finished Products | Finished Products and Goods | Total |
|---|---|---|---|---|
| **December 31, 2017** | 43,895 | 22,895 | 111,909 | 178,699 |
| **June 30, 2018** | 61,066 | 28,918 | 174,178 | 264,162 |
| **Change** | 17,171 | 6,023 | 62,269 | 85,463 |

The caption increased by Euro 85,463 thousand, due both to the contribution from the consolidation of the Pacon Group and the seasonality related to the school’s 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. (Mexico) and DOMS Industries Pvt Ltd (India).

Inventories are presented net of the allowance for inventory write-down relating to raw materials (Euro 1,360 thousand), work-in-progress (Euro 217 thousand) and finished products (Euro 5,410 thousand). The accruals refer to obsolete or slow moving materials for which it is not considered possible to recover their value through sale.

**Note 8.B- CHANGE IN THE ALLOWANCE FOR INVENTORY**

| *Euro thousands* | Raw Materials and Consumables Supplies | Work-in-progress and Semi-finished Products | Finished Products and Goods | Total |
|---|---|---|---|---|
| **December 31, 2017** | **1,578** | **328** | **2,947** | **4,853** |
| Provisions | 1 | - | 1,142 | 1,143 |
| Utilisations | (49) | (82) | (1,040) | (1,171) |
| Release | (166) | (28) | (290) | (484) |
| Change in consolidation scope | - | - | 2,617 | 2,617 |
| Translation differences | (4) | (0) | 34 | 30 |
| **June 30, 2018** | **1,360** | **217** | **5,410** | **6,988** |
| **Change** | **(218)** | **(111)** | **2,463** | **2,135** |

The allowance for inventory write-down at June 30, 2018 increased by Euro 2,135 thousand, principally due to the change in the consolidation scope.

## Note 9 – Trade Receivables and Other Assets

Trade receivables and other assets amount to Euro 237,650 thousand (Euro 132,768 thousand at December 31, 2017).

**Note 9.A - TRADE RECEIVABLES AND OTHER ASSETS**

| *Euro thousands* | June 30, 2018 | December 31, 2017 | Change |
|---|---|---|---|
| Trade Receivables | 221,431 | 118,701 | 102,730 |
| Tax Assets | 4,674 | 5,198 | (524) |
| Other Assets | 6,168 | 5,560 | 608 |
| Prepayments and Accrued Income | 5,377 | 3,309 | 2,068 |
| **Total** | **237,650** | **132,768** | **104,882** |

Trade receivables increased on December 31, 2017 by Euro 102,730 thousand, which, net of the positive exchange rate effects for Euro 952 thousand and net of the change in the consolidation scope of Euro 47,950 thousand, amounts to Euro 53,828 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”. In addition, application of IFRS 9 to the Group financial statements resulted in a reduction in trade receivables of Euro 2,938 thousand.

The changes in credit loss allowance to cover difficult recovery positions are illustrated in the table below.

**Note 9.B - CHANGES IN CREDIT LOSS ALLOWANCE**

| *Euro thousands* | |
|---|---|
| **December 31, 2017** | **5,262** |
| Provisions | 1,502 |
| Utilisations | (95) |
| Release | (2) |
| Translation differences | 43 |
| Other variation - IFRS 9 | 2,060 |
| **June 30, 2018** | **8,770** |
| **Change** | **3,508** |

The movement in credit loss allowance is mainly due to the effects of application of IFRS 9 on the F.I.L.A. Group companies. IFRS 9 replaces the ‘incurred loss’ model under IAS 39 with an ‘expected credit loss’ forecast model. The Group measures the credit loss allowance at an amount reflecting the expected loss over the entire life of the receivable. In order to assess whether the credit risk relating to a financial asset has increased significantly after initial recognition in order to estimate expected losses on receivables, the Group considers reasonable and demonstrable information which is pertinent and available without excessive cost or burden. Quantitative and qualitative information and analysis, based on historic Group experience, to measure the receivable - in addition to information indicative of expected developments - is included. On the basis of the analysis carried out by the Group, the application of the new standard impacted the opening balance by Euro 2,060 thousand and the period income statement for Euro 878 thousand. The initial movement was recognised as a counter-entry as a change in Equity reserves.

“*Tax Assets*” totalled Euro 4,674 thousand (Euro 5,198 thousand at December 31, 2017) and include VAT assets (Euro 3,054 thousand) and other tax assets for local taxes other than direct income taxes (Euro 1,620 thousand).

*“Other Assets”* amount to Euro 6,168 thousand (Euro 5,560 thousand at December 31, 2017) and mainly concern employee receivables (Euro 198 thousand), social security institutions (Euro 49 thousand) and advances paid to suppliers (Euro 4,447 thousand), principally concerning the Indian

and Chinese subsidiaries. The carrying amount of "Other Assets" 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, 2018 amount to Euro 38,766 thousand (Euro 38,558 thousand at December 31, 2017).

| *Euro thousands* | Bank and Post Office Deposits | Cash in hand and similar | Total |
|---|---|---|---|
| **December 31, 2017** | **38,491** | **67** | **38,558** |
| **June 30, 2018** | **38,620** | **146** | **38,766** |
| **Change** | **129** | **79** | **208** |

"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 13,768 thousand and current accounts of the subsidiaries for Euro 24,852 thousand, in particular: the Canson Group companies (Euro 2,080 thousand), F.I.L.A.-Dixon, S.A. de C.V. (Euro 1,421 thousand), FILA Dixon Stationery (Kunshan) Co. Ltd (Euro 1,720 thousand), FILA Hellas S.A (Euro 901 thousand), Dixon Ticonderoga Company (Euro 1,485 thousand), the German subsidiary Lyra KG (Euro 627 thousand) and the companies of the Pacon Group (Euro 3,210 thousand).
"Cash in hand and similar" amount to Euro 146 thousand, of which Euro 8 thousand relates to the Parent F.I.L.A. S.p.A and Euro 138 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, 2018 was Euro 612,657 thousand, worsening by Euro 373,043 thousand on December 31, 2017.

| | *Euro thousands* | June 30, 2018 | December 31, 2017 | Change |
|---|---|---|---|---|
| A | Cash | 146 | 67 | 79 |
| B | Other cash equivalents | 38,620 | 38,491 | 129 |
| C | Securities held-for-trading | - | - | - |
| **D** | **Liquidity ( A + B + C)** | **38,766** | **38,558** | **208** |
| **E** | **Current Loan Assets** | **492** | **419** | **73** |
| F | Current bank loans and borrowings | (101,226) | (72,724) | (28,502) |
| G | Current portion of non-current loans and borrowings | (27,193) | (18,710) | (8,483) |
| H | Other current loans and borrowings | (271) | (8,239) | 7,968 |
| **I** | **Current financial debt ( F + G + H )** | **(128,690)** | **(99,673)** | **(29,017)** |
| **J** | **Net current financial debt (I + E+ D)** | **(89,432)** | **(60,696)** | **(28,736)** |
| K | Non-current bank loans and borrowings | (522,358) | (178,420) | (343,938) |
| L | Bonds issued | - | - | - |
| M | Other non-current loans and borrowings | (1,138) | (504) | (634) |
| **N** | **Non-current financial debt ( K + L + M )** | **(523,496)** | **(178,924)** | **(344,572)** |
| **O** | **Net financial debt (J+N)** | **(612,928)** | **(239,620)** | **(373,308)** |
| **P** | **Loans issued to third parties** | **271** | **6** | **265** |
| **Q** | **Net financial debt (O + P) - F.I.L.A. Group** | **(612,657)** | **(239,614)** | **(373,043)** |

*Note:*

*1) The net financial debt calculated at point “O” complies with Consob Communication DEM/6064293 of July 28, 2006, which excludes non-current loan assets.The net financial debt of the F.I.L.A. Group differs from the above communication by Euro 6 thousand in relation to the non-current loans granted to third parties by Omyacolor S.A and Pacon Corporation*

*2) At June 30, 2018 there were no related parties transactions 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 fully paid-in share capital at June 30, 2018 of the parent F.I.L.A. S.p.A., fully paid-in, comprises 41,332,477 shares, as follows:

- 34,765,969 ordinary shares, without nominal value;
- 6,566,508 class B shares, without nominal value, which attribute 3 votes exercisable at the Shareholders' Meeting (ordinary and extraordinary) of F.I.L.A. S.p.A..

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

| | No. of Shares | % of Share Capital | Listing |
|---|---|---|---|
| Ordinary shares | 34,765,969 | *84.11%* | MTA - STAR Segment |
| Class B Shares (multiple votes) | 6,566,508 | *15.89%* | Unquoted Shares |

According to the available information, published by Consob and updated to June 30, 2018, the main shareholders of the parent were:

| Shareholder | Ordinary shares | % |
|---|---|---|
| Pencil S.p.A. | 13,133,032 | 37.78% |
| Venice European Investment Capital S.p.A. | 3,741,799 | 10.76% |
| Space Holding S.r.l. | 597,150 | 1.72% |
| Market Investors | 17,293,988 | 49.74% |
| **Total** | **34,765,969** | |

| Shareholder | Ordinary shares | Class B Shares | Total | Voting rights |
|---|---|---|---|---|
| Pencil S.p.A. | 13,133,032 | 6,566,508 | 19,699,540 | 60.28% |
| Venice European Investment Capital S.p.A. | 3,741,799 | | 3,741,799 | 6.87% |
| Space Holding S.r.l. | 597,150 | | 597,150 | 1.10% |
| Market Investors | 17,293,988 | | 17,293,988 | 31.75% |
| **Total** | **34,765,969** | **6,566,508** | **41,332,477** | |

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

At June 30, 2018, this caption amounted to Euro 7,434 thousand.

## Share premium reserve

The caption amounts to Euro 65,349 thousand at June 30, 2018 (Euro 65,349 thousand at December 31, 2017).

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, 2018, no sponsor warrants had been exercised.

## Actuarial gains/(losses)

Following the application of IAS 19, the equity reserve is negative for Euro 450 thousand, increasing in the period to Euro 1,221 thousand, limited to the share of the F.I.L.A. Group.

## Other Reserves

At June 30, 2018, the reserve is negative for Euro 21,212 thousand, increasing Euro 808 thousand on December 31, 2017. The increase concerns the following factors:

- The IRS fair value reserve on contracts entered into by F.I.L.A. S.p.A. and Canson SAS at June 30, 2018 was negative for Euro 50 thousand, recording a decrease of Euro 1,068 thousand compared to December 31, 2017. The movement relates for Euro 15 thousand to the fair value adjustment of the derivative of Canson SAS and, for Euro 1,053 thousand, the elimination of the reserve recorded by F.I.L.A. S.p.A. following the settlement of derivative contracts and the underlying loan.
- “Share Based Premium” reserve of Euro 2,571 thousand, increasing Euro 262 thousand, set up against the incentive plan for F.I.L.A. Group Management. The accounting treatment applied is in line with the accounting standards which establish that for equity 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 equity within the caption “Other reserves and retained earnings”, over the period in which the employees will obtain the unconditional right to the incentives. The amount recorded as cost is adjusted to reflect

the effective number of incentives (options) for which the conditions have matured and the achievement of "non-market" conditions, in order 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 assigned, consideration must be taken of the non-vesting conditions. With reference to the non-vesting conditions, any differences between the assumptions at the vesting date and the effective conditions will not produce any impact on the financial statements.

### Translation difference

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

The changes in the "Translation Difference" concerning only the Group Equity for H1 2018 is as follows:

| TRANSLATION RESERVE | |
|---|---|
| *Euro thousands* | |
| **December 31, 2017** | **(26,836)** |
| **Changes in the year:** | |
| Difference between Period Average Rate and Year-End Rate | 765 |
| Difference between Historical Rate and Year-End Rate | 2,508 |
| **June 30, 2018** | **(23,563)** |
| **Change** | **3,273** |

### Retained earnings

The reserve totalled Euro 148,939 thousand and increased on the previous year by Euro 10,890 thousand, principally due to:

- The distribution of dividends to F.I.L.A. S.p.A. shareholders for Euro 3,720 thousand, as per Shareholders' Meeting resolution of April 27, 2018;
- The allocation of profit 2017 of Euro 15,767 thousand;
- The first-time application of IFRS 9 which resulted in a fair value adjustment to trade receivables of the Group companies, with an estimated effect on opening equity of Euro 1,157 thousand (Euro 2,060 thousand concerning the adjustment of receivables offset by the relative tax effect estimated at Euro 903 thousand).

### Equity attributable to non-controlling interests

The caption decreased by Euro 339 thousand, principally due to:

- Profit of Euro 658 thousand;
- Distribution of dividends to Non-controlling investors of Euro 42 thousand;

- Exchange rate losses of Euro 948 thousand.

### Basic and diluted earnings per share

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

The basic and diluted earnings per share 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 profit of the Parent F.I.L.A. S.p.A. and the consolidated profit:

Reconciliation June 30, 2018 between Parent Equity and F.I.L.A. Group Equity

*Euro thousands*

| | |
|---|---|
| **F.I.L.A. S.p.A. Equity** | **166,143** |
| Effect of elimination of Intragroup margins and consolidation entries | (3,105) |
| Consolidation effect Omyacolor S.A. (France) | 8,173 |
| Consolidation effect F.I.L.A. Hispania S.A. (Spain) | 2,731 |
| Consolidation effect FILA Art and Craft (Israel) | (83) |
| Consolidation effect Dixon Ticonderoga Group | 70,005 |
| Consolidation effect Lyra Group | 612 |
| Consolidation effect FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey) | (2,477) |
| Consolidation effect FILA Stationary O.O.O. (Russia) | (739) |
| Consolidation effect FILA Hellas (Greece) | 1,420 |
| Consolidation effect Industria Maimeri S.p.A. (Italy) | (557) |
| Consolidation effect FILA SA (South Africa) | (970) |
| Consolidation effect Fila Polska Sp. Z.o.o (Poland) | 768 |
| Consolidation effect DOMS Industries Pvt Ltd (India) | 20,858 |
| Consolidation effect Daler-Rowney Lukas Group | (12,987) |
| Consolidation effect St Cuthberts Holding (UK) | 725 |
| Consolidation effect FILA Iberia S.L. (Spain) | 2,514 |
| Consolidation effect Canson Group | (10,825) |
| Consolidation effect FILA Art Product AG (Switzerland) | (151) |
| Consolidation effect Pacon Group | 1,317 |
| **Total Equity** | **243,372** |
| "Non-controlling interests" consolidation effect | 24,289 |
| **Consolidated Equity** | **219,083** |

Reconciliation at June 30, 2018 between Parent Result and F.I.L.A. Group Result

*Euro thousands*

| | |
|---|---|
| **F.I.L.A. S.p.A. Profit** | **3,591** |
| **Profit of Subsidiaries of the Parent** | **14,804** |
| **Elimination of the effects of transactions between consolidated companies:** | |
| Dividends | (13,082) |
| Net Inventory Profit Margins | 1,003 |
| Other Net Revenue | 120 |
| **Adjustments to Group accounting policies:** | |
| Stock Option Plan | (111) |
| First-Time Adoption - IFRS 9 | (342) |
| **Total Profit** | **5,983** |
| Non-controlling interests | 658 |
| **F.I.L.A. Group Profit** | **5,325** |

## Note 13 – Loans and Borrowings

The balance at June 30, 2018 amounts to Euro 652,136 thousand (Euro 278,562 thousand at December 31, 2017), of which Euro 523,446 thousand long-term and Euro 128,690 thousand short-term. The caption 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, 2018 is illustrated below.

**Note 13.A - LOAN AND BORROWINGS: Third Parties**

| Euro thousands | Banks | | Other Lenders | | Bank Overdrafts | | Total |
|---|---|---|---|---|---|---|---|
| | Principal | Interest | Principal | Interest | Principal | Interest | |
| **December 31, 2017** | **254,695** | **(3,146)** | **8,762** | **(54)** | **18,133** | **172** | **278,562** |
| non-current portion | 181,820 | (3,400) | 513 | (44) | - | - | 178,889 |
| current portion | 72,875 | 254 | 8,249 | (10) | 18,133 | 172 | 99,673 |
| **June 30, 2018** | **644,055** | **(5,921)** | **1,408** | **(49)** | **12,593** | **50** | **652,136** |
| non-current portion | 528,534 | (6,176) | 1,132 | (44) | - | - | 523,446 |
| current portion | 115,521 | 255 | 276 | (5) | 12,593 | 50 | 128,690 |
| **Change** | **389,360** | **(2,775)** | **(7,354)** | **5** | **(5,540)** | **(122)** | **373,574** |
| non-current portion | 346,714 | (2,776) | 619 | (0) | - | - | 344,557 |
| current portion | 42,646 | 1 | (7,973) | 5 | (5,540) | (122) | 29,017 |

### Bank Loans and Borrowings

With reference to “Bank Loans”, the total exposure of the Group amounts to Euro 638,134 thousand, of which Euro 115,776 thousand considered as current (Euro 73,129 thousand at December 31, 2017) and Euro 522,358 thousand as non-current (Euro 178,420 thousand at December 31, 2017).

The main change concerns the agreement of a new loan by F.I.L.A. S.p.A. and Dixon Ticonderoga Company (U.S.A.) on June 4, 2018. The structured loan in question was entered into by the two companies with a bank syndicate comprising Mediobanca - Banca di Credito Finanziario S.p.A., UniCredit S.p.A., Banca IMI S.P.A., Banco BPM S.P.A. and Banca Nazionale del Lavoro S.P.A., and in support of the acquisition of Pacon Holding Company, parent of the Pacon Group. In addition, part of the loan granted to F.I.L.A. S.p.A. was utilised to repay the previous loan entered into in 2016 (in support of M&A regarding the acquisition of the Daler-Rowney Lucas Group, the Canson Group and St. Cuthberts Holding) and was subsequently increased in the initial months of 2018 with a further extension of Euro 30,000 thousand. On signing a new Senior Facility Agreement on June 4, 2018, the existing loan was settled for a total amount of Euro 220,276 thousand.

The loan was issued through three differing Facilities with a set repayment plan and a total amount of Euro 520,000 thousand, in addition to a Revolving Credit Facility with a maximum Euro 50,000 thousand.

**Note 13.C - BANKS LOANS AND BORROWINGS:DETAIL**

| *Euro thousands* | Principal F.I.L.A. S.p.A. | Principal Dixon Ticonderoga Company (U.S.A.) | Total |
|---|---|---|---|
| Facility A | 75,000 | 75,000 | 150,000 |
| Facility B | 90,000 | 155,000 | 245,000 |
| Facility C | 125,000 | 0 | 125,000 |
| RCF(1) | 5,662 | 20,708 | 26,370 |
| **Total** | **295,662** | **250,708** | **546,370** |

(1) *Revolving Credit Facility usable for a maximum value equal to 50,000 thousand Euro*

The Facility A line (Euro 150,000 thousand) provides for a repayment plan consisting of 8 half-yearly instalments from December 2019, while the two lines Facility B (Euro 245,000 thousand) and Facility C (Euro 125,000 thousand) are Bullet loans, with single repayments respectively on June 4, 2024 and June 4, 2023. The Revolving Credit Facility however provides for the issue of short-term tranches of 1, 3 or 6 months, for a maximum amount of Euro 50,000 thousand.

The repayment plans by Facility are outlined below:

**Note 13.D - BANKS LOANS AND BORROWINGS REPAYMENT PLAN**

| *Euro thousands* | Facility | Principal F.I.L.A. S.p.A. | Principal Dixon Ticonderoga Company (U.S.A.) | Total |
|---|---|---|---|---|
| December 4, 2019 | Facility A | 3,750 | 3,750 | 7,500 |
| June 4, 2020 | Facility A | 3,750 | 3,750 | 7,500 |
| December 4, 2020 | Facility A | 5,625 | 5,625 | 11,250 |
| June 4, 2021 | Facility A | 5,625 | 5,625 | 11,250 |
| December 6, 2021 | Facility A | 7,500 | 7,500 | 15,000 |
| June 6, 2022 | Facility A | 7,500 | 7,500 | 15,000 |
| December 5, 2022 | Facility A | 11,250 | 11,250 | 22,500 |
| June 2, 2023 | Facility A | 30,000 | 30,000 | 60,000 |
| **Total - Facility A** | | **75,000** | **75,000** | **150,000** |
| Bullet Loan - June 4, 2024 | Facility B | 90,000 | 155,000 | 245,000 |
| **Total - Facility B** | | **90,000** | **155,000** | **245,000** |
| Bullet Loan - June 4, 2023 | Facility C | 125,000 | 0 | 125,000 |
| **Totale - Facility C** | | **125,000** | **-** | **125,000** |

The loan was initially recognised at fair value, including directly associated transaction costs. The initial carrying amount was subsequently adjusted to account for repayment of principal, any impairment loss and amortisation of the difference between the repayment 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, 2018 of the amortised cost method is Euro 188 thousand of interest (Euro 89 thousand concerning F.I.L.A. S.p.A. and Euro 99 thousand concerning Dixon Ticonderoga U.S.A.).

Net of the loan of F.I.L.A. S.p.A. (Euro 290,000 thousand) and Dixon Ticonderoga (Euro 231,206 thousand, including Euro 1,206 thousand of currency conversion effects) and considering an adjustment in application of the Amortised Cost of Euro 6,176 thousand, the residual value of non-current loans and borrowings amounts to Euro 7,328 thousand and principally relates to the non-current portion of the loans granted to:

- Industria Maimeri S.p.A. (Italy) by BPER and Creval for Euro 114 thousand;
- DOMS Industries Pvt Ltd (India) by HDFC Bank for Euro 735 thousand;
- Lyra KG (Germany) by Hypo Real Estate for Euro 129 thousand;
- Canson SAS (France) by Intesa Sanpaolo S.p.A. for Euro 6,350 thousand.

The current portion of banks loans and borrowings amounts to Euro 115,776 thousand, increasing by Euro 42,647 thousand on 2017, and is mainly due to the greater utilisation of the credit lines granted to the companies of the Group and to the seasonality of business activities which concentrate funding requirements in the middle of the year, against an improvement in cash flows at the end of the year. The main exposure of the Group companies to credit institutions concerns:

- Credit Line issued by Unicredit S.p.A., Intesa Sanpaolo and Bank of the West and the Revolving Credit Facility described previously, in favour of Dixon Ticonderoga Company (U.S.A.), with a total exposure at June 30, 2018 of Euro 51,882 thousand, increasing by Euro 34,292 thousand on December 2017 and including negative currency effects of Euro 505 thousand;
- 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 40,637 thousand. During the period, total bank loans and borrowings increased by Euro 19,288 thousand, of which Euro 727 thousand due to the negative exchange rate effect;
- Credit Lines issued to Lyra KG (Germany) by Commerzbank and HVB for Euro 7,400 thousand. The current debt of the German company in addition comprises the current portion of loans issued by Hypo Real Estate for Euro 229 thousand. The company's total financial exposure increased by Euro 1,902 thousand on 2017.

- Tranche of the Revolving Credit Facility issued in favour of F.I.L.A. S.p.A. of Euro 5,662 thousand;
- Credit line granted in favour of Fila Dixon Stationery (Kunshan) Co., Ltd. (China) by Intesa Sanpaolo S.p.A. and UniCredit S.p.A. for Euro 2,463 thousand, decreasing on December 2017 for Euro 971 thousand;
- The current portion of the loan and the credit lines granted to DOMS Industries Pvt Ltd (India) by HDFC Bank for Euro 1,845 thousand; the exposure increased by Euro 613 thousand on December 2017;
- Short-term loan granted to FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey) by TEB for Euro 1,888 thousand;
- Credit line granted by Intesa Sanpaolo to Xinjiang for Euro 1,315 thousand, increasing by Euro 18 thousand on December 31, 2017.

### Covenants

The F.I.L.A. Group, against the loan agreed 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.) is subject to commitments and "covenants".

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

The criteria for the calculation of the NFD, the EBITDA and the NFC are established by the relative loan contract.

The covenants for the loan agreed by F.I.L.A. S.p.A. and Dixon Ticonderoga Company (U.S.A.) are outlined below, although applied from December 31, 2018:

NFD / EBITDA < 5.50 (where a share capital increase in excess of Euro 90 million is not made).

NFD / EBITDA < 4.50 (where a share capital increase in excess of Euro 90 million is not made).

EBITDA / NFC > 3.50

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

### Loans and Borrowings - Other

"Loans and Borrowings - Other" at June 30, 2018 totalled Euro 1,359 thousand (Euro 8,708 thousand at December 31, 2017), with the current portion totalling Euro 271 thousand at June 30, 2017 (Euro 8,239 thousand at December 31, 2017).

The decrease on the previous year end relates mainly to the settlement of loans and borrowings of Euro 7,500 thousand of F.I.L.A. S.p.A. in 2017 following the application of the price adjustment mechanism on the Canson Group, based on the achievement of earnings objectives.

### Loans and Borrowings - Overdrafts

"Overdrafts" amounted to Euro 12,643 thousand (Euro 18,305 thousand at December 31, 2017) and concern the overdrafts principally of F.I.L.A. S.p.A. (Euro 3,017 thousand), Industria Maimeri S.p.A. (Euro 5,367 thousand), Canson SAS (Euro 3,156 thousand) and Fila Stationary O.O.O. (Euro 824 thousand).
The movement on December 2017 mainly relates to F.I.L.A. S.p.A. against the use for Euro 5,662 thousand of the Revolving Credit Facility under the loans signed on June 4, 2018 and classified to "Bank Loans and Borrowings".

## 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 paid to employees of the Parent F.I.L.A. S.p.A. concern salary-based Post-Employment Benefits, governed by Italian legislation and in particular Article 2120 of the Italian Civil Code. The amount of these benefits is in line with the contractually-established remuneration agreed between the parties on hiring.
The other Group companies, particularly 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 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 pays 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 obligation recognized in the financial statements reflects the probability that the payment will be issued and the duration for which payment will be made. The amount of these plan is calculated on an actuarial basis, utilising the "projected unit credit" method.

The amounts at June 30, 2018 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, 2017** | **2,391** | **6,345** | **8,736** |
| Disbursements | (230) | (918) | (1,147) |
| Financial Expense | 4 | (11) | (7) |
| Pension Cost for Service | 213 | 1,112 | 1,325 |
| IAS 19 Reserve | 65 | (1,593) | (1,528) |
| Translation differences | - | 28 | 28 |
| **June 30, 2018** | **2,443** | **4,963** | **7,406** |
| **Change** | **52** | **(1,382)** | **(1,330)** |

The "Actuarial Losses" totaled Euro 1,528 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 plan assets over the last two years:

**EMPLOYEE BENEFIT PLANS**

| 1. Employee Benefits Obligations | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Present Value of Obligations Not Covered by Plan Assets | 2,443 | 2,391 |
| | **2,443** | **2,391** |
| Present Value of Obligations Covered by plan assets | 8,115 | 9,507 |
| Fair Value of Plan Assets Relating to the Obligations | (3,152) | (3,162) |
| | **4,963** | **6,345** |
| **Total** | **7,406** | **8,736** |

The loan assets at June 30, 2018 invested by the F.I.L.A. Group to cover loans and borrowings related to "Employee Benefits" amount to Euro 3,152 thousand (Euro 3,162 thousand at December 31, 2017) and refer to Dixon Ticonderoga Company (Euro 2,102 thousand) and F.I.L.A.-Dixon, S.A. de C.V. (Euro 1,050 thousand). The financial investments have an average yield of 4.5% on invested capital (equally broken down between investments in the "Ticket PFG" fund and investments in guaranteed yield contracts). The "structure" of financial investments at June 30, 2018 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 profit or loss | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Pension Cost for Service | 1,325 | 2,911 |
| Financial Expense | (7) | 194 |
| **Cost Recognised in profit or loss** | **1,318** | **3,105** |

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, 2018 | December 31, 2017 |
|---|---|---|
| Annual Technical Discounting Rate | 3.3% | 3.3% |
| Increase in Cost of Living index | 3.7% | 3.7% |
| Future Increase in Salaries | 3.2% | 3.2% |
| Future Increase in Pensions | 2.1% | 2.7% |

## Note 15 - Provision for Risks and Charges

“Provision for Risks and Charges” at June 30, 2018 amount to Euro 6,723 thousand (Euro 5,012 thousand at December 31, 2017), of which Euro 2,495 thousand (Euro 2,095 thousand at December 31, 2017) concerning the non-current portion and Euro 4,228 thousand (Euro 2,917 thousand at December 31, 2017) 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, 2017** | **159** | **213** | **794** | **1,957** | **1,889** | **5,012** |
| non-current portion | - | - | 761 | - | 1,334 | 2,095 |
| current portion | 159 | 213 | 33 | 1,957 | 555 | 2,917 |
| **June 30, 2018** | **159** | **200** | **741** | **1,950** | **3,673** | **6,723** |
| non-current portion | - | - | 695 | - | 1,800 | 2,495 |
| current portion | 159 | 200 | 46 | 1,950 | 1,873 | 4,228 |
| **Change** | **-** | **(13)** | **(53)** | **(7)** | **1,784** | **1,711** |
| non-current portion | - | - | (66) | - | 466 | 400 |
| current portion | - | (13) | 13 | (7) | 1,318 | 1,311 |

The movement in “Provision for Risks and Charges” at June 30, 2018 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, 2017** | **159** | **213** | **794** | **1,957** | **1,889** | **5,012** |
| Utilisation of Provisions | - | - | (180) | (828) | (126) | (1,134) |
| Provisions Accrued | - | - | 55 | 832 | 284 | 1,171 |
| Release provision for risks and charges | - | - | - | - | - | - |
| Discounting | - | - | 72 | - | - | 72 |
| Change in consolidation scope | - | - | - | - | 1,600 | 1,600 |
| Exchange Differences | - | (13) | - | (11) | 26 | 2 |
| **June 30, 2018** | **159** | **200** | **741** | **1,950** | **3,673** | **6,723** |
| **Change** | **-** | **(13)** | **(53)** | **(7)** | **1,784** | **1,711** |

### Provisions for Tax Disputes

This provision represents the best estimate by management of tax liabilities concerning:

- F.I.L.A. S.p.A., concerning the 2004 tax period and relating to direct and indirect taxes (Euro 39 thousand);
- Lyra KG (Germany), penalty regarding the current tax audit (Euro 120 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 13 thousand deriving from exchange differences.

## Pensions and Similar Provisions

The caption includes the agents' supplementary indemnity provision at June 30, 2018 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 for H1 2018 was Euro 72 thousand. The actuarial changes in the year, net of the tax effect, are recognised directly in equity.

## Restructuring Provisions

For the integration and alteration of the Group structure following the corporate transactions of recent years, a number of companies established provisions for risks and charges concerning personnel mobility plans for a total of Euro 1,950 thousand. The plans involved in particular Canson SAS (France), Industria Maimeri S.p.A., Lukas-Nerchau GmbH (Germany) and Daler Rowney GmbH (Germany), as per the structural reorganisation projects drawn up by the parent.

## Other Provisions

The caption totals Euro 3,673 thousand and principally concerns the subsidiaries Dixon Ticonderoga Company (U.S.A.) and Pacon Corporation (U.S.A.) and F.I.L.A. S.p.A.. Dixon Ticonderoga Company (U.S.A.) recognized provisions for risks concerning environmental reclamation (Euro 391 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.

Pacon Corporation (U.S.A.), part of the Pacon Group acquired on June 7, 2018, reports employee liabilities totalling Euro 1,625 thousand in its financial statements.

The parent F.I.L.A. S.p.A. accrued, taking account of the information available and the best estimate made by management, Euro 1,449 thousand against liabilities deriving from the medium/long-term variable remuneration plan for a number of strategic executives of the company. The plan, approved by the Remuneration Committee and ratified by the Board of Directors, is indexed to quantitative and qualitative parameters. The Provision, discounted at December 31, 2017, was not subject in the period to discounting as maturing within 12 months.

In order to establish the best estimate of the contingent 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 provision in F.I.L.A. Group's consolidated financial statements concerns the sum of the individual accruals made by each Group company.

## Note 16 - Deferred tax liabilities

"Deferred Tax Liabilities" amount to Euro 42,347 thousand at June 30, 2018 (Euro 39,241 thousand at December 31, 2017).

**Note 16.A CHANGES IN DEFERRED TAX LIABILITIES**

| *Euro thousands* | |
|---|---|
| **December 31, 2017** | **39,241** |
| Provisions | 479 |
| Utilisations | (1,254) |
| *of which Change in Consolidation Scope* | *(4)* |
| Translation differences | (442) |
| Change in Equity | (36) |
| Variation in Consolidation Scope | 4,359 |
| **June 30, 2018** | **42,347** |
| **Change** | **3,106** |

The movement on the previous year is principally due to the release of deferred taxes provisioned on the higher value of property, plant and equipment and intangible assets recorded through the "purchase price allocation" on the companies acquired during the preceding years (in particular the Canson Group, the Daler-Rowney Lukas and DOMS Industries PVT Ltd). Against the gradual amortisation and depreciation of the assets so calculated, the company gradually released the relative deferred taxes.

The change in the Equity represents the tax effect of the "Actuarial Gains/Losses" calculated on the "Post-Employment Benefits and Employee Benefits" and recognised, in accordance with IAS 19, as an Equity reserve.

## Note 17 - Financial Instruments

"Financial Instruments" amount to Euro 50 thousand at June 30, 2018 (Euro 35 thousand at December 31, 2017) and concern the fair value of the derivatives on the loan (hedged instrument) issued in favour of Canson SAS (France) in 2017. The financial instrument (Interest Rate Swap) classified as a hedge, 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.

## Note 18 - Tax Liabilities

"Tax liabilities" total Euro 13,838 thousand at June 30, 2018 (Euro 8,448 thousand at December 31, 2017), relating mainly to the parent (Euro 1,123 thousand), Dixon Ticonderoga Company (Euro 3,823 thousand), the Indian company DOMS Industries Pvt Ltd (Euro 2,382 thousand) and Pacon Corporation (Euro 1,943 thousand).

## Note 19 - Trade Payables and Other Liabilities

"Trade Payables and Other Liabilities" at June 30, 2018 amount to Euro 128,639 thousand (Euro 96,263 thousand at December 31, 2017). The breakdown of "Trade Payables and Other Liabilities" of the F.I.L.A. Group is reported below:

**Note 19.A TRADE PAYABLES AND OTHER LIABILITIES**

| *Euro thousands* | June 30, 2018 | December 31, 2017 | Change |
|---|---|---|---|
| Trade Payables | 96,744 | 68,374 | 28,370 |
| Tax Liabilities | 7,211 | 7,096 | 115 |
| Other Liabilities | 23,282 | 19,416 | 3,866 |
| Accrued Expenses & Def.Income | 1,402 | 1,377 | 25 |
| **Total** | **128,639** | **96,263** | **32,376** |

The increase in "Trade Payables" (Euro 28,370 thousand) is partly due to the acquisition of the Pacon Group, the payables of companies subject to M&A at June 30, 2018 amount in fact to Euro 11,910 thousand, and partly 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.

"Tax Liabilities" to third parties amount to Euro 7,211 thousand at June 30, 2018 (Euro 7,096 thousand at December 31, 2017), of which Euro 5,305 thousand refers to VAT liabilities and Euro 1,906 thousand to tax liabilities other than current taxes. The VAT liabilities principally concerns the Mexican subsidiary (Euro 2,003 thousand).

"Other Liabilities" amount to Euro 23,282 thousand at June 30, 2018 and principally include:

- Employee salary payables of Euro 13,032 thousand (Euro 9,671 thousand at December 31, 2017);
- Social security contributions to be paid of Euro 4,584 thousand (Euro 4,946 thousand at December 31, 2017);
- Payables for agent commissions of Euro 313 thousand (Euro 241 thousand at December 31, 2017);
- The residual payables of Euro 5,353 thousand principally concerning advances to clients (Euro 4,558 thousand at December 31, 2017).

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

With reference to the other non-current liabilities, the balance at June 30, 2018 amounted to Euro 90 thousand and refers to deposits paid by clients to guarantee long-term supply contracts of the Indian company DOMS Industries Pvt Ltd (India).

## Note 20 – Core Revenue

Core revenue in the first half of 2018 amounted to Euro 259,140 thousand (Euro 260,543 thousand in H1 2017).

**Note 20.A - CORE REVENUE**

| *Euro thousands* | First Half of 2018 | First Half of 2017 | Change |
|---|---|---|---|
| Revenue from Sales and Services | 273,704 | 274,200 | (497) |
| Adjustments on Sales | (14,563) | (13,657) | (906) |
| *Returns on Sales* | *(8,799)* | *(6,611)* | *(2,188)* |
| *Discounts, Allowances and Bonuses* | *(5,765)* | *(7,046)* | *1,281* |
| **Total Revenue** | **259,140** | **260,543** | **(1,403)** |

"Core Revenue" of Euro 259,140 thousand decreased on the previous year by Euro 1,403 thousand (-0.5%).

The decrease relates to the combined impact of application of IFRS 15 which reduced revenues by Euro 2,844 thousand and negative currency effects of Euro 16,620 thousand, offset by the change in the consolidation scope, with revenue generated by the Pacon Group in H1 2018 of Euro 16,302. Net of these changes, Core Business Revenue was up Euro 1,759 thousand.

For further details, reference should be made to the "Adjusted operating result" and "Disclosure by operating segment" paragraphs 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 gains on commercial operations.

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

"Other Revenue and Income" in H1 2018 amounted to Euro 4,951 thousand (Euro 11,977 thousand in H1 2017).

| Note 21 – OTHER REVENUE AND INCOME | | | |
|---|---|---|---|
| *Euro thousands* | **First Half of 2018** | **First Half of 2017** | **Change** |
| Gains on Sale of Property, Plant and Equipment | 256 | 50 | 206 |
| Unrealised Exchange Rate Gains on Commercial Transactions | 1,957 | 7,983 | (6,026) |
| Realised Exchange Rate Gains on Commercial Transactions | 1,663 | 3,175 | (1,512) |
| Other Revenue and Income | 1,075 | 769 | 306 |
| **Total** | **4,951** | **11,977** | **(7,026)** |

"Other Revenue and Income" in H1 2018 of Euro 1,075 thousand principally includes income from the sale of production waste by Group companies and government grant repayments obtained by DOMS Industries Pvt Ltd (India).

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

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

"Raw Materials, Consumables Supplies and Goods" in H1 2018 totalled Euro 130,607 thousand (Euro 126,130 thousand in H1 2017).

The breakdown is provided below:

| Note 22 - COSTS FOR RAW MATERIALS, CONSUMABLES SUPPLIES AND GOODS | | | |
|---|---|---|---|
| *Euro thousands* | **First Half of 2018** | **First Half of 2017** | **Change** |
| Raw materials, Consumables Supplies and Goods | (110,547) | (105,619) | (4,928) |
| Shipping Expenses on Purchases | (6,075) | (5,777) | (298) |
| Packaging | (5,083) | (4,472) | (611) |
| Import Charges and Customs Duties | (2,905) | (2,877) | (28) |
| Other Accessory Charges on Purchases | (5,670) | (6,964) | 1,294 |
| Materials for Maintenance | (464) | (463) | (1) |
| Adjustments on Purchases | 137 | 42 | 95 |
| *Returns on Purchases* | *16* | *-* | *16* |
| *Discounts, Allowances and Bonuses* | *120* | *42* | *78* |
| **Total** | **(130,607)** | **(126,130)** | **(4,477)** |

The increase in H1 2018 was Euro 4,477 thousand and mainly relates to the change in the consolidation scope - costs incurred by the Pacon Group in H1 2018 in fact amounted to Euro 6,898 thousand. This increase was offset by the significant weakening of the main Group currencies against the Euro.

The increase in inventories at June 30, 2018 totalled Euro 27,135 thousand, of which:

- decrease of "Raw Materials, Consumables Supplies and Goods" for Euro 1,947 thousand (increase of Euro 1,805 thousand in H1 2017);
- increase in "Contract Work in Progress and Semi-Finished products" of Euro 3,540 thousand (increase of Euro 2,924 thousand in H1 2017);
- increase in "Finished Products" of Euro 25,542 thousand (increase of Euro 15,458 thousand in H1 2017).

For further details, reference should be made to the "Adjusted operating result" paragraph of the Directors' Report.

### Note 23 - Services and Use of Third Parties Assets

"Services and Use of Third Parties Assets" amounted in H1 2018 to Euro 65,836 thousand (Euro 58,658 thousand in H1 2017).

Services are broken down as follows:

**Note 23 - SERVICE AND USE OF THIRD PARTIES ASSETS**

| *Euro thousands* | First Half of 2018 | First Half of 2017 | Change |
|---|---|---|---|
| Sundry services | (3,433) | (5,437) | 2,004 |
| Transport | (10,760) | (10,100) | (661) |
| Warehousing | (862) | (820) | (42) |
| Maintenance | (5,109) | (4,389) | (721) |
| Utilities | (4,038) | (4,090) | 52 |
| Consulting | (12,447) | (4,699) | (7,748) |
| Directors' and Statutory Auditors' Fees | (2,309) | (2,366) | 57 |
| Advertising, Promotions, Shows and Fairs | (3,587) | (3,424) | (163) |
| Cleaning | (405) | (288) | (117) |
| Bank Charges | (450) | (501) | 51 |
| Agents | (3,634) | (3,736) | 103 |
| Sales representatives | (2,630) | (3,027) | 397 |
| Sales Commissions | (6,166) | (6,351) | 185 |
| Insurance | (924) | (1,106) | 182 |
| Other Service Costs | (2,420) | (1,942) | (477) |
| Hire Charges | (4,061) | (4,003) | (57) |
| Rental | (721) | (765) | 44 |
| Operating Leases | (1,592) | (1,308) | (284) |
| Royalties and Patents | (288) | (306) | 18 |
| **Total** | **(65,836)** | **(58,658)** | **(7,178)** |

The increase on H1 2017 was Euro 7,178 thousand and principally concerned consultancy costs incurred by the parent F.I.L.A. S.p.A for the M&A regarding the acquisition of the Pacon Group (Euro 7,877 thousand) and the weakening of the main Group currencies against the Euro.

## Note 24 – Other Operating Costs

These totalled in H1 2018 Euro 5,949 thousand (Euro 13,245 thousand in H1 2017).

The caption 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 Operating Costs" are broken down as follows:

| Note 24 – OTHER OPERATING COSTS | | | |
|---|---|---|---|
| *Euro thousands* | **First Half of 2018** | **First Half of 2017** | **Change** |
| Unrealised Exchange Rate Losses on Commercial Transactions | (3,193) | (7,740) | 4,547 |
| Realised Exchange Rate Losses on Commercial Transactions | (2,464) | (4,951) | 2,487 |
| Other Operating Charges | (293) | (554) | 261 |
| **Total** | **(5,949)** | **(13,245)** | **7,295** |

The increase in "Other Operating Costs" in the first half of 2018 following the change in the consolidation scope was Euro 41 thousand, with a net decrease at like-for-like consolidation scope of Euro 302 thousand. The amounts mainly concern non-recurring costs incurred by the Chinese subsidiary FILA Dixon Stationery (Kunshan) Co., Ltd and the parent F.I.L.A. S.p.A..

## Note 25 – Personnel Expense

"Personnel Expense" includes all costs and expenses incurred for employees. It Amounts in H1 2018 to Euro 54,286 thousand (Euro 55,686 thousand in H1 2017).

These costs are broken down as follows:

| Note 25 – PERSONNEL EXPENSE | | | |
|---|---|---|---|
| *Euro thousands* | **First Half of 2018** | **First Half of 2017** | **Change** |
| Wages and Salaries | (40,730) | (39,982) | (748) |
| Social Security Charges | (9,271) | (8,948) | (323) |
| Employee Benefits | (1,112) | (1,357) | 244 |
| Post-Employment Benefits | (213) | (53) | (159) |
| Other Personnel Expenses | (2,960) | (5,346) | 2,386 |
| **Total** | **(54,286)** | **(55,686)** | **1,400** |

"Personnel Expense" decreased on the first half of 2017 by Euro 1,400 thousand, mainly due to increased reorganisational costs and for the Long Term Incentive incurred in the first half of 2017 and the weakening of the main Group currencies against the Euro. The caption decreased despite the M&A effect from the acquisition of the Pacon Group in the first half of 2018, which amounts to Euro 2,071 thousand, and higher personnel expenses at the Indian and Mexican production facilities.

The following table reports the breakdown of the F.I.L.A. Group workforce at June 30, 2018 and December 31, 2017 by region.

| | Europe | North America | Central - South America | Asia | Rest of the World | Total |
|---|---|---|---|---|---|---|
| **December 31, 2017** | 1,099 | 206 | 1,836 | 5,263 | 35 | 8,439 |
| **June 30, 2018** | 1,135 | 765 | 1,968 | 5,444 | 30 | 9,342 |
| **Change** | 36 | 559 | 132 | 181 | (5) | 903 |

The increase on December 31, 2017 was 903 and in particular concerned North America as a result of the above-stated M&A effect. The total increase due to the acquisition of the Pacon Group was 623.

## Note 26 – Amortisation and Depreciation

"Amortisation & Depreciation" in H1 2018 amounted to Euro 9,468 thousand (Euro 8,870 thousand in H1 2017). The breakdown for H1 2018 and H1 2017 was as follows:

**Note 26 – AMORTISATION AND DEPRECIATION**

| *Euro thousands* | First Half of 2018 | First Half of 2017 | Change |
|---|---|---|---|
| Depreciation of Property, Plant and Equipment | (5,712) | (5,465) | (247) |
| Amortisation of Intangible Assets | (3,757) | (3,405) | (351) |
| **Total** | **(9,468)** | **(8,870)** | **(598)** |

The movement in "Amortisation and depreciation" on June 30, 2017 principally concerns the M&A effect of Euro 464 thousand.

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

## Note 27 – Impairment Losses

"Impairment Losses" in H1 2018 totalled Euro 1,589 thousand (Euro 206 thousand in H1 2017).

The Impairment losses recorded in H1 2018 and H1 2017 are illustrated below:

| Note 27 – IMPAIRMENT LOSSES | | | |
|---|---|---|---|
| *Euro thousands* | **First Half of 2018** | **First Half of 2017** | **Change** |
| Impairment Losses on Property, Plant and Equipment | (7) | (32) | 25 |
| Impairment Losses on Intangible Assets | (1,582) | (174) | (1,408) |
| *Of Which direct Impairment Losses on trade receivables* | *(80)* | *-* | *(80)* |
| **Total** | **(1,589)** | **(206)** | **(1,383)** |

The Credit loss allowance increased significantly on the previous year, principally as a result of first time application of IFRS 9. The application of the new standard had an impact in the period of Euro 878 thousand. Net of this effect, the increase was Euro 505 thousand, principally due to the higher accrual made by the US subsidiary Dixon Ticonderoga Company (U.S.A.).

## Note 28 – Financial Income

The caption in H1 2018 amounted to Euro 4,151 thousand (Euro 1,838 thousand in H1 2017).

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

| Note 28 – FINANCIAL INCOME | | | |
|---|---|---|---|
| *Euro thousands* | **First Half of 2018** | **First Half of 2017** | **Change** |
| Interest on Bank Deposits | 55 | 34 | 21 |
| Financial Income from Disposal of Non-Current Financial Assets | 6 | - | 6 |
| Other Financial Income | 29 | 1,064 | (1,036) |
| Unrealised Exchange Rate Gains on Financial Transactions | 1,757 | 712 | 1,045 |
| Realised Exchange Rate Gains on Financial Transactions | 2,305 | 27 | 2,278 |
| **Total** | **4,151** | **1,838** | **2,313** |

The main change within "Other Financial Income" for a negative Euro 1,036 thousand relates to the income of the German subsidiary Lyra KG in H1 2017 generated from the sale of the non-controlling (30% of the share capital) held in FILA Nordic AB (Sweden) for Euro 990 thousand.

## Note 29 - Financial Expense

"Financial Expense" in H1 2018 amounted to Euro 14,120 thousand (Euro 9,413 thousand in H1 2017).

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

**Note 29 - FINANCIAL EXPENSE**

| *Euro thousands* | First Half of 2018 | First Half of 2017 | Change |
|---|---|---|---|
| Interest on Bank Overdrafts | (84) | (90) | 6 |
| Interest on Bank Loans and borrowings | (5,712) | (4,658) | (1,054) |
| Interest to Other Lenders | (25) | (11) | (14) |
| Other Financial Expenses | (4,141) | (1,443) | (2,698) |
| Unrealised Exchange Rate Losses on Financial Transactions | (3,683) | (2,660) | (1,023) |
| Realised Exchange Rate Losses on Financial Transactions | (476) | (551) | 76 |
| **Total** | **(14,120)** | **(9,413)** | **(4,707)** |

The increase in "Financial Expenses" in H1 2018 was Euro 4,707 thousand, net of the considerations regarding exchange differences, and principally concerned increased costs incurred by the parent F.I.L.A. S.p.A. for the settlement of the loan raised in 2016 and the opening of a new structured loan to support the M&A performed in the period.

In particular, the caption includes also the costs for the release of the Amortised cost on the structured loans.

In 2018, the loan signed in 2016 by F.I.L.A. S.p.A. was repaid and consequently the entire amount of the amortized cost take as a reduction of the loan liability for a total of Euro 2,534 thousand was released.

In addition, the portion of Amortised Cost on the new loan agreed by F.I.L.A. S.p.A. and Dixon Ticonderoga Company (U.S.A.) at June 30, 2018 amounted to Euro 188 thousand (for further details, reference should be made to Note 13).

## Note 30 - Foreign Currency Transactions

Exchange differences on financial and commercial transactions in foreign currencies in H1 2018 are reported below.

| Note 30 - FOREIGN CURRENCY TRANSACTIONS | | | |
|---|---|---|---|
| *Euro thousands* | First Half of 2018 | First Half of 2017 | Change |
| Net Unrealised Exchange Gains on Trade Receivables and Payables | 1,957 | 7,983 | (6,027) |
| Net Realised Exchange Gains on Trade Receivables and Payables | 1,663 | 3,175 | (1,512) |
| Net Unrealised Exchange Losses on Trade Receivables and Payables | (3,193) | (7,740) | 4,547 |
| Net Realised Exchange Losses on Trade Receivables and Payables | (2,464) | (4,951) | 2,487 |
| **Net exchange losses on foreign currency Trade Receivables and Payabales** | **(2,037)** | **(1,533)** | **(505)** |
| Net Unrealised Exchange Gains on Financial Transactions | 1,757 | 712 | 1,045 |
| Net Realised Exchange Gains on Financial Transactions | 2,305 | 27 | 2,278 |
| Net Unrealised Exchange Losses on Financial Transactions | (3,683) | (2,660) | (1,023) |
| Net Realised Exchange Losses on Financial Transactions | (476) | (551) | 76 |
| **Net exchange gains on financial transactions** | **(96)** | **(2,472)** | **2,376** |
| **Net exchange losses** | **(2,133)** | **(4,005)** | **1,871** |

Exchange differences in 2018 principally arose from the movement of local currencies (principally due to the weakening of the US Dollar, the Indian Rupee and the South American currencies) against the Euro, in addition to the movement in the period of assets and liabilities in foreign currencies, following trade and financial transactions.

## Note 31 – Income/Expense from Equity-Accounted Investments

"Income/Expense from Equity-Accounted Investments" report income of Euro 60 thousand (expense of Euro 5 thousand in H1 2017), due to the adjustment of the investments in associates held by DOMS Industries Pvt Ltd (India), consolidated under the Equity method.

## Note 32 - Income Taxes

They amount to Euro 7,599 thousand in H1 2018 (Euro 7,588 thousand in the second half of 2017) and concern current taxes for Euro 7,245 thousand (Euro 8,378 thousand in 2017) and net deferred tax liabilities of Euro 354 thousand (assets of Euro 790 thousand in H1 2017).

## Note 32.A – Current Income Taxes

| Note 32.A - INCOME TAXES | | | |
|---|---|---|---|
| *Euro thousands* | First Half of 2018 | First Half of 2017 | Change |
| Current Income Taxes - Italy | (299) | (364) | 65 |
| Current Income Taxes - Foreign | (6,946) | (8,014) | 1,068 |
| **Total** | **(7,245)** | **(8,378)** | **1,133** |

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

| Note 32.A.1 - FOREIGN INCOME TAXES | | | |
|---|---|---|---|
| *Euro thousands* | First Half of 2018 | First Half of 2017 | Change |
| OMYACOLOR S.A. (France) | (700) | (674) | (26) |
| FILA Hispania S.L. (Spain) | (239) | (244) | 5 |
| DOMS Industries Pvt Ltd (India) | (1,084) | (844) | (240) |
| FILA (Russia) | 18 | 0 | 18 |
| Fila Hellas SA (Greece) | (115) | (96) | (19) |
| Fila Polska Sp. Z.o.o (Poland) | (60) | (56) | (4) |
| Fila Iberia S. L. (Spain) | (371) | (263) | (108) |
| Canson Brasil I.P.E. LTDA (Brasil) | 51 | (62) | 113 |
| Canson SAS (France) | (140) | (682) | 542 |
| Canson Inc. (USA) | (1) | (53) | 52 |
| Canson Qingdao Ltd. (China) | 0 | (76) | 76 |
| Dixon Ticonderoga Company (U.S.A.) | (1,968) | (3,823) | 1,855 |
| Dixon Ticonderoga Inc. (Canada) | (138) | (156) | 18 |
| Grupo F.I.L.A.-Dixon, S.A. de C.V.(Mexico) | (198) | (495) | 297 |
| F.I.L.A. Chile Ltda (Chile) | (28) | (245) | 217 |
| FILA Argentina S.A. (Argentina) | 0 | (1) | 1 |
| FILA Dixon Stationery (Kunshan) Co., Ltd. (China) | (286) | (66) | (220) |
| FILA Dixon Art & Craft Yixing Co. Ltd (China) | 1 | (30) | 31 |
| Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG (Germany) | (58) | (110) | 52 |
| St.Cuthberts Mill Limited Paper (UK) | (90) | 0 | (90) |
| Lyra Bleistift-Fabrik Verwaltungs GmbH (Germany) | (1) | (1) | 0 |
| F.I.L.A. Nordic AB (Sveden) | 0 | (5) | 5 |
| PT. Lyra Akrelux (Indonesia) | (30) | (37) | 7 |
| FILA Benelux SA (Belgium) | (214) | 5 | (219) |
| Daler Rowney Group Ltd (Jersey - UK) | (7) | 0 | (7) |
| Daler Rowney Ltd (UK) | (130) | 0 | (130) |
| Daler Rowney USA Ltd (USA) | (613) | 0 | (613) |
| Pacon Corporation (USA) | (441) | 0 | (441) |
| Baywood Paper ULC (Canada) | (37) | 0 | (37) |
| Creativity International (UK) | (67) | 0 | (67) |
| **Total** | **(6,946)** | **(8,014)** | **1,068** |

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 16 thousand) and the tax under Article 167 of Presidential Decree 917/1986 concerning “Controlled Foreign Companies” (Euro 16 thousand).

## Note 32.B – Change in Deferred Taxes

The breakdown is provided below:

| Note 32.B CHANGE IN DEFERRED TAX | | | |
|---|---|---|---|
| *Euro thousands* | **First Half of 2018** | **First Half of 2017** | **Change** |
| Change in Deferred Tax Assets | 775 | 4,126 | (3,350) |
| Change in Deferred Tax Liabilities | (1,129) | (3,336) | 2,207 |
| **Total** | **(354)** | **790** | **(1,145)** |

# Attachments

## Attachment 1 – Related parties transactions

For the procedures adopted in relation to related parties transactions, 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 related parties transactions for the first half of 2018:

**F.I.L.A. GROUP RELATED PARTIES - 2018**

| | | June 30, 2018 | | | | | | First Half of 2018 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Statement of Financial Position | | | | | | Income Statement | | | | | |
| *Euro thousands* | | ASSETS | | | LIABILITIES | | | REVENUE | | | COSTS | | |
| Company | Nature | Intangible Assets | Trade Receivables | Cash and Cash Equivalents | Loans and Borrowings (Banks) | Loans and Borrowings (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 | - | - | - | - | - | 1,050 | - | - | - | 1,251 | 0.4 | - |
| Studio Legale Salonia e Associati | Legal Advisor | - | - | - | - | - | 63 | - | - | - | - | 170 | - |
| Studio Zucchetti | Tax Advisor | - | - | - | - | - | 97 | - | - | - | - | 129 | - |
| ARDA S.p.A. | Trade Supplier | - | - | - | - | - | 102 | - | - | - | 84 | - | - |
| Pinturas y Texturizados S.A. de C.V. | Trade and Services Supplier | - | - | - | - | - | - | - | - | - | 103 | 9 | - |
| HR Trustee | Services Supplier | - | - | - | - | - | - | - | - | - | - | 7 | - |
| **Total** | | - | - | - | - | - | **1,312** | - | - | - | **1,438** | **315** | - |

**F.I.L.A. GROUP RELATED PARTIES - 2017**

| | | December 31, 2017 | | | | | | First Half of 2017 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Statement of Financial Position | | | | | | Income Statement | | | | | |
| *Euro thousands* | | ASSETS | | | LIABILITIES | | | REVENUE | | | COSTS | | |
| Company | Nature | Intangible Assets | Trade Receivables | Cash and Cash Equivalents | Loans and Borrowings (Banks) | Loans and Borrowings (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 | - | - | - | - | - | 944 | - | - | - | 1,158 | - | - |
| Studio Legale Salonia e Associati | Legal Advisor | - | - | - | - | - | 35 | - | - | - | - | 167 | - |
| Studio Zucchetti | Tax Advisor | - | - | - | - | - | 119 | - | - | - | - | 74 | - |
| Beijing Mjestic | Trade Supplier | - | - | - | - | - | 92 | - | - | - | - | - | - |
| Autogrill SpA | Trade Supplier | - | - | - | - | - | 1 | - | - | - | 2 | - | - |
| Pinturas y Texturizados S.A. de C.V. | Trade and Services Supplier | - | - | - | - | - | - | - | - | - | 65 | 6 | - |
| HR Trustee | Services Supplier | - | - | - | - | - | - | - | - | - | - | 15 | - |
| **Total** | | - | - | - | - | - | **1,191** | - | - | - | **1,225** | **262** | - |

### 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.

### ARDA S.p.A.

ARDA S.p.A., a shareholder of which is related to the management of a F.I.L.A. Group company, is an Italian based company specialised in the production and sale of school and office items.

F.I.L.A. Group transactions with related parties refer to normal transactions and are regulated at market conditions, i.e. the conditions that would be applied between two independent parties, and are undertaken in the interests of the Group. Typical or normal transactions are those which, by their object or nature, are not outside the normal course of business of the F.I.L.A. Group and those which do not involve 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 scope and other investments

| Company | Country of residence of 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.<br>Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG<br>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% | FILA S.p.A.<br>Lyra Bleistift-Fabrik Verwaltungs GmbH | Line-by-line | 0,00% |
| Lyra Bleistift-Fabrik Verwaltungs GmbH | Germany | EU | 2008 | 0,00% | 100,00% | 100,00% | Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG | Line-by-line | 0,00% |
| F.I.L.A. Nordic AB[2] | Sweden | EU | 2008 | 0,00% | 50,00% | 50,00% | Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG | Line-by-line | 50,00% |
| FILA Stationary and Office Equipment Industry Ltd. Co. | Turkey | EU | 2011 | 100,00% | 0,00% | 100,00% | FILA S.p.A. | Line-by-line | 0,00% |
| Fila Stationary O.O.O. | Russia | EU | 2013 | 90,00% | 0,00% | 90,00% | FILA S.p.A. | Line-by-line | 10,00% |
| Industria Maimeri S.p.A. | Italy | EU | 2014 | 51,00% | 0,00% | 51,00% | FILA S.p.A. | Line-by-line | 49,00% |
| Fila Hellas SA[2] | Greece | EU | 2013 | 50,00% | 0,00% | 50,00% | FILA S.p.A. | Line-by-line | 50,00% |
| Fila Polska Sp. Z.o.o | Poland | EU | 2015 | 51,00% | 0,00% | 51,00% | FILA S.p.A. | Line-by-line | 49,00% |
| Dixon Ticonderoga Company | U.S.A. | NA | 2005 | 100,00% | 0,00% | 100,00% | FILA S.p.A. | Line-by-line | 0,00% |
| Dixon Ticonderoga Inc. | Canada | NA | 2005 | 0,00% | 100,00% | 100,00% | Dixon Ticonderoga Company | Line-by-line | 0,00% |
| Grupo F.I.L.A.-Dixon, S.A. de C.V. | Mexico | CSA | 2005 | 0,00% | 100,00% | 100,00% | Dixon Ticonderoga Inc.<br>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<br>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<br>Dixon Ticonderoga Company | Line-by-line | 0,00% |
| Beijing F.I.L.A.-Dixon Stationery Company Ltd. | China | AS | 2005 | 0,00% | 100,00% | 100,00% | Dixon Ticonderoga Company | Line-by-line | 0,00% |
| Xinjiang F.I.L.A.-Dixon Plantation Company Ltd. | China | AS | 2008 | 0,00% | 100,00% | 100,00% | Beijing F.I.L.A.-Dixon Stationery Company Ltd. | Line-by-line | 0,00% |
| PT. Lyra Akrelux | Indonesia | AS | 2008 | 0,00% | 52,00% | 52,00% | Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG | Line-by-line | 48,00% |
| FILA Dixon Stationery (Kunshan) Co., Ltd. | China | AS | 2013 | 0,00% | 100,00% | 100,00% | Beijing F.I.L.A.-Dixon Stationery Company Ltd. | Line-by-line | 0,00% |
| FILA SA PTY LTD | South Africa | RM | 2014 | 90,00% | 0,00% | 90,00% | FILA S.p.A. | Line-by-line | 10,00% |
| Canson Art & Craft Yixing Co., Ltd. | China | AS | 2015 | 0,00% | 100,00% | 100,00% | Beijing F.I.L.A.-Dixon Stationery Company Ltd. | Line-by-line | 0,00% |
| DOMS Industries Pvt Ltd | India | AS | 2015 | 51,00% | 0,00% | 51,00% | FILA S.p.A. | Line-by-line | 49,00% |
| Renoir Topco Ltd | 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<br>Daler Rowney Ltd<br>Daler Board Company 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% |
| 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. | U.S.A. | NA | 2016 | 100,00% | 0,00% | 100,00% | FILA S.p.A. | Line-by-line | 0,00% |
| Canson Inc. | U.S.A. | NA | 2016 | 0,00% | 100,00% | 100,00% | Eurholdam USA Inc. | Line-by-line | 0,00% |
| Canson SAS | France | EU | 2016 | 100,00% | 0,00% | 100,00% | FILA S.p.A. | Line-by-line | 0,00% |
| Canson Brasil I.P.E. LTDA | Brasil | CSA | 2016 | 0,19% | 99,81% | 100,00% | Canson SAS<br>FILA S.p.A. | Line-by-line | 0,00% |
| Lodi 12 SAS | France | EU | 2016 | 100,00% | 0,00% | 100,00% | FILA S.p.A. | Line-by-line | 0,00% |
| Canson Australia PTY LTD | Australia | RM | 2016 | 0,00% | 100,00% | 100,00% | Lodi 12 SAS | Line-by-line | 0,00% |
| Canson Qingdao Ltd. | China | AS | 2016 | 0,00% | 100,00% | 100,00% | Lodi 12 SAS | Line-by-line | 0,00% |
| Canson Italy S.r.l. | Italy | EU | 2016 | 0,00% | 100,00% | 100,00% | Lodi 12 SAS | Line-by-line | 0,00% |
| FILA Art Products AG | Switzerland | EU | 2017 | 52,00% | 0,00% | 52,00% | FILA S.p.A. | Line-by-line | 48,00% |
| FILA Art and Craft Ltd | Israele | AS | 2018 | 51,00% | 0,00% | 51,00% | FILA S.p.A. | Line-by-line | 49,00% |
| Pacon Holding Company | U.S.A. | NA | 2018 | 0,00% | 100,00% | 100,00% | Dixon Ticonderoga Company | Line-by-line | 0,00% |
| Pacon Corporation | U.S.A. | NA | 2018 | 0,00% | 100,00% | 100,00% | Pacon Holding Company | Line-by-line | 0,00% |
| Pacon Canadian Holding Co | U.S.A. | NA | 2018 | 0,00% | 100,00% | 100,00% | Pacon Corporation | Line-by-line | 0,00% |
| Baywood Paper ULC | Canada | NA | 2018 | 0,00% | 100,00% | 100,00% | Pacon Canadian Holding Co | Line-by-line | 0,00% |
| Castle Hill Crafts | UK | EU | 2018 | 0,00% | 100,00% | 100,00% | Pacon Corporation | Line-by-line | 0,00% |
| Crativity International | UK | EU | 2018 | 0,00% | 100,00% | 100,00% | Castle Hill Crafts | Line-by-line | 0,00% |
| Princeton Hong Kong | Hong Kong | AS | 2018 | 0,00% | 100,00% | 100,00% | Pacon Corporation | Line-by-line | 0,00% |
| Pioneer Stationery Pvt Ltd. | India | AS | 2015 | 0,00% | 51,00% | 51,00% | DOMS Industries Pvt Ltd | Equity Method | 49,00% |
| Uniwrite Pens and Plastics Pvt Ltd | Inida | AS | 2016 | 0,00% | 60,00% | 60,00% | DOMS Industries Pvt Ltd | Equity Method | 40,00% |

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

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

# Attachment 3 - Changes to accounting standards

## Impact of IFRS 15 and IFRS 9 on the consolidated financial statements

The effects from application of IFRS 15 and IFRS 9 on the consolidated financial statements at June 30, 2018 are presented below.

## Statement of Financial Position

| *Euro thousands* | June 30, 2018 as reported | IFRS Adjustment | June, 2018 (no IFRS Adjustment) |
|---|---|---|---|
| **Assets** | **1,094,601** | **1,814** | **1,096,415** |
| **Non-Current Assets** | **540,973** | **(1,124)** | **539,849** |
| Intangible Assets | 423,810 | | 423,810 |
| Property, Plant and Equipment | 97,774 | | 97,774 |
| Non-Current Loan Assets | 3,331 | | 3,331 |
| Equity Accounted Investments | 811 | | 811 |
| Other Investments | 31 | | 31 |
| Deferred Tax Assets | 15,216 | (1,124) | 14,092 |
| **Current Assets** | **553,628** | **2,938** | **556,566** |
| Current Loan Assets | 492 | | 492 |
| Current Tax Assets | 12,558 | | 12,558 |
| Inventories | 264,162 | | 264,162 |
| Trade Receivables and Other Assets | 237,650 | 2,938 | 240,588 |
| Cash and Cash Equivalents | 38,766 | | 38,766 |
| **Liabilities and Equity** | **1,094,601** | **1,814** | **1,096,415** |
| **Equity** | **243,372** | **1,814** | **245,186** |
| Share Capital | 37,261 | | 37,261 |
| Reserves | 27,558 | 1,157 | 28,715 |
| Retained Earnings | 148,939 | | 148,939 |
| Profit for the period/year | 5,325 | 657 | 5,982 |
| **Equity Attributable to the Owners of the Parent** | **219,083** | **1,814** | **220,897** |
| **Equity Attributable to Non Controlling Interests** | **24,289** | | **24,289** |
| **Non-Current Liabilities** | **575,834** | **-** | **575,834** |
| Non-Current Loan and Borrowings | 523,446 | | 523,446 |
| Financial Instruments | 50 | | 50 |
| Employee Benefits | 7,406 | | 7,406 |
| Provisions for Risks and Charges | 2,495 | | 2,495 |
| Deferred Tax Liabilities | 42,347 | | 42,347 |
| Other Liabilities | 90 | | 90 |
| **Current Liabilities** | **275,395** | **-** | **275,395** |
| Current Loan and Borrowings | 128,690 | | 128,690 |
| Provisions for Risks and Charges | 4,228 | | 4,228 |
| Current Tax Liabilities | 13,838 | | 13,838 |
| Trade Payables and Other Liabilities | 128,639 | | 128,639 |

## Statement of Comprehensive Income

| *Euro thousands* | First Half of 2018 as reported | IFRS Adjustment | First Half of 2018 (no IFRS Adjustment) |
|---|---|---|---|
| Revenue from Sales and Service | 259,140 | 2,844 | 261,984 |
| Other Revenue and Income | 4,951 | - | 4,951 |
| **Total Revenue** | **264,091** | **2,844** | **266,935** |
| Raw Materials, Consumables Supplies and Goods | (130,607) | - | (130,607) |
| Services and use of Third Parties Assets | (65,836) | (2,613) | (68,449) |
| Other Operating Costs | (5,949) | - | (5,949) |
| Change in Raw Materials, Semi-Finished, Work-in-progress & Finished Prod. | 27,135 | - | 27,135 |
| Personnel expense | (54,286) | - | (54,286) |
| Amortisation & Depreciation | (9,468) | - | (9,468) |
| Impairment Losses | (1,589) | 878 | (711) |
| **Total Operating Costs** | **(240,600)** | **(1,735)** | **(242,337)** |
| **Operating Profit** | **23,491** | **1,109** | **24,599** |
| Financial Income | 4,151 | - | 4,151 |
| Financial Expense | (14,120) | (231) | (14,351) |
| Income/Expense from Equity - Accounted Investments | 60 | - | 60 |
| **Net Financial Expense** | **(9,909)** | **(231)** | **(10,140)** |
| **Pre-Tax Profit** | **13,582** | **878** | **14,458** |
| Income Taxes | (7,245) | - | (7,245) |
| Deferred Taxes | (354) | (221) | (575) |
| **Income Taxes** | **(7,599)** | **(221)** | **(7,819)** |
| **Profit - Continuing Operations** | **5,983** | **657** | **6,640** |
| **Profit (loss) - Discontinued Operations** | **-** | **-** | **-** |
| **Profit for the Period** | **5,983** | **657** | **6,640** |
| *Attributable to:* | | | |
| **Non-controlling interests** | **658** | | **658** |
| **Owners of the parent** | **5,325** | | **5,982** |
| **Other Comprehensive Income (Expense) which may be reclassified subsequently to profit or loss** | **1,257** | **-** | **1,257** |
| Translation Difference recorded in Equity | 2,325 | - | 2,325 |
| Adjustment Fair value of Hedges | (1,068) | - | (1,068) |
| **Other Comprehensive Income (Expense) which may not be reclassified subsequently to profit or loss** | **1,216** | **-** | **1,216** |
| Actuarial Gains for Employee Benefits recorded directly in Equity | 1,456 | - | 1,456 |
| Income Taxes on income and charges recorded directly in Equity | (240) | - | (240) |
| **Other Comprehensive Income (Expense) - Net of tax effect** | **2,473** | **-** | **2,473** |
| **Comprehensive Income** | **8,456** | **657** | **9,113** |
| *Attributable to:* | | | |
| **Non-controlling interests** | **(297)** | | **(297)** |
| **Owners of the parent** | **8,753** | | **9,410** |

In the first half of 2018, the application of IFRS 15 had the effect of reducing revenues on the basis of reclassifications for Euro 2,844 thousand, with an impact on the operating profit of Euro 231 thousand. There were no adjustments to the profit for the period.

The application of IFRS 9 had a negative impact on equity at January 1, 2018 of Euro 1,157 thousand, concerning the 2017 impact net of the tax effect, while the impact on the H1 2018 profit was Euro 657 thousand. Simultaneously, a reduction in “Trade Receivables and Other Assets” of Euro 2,938 thousand was recorded, with an increase in deferred tax assets of Euro 1,124 thousand.

## Attachment 4 - Business combinations

### Pacon Group

On June 7, 2018, the acquisition was completed of 100% of the shares of Pacon Holding Company (U.S.A.), parent of the Pacon Group, by the subsidiary Dixon Ticonderoga Company (U.S.A.).

From June 7, 2018, the companies of the US Group were consolidated in the financial statements of the F.I.L.A. S.p.A. Group under the “line by line” method and at June 30, 2018 contributed to the financial performance of the period only to the extent of the profits/losses for the period between June 7, 2018 and June 30, 2018.

The acquisition of 100% of Pacon Holding Company (U.S.A.) involved total consideration of USD 254.7 million (Euro 215.2 million at the acquisition date), against Consolidated Equity at June 7, 2018 of USD 119.5 million (Euro 100.9 thousand at the acquisition date). The difference between the carrying amount of the investment and Equity at that date resulted exclusively in the recognition of Goodwill, as the company was permitted to make the PPA within one year from the acquisition as established by IFRS 3; the calculation of Goodwill on the basis of the above figures translated at the exchange rate at the transaction date is reported below:

| | |
|---|---|
| Carrying amount of Dixon Ticonderoga Company (U.S.A.)* investment in Pacon Group | 215,418 |
| Equity of Pacon Group | 100,923 |
| **Difference between acquisition price of the equity investment and Carring amount of Pacon Group (Goodwill) at June 7, 2018** | **114,495** |

** Company owned by F.I.L.A. S.p.A.*

The assets and liabilities of the Pacon Group at the acquisition date was as follows:

**Pacon Group as at June 7, 2018**

| | |
|---|---|
| **Assets** | **215,935** |
| | |
| **Non-Current Assets** | **108,780** |
| Intangible Assets | 100,575 |
| Property, Plant and Equipment | 7,777 |
| Non-Current Loan Assets | 428 |
| | |
| **Current Assets** | **107,155** |
| Current Tax Assets | 830 |
| Inventories | 56,760 |
| Trade Receivables and Other Assets | 45,293 |
| Cash and Cash Equivalents | 4,272 |
| | |
| **Liabilities and Equity** | **215,935** |
| | |
| **Equity** | **100,923** |
| | |
| **Non-Current Liabilities** | **97,383** |
| Non-Current Loan and Borrowings | 91,424 |
| Provisions for Risks and Charges | 1,600 |
| Deferred Tax Liabilities | 4,359 |
| | |
| **Current Liabilities** | **17,628** |
| Current Tax Liabilities | 1,863 |
| Trade Payables and Other Liabilities | 15,766 |

*Note: The figures are translated at the exchange rate at June 7, 2018*

## Transactions relating to Atypical and/or Unusual Operations

In accordance with Consob Communication of July 28, 2006, during H1 2018 the F.I.L.A. Group did not undertake any atypical and/or unusual operations as defined by this communication, whereby atypical and/or unusual operations refer to operations which for size/importance, nature of the counterparties, nature of the transaction, method in determining the transfer price or time period (close to the period-end) may give rise to doubts in relation to: the correctness/completeness of the information in the financial statements, conflicts of interest, the safeguarding of the company's assets and the protection of non-controlling investors.

The Board of Directors
THE CHAIRMAN
Gianni Mion

# Statement of the Manager in Charge of Financial Reporting and Corporate Boards

Fabbrica Italiana Lapis ed Affini

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

August 3rd, 2018

***Statement of the Manager in Charge of Financial Reporting and 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 Manager in Charge of Financial Reporting of F.I.L.A. S.p.A., declare, also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:

- the adequacy in relation to the characteristics of the company and
- the effective application

of the administrative and accounting procedures for the preparation of the F.I.L.A. S.p.A. 2018 Half-Year Report.

The assessment of the adequacy of the administrative-accounting procedures for the preparation of F.I.L.A. S.p.A. Half-Year Report at June 30, 2018 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. F.I.L.A. S.p.A. Half-Year Report at June 30, 2018:
   - 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 records and books;
   - give a true and fair view of the financial position and performance of the issuer and of the other companies in the consolidation scope.
2. The Directors Report at June 30, 2018 includes a reliable analysis of the significant events in the first six months of the year and their impact on the condensed Interim Directors 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 related party transactions.

The Chief Executive Officer

Massimo Candela

Manager in Charge
of Financial Reporting
Stefano De Rosa

F.I.L.A. - Fabbrica Italiana Lapis ed Affini Società per Azioni.
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C.C.I.A.A. Firenze n. 12/01


GROUP

# 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 (the "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 2018. The 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

## 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 2018 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, 6 August 2018

KPMG S.p.A.

(signed on the original)

Domenico Bellini
Director of Audit