

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



F.I.L.A. GROUP
INTERIM FINANCIAL REPORT
AT SEPTEMBER 30, 2018

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

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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 (*) (***)	Gerolamo Caccia Dominioni
Director (*)	Francesca Prandstraller
Director (*)	Paola Bonini

(*) Independent director in accordance with article 148 of the Consolidated Finance Act and article 3 of the code of conduct.

(**) Non-executive director.

(***) Lead independent director.

Control and risk committee

Gerolamo Caccia Dominioni
Paola Bonini
Filippo Zabban

Board of statutory auditors

Chairman	Gianfranco Consorti
Standing auditor	Elena Spagnol
Standing auditor	Pietro Michele 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.

At the reporting date, the F.I.L.A. Group has 22 production facilities and 39 subsidiaries. It employs over 9,500 people and is a byword for creativity in many countries thanks to its brands (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: Adica Pongo (Italy) in 1994, the Dixon Ticonderoga Group (USA) in 2005, the LYRA Group (Germany) in 2008, Lapiceria Mexicana (Mexico) in 2010, Licyn (Brazil) in 2012 and the Maimeri business unit in 2012. In addition to these transactions, upon the completion of a project, which began with the acquisition of a non-controlling interest in 2011, control over DOMS Industries Pvt Ltd (India) was obtained in 2015.

In 2016, the F.I.L.A. Group focused upon development through strategic art and 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 materials and accessories on the arts and crafts market since 1783, 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 artists 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, through its US subsidiary Dixon Ticonderoga Co. (USA), F.I.L.A. S.p.A. consolidated its role as a leading player on the US market with the acquisition of the US Pacon Group, which through brands such as Pacon, Riverside, Strathmore and Princeton, is a leader in the US schools and arts and crafts sectors.

Directors' report

Financial highlights

The F.I.L.A. Group's financial highlights as at and for the nine months ended September 30, 2018 are as follows:

€'000	Q3 2018	% of revenue	Q3 2017	% of revenue	Change 2018 - 2017	Normalisations					
						of which: IFRS 15 effect ⁽³⁾	of which: IFRS 9 effect ⁽³⁾	of which: non-recurring expense			
Core business revenue	437,481	100.0%	391,548	100.0%	45,933	11.7%	(4,078)	-	-		
Gross operating profit ⁽¹⁾	61,497	14.1%	62,018	15.8%	(521)	-0.8%	(616)	-	(11,492)		
Operating profit	42,617	9.7%	47,855	12.2%	(5,238)	-10.9%	(616)	(1,314)	(11,492)		
Net financial expense	(19,321)	-4.4%	(11,346)	-2.9%	(7,975)	-70.3%	616	-	(1,377)		
Total income taxes	(12,143)	-2.8%	(12,400)	-3.2%	257	2.1%	-	262	1,312		
Profit attributable to the owners of the parent	10,054	2.3%	22,952	5.9%	(12,898)	-56.2%	-	(1,052)	(11,557)		
<i>Earnings per share (€ cents)</i>											
	<i>basic</i>	0.24	0.56								
	<i>diluted</i>	0.24	0.55								
<i>NORMALISED - €'000</i>											
€'000	Q3 2018	% of revenue	Q3 2017	% of revenue	Change 2018 - 2017	of which: Pacon Group ⁽⁴⁾					
Core business revenue	441,559	100.0%	391,548	100.0%	50,011	12.8%	70,531				
Gross operating profit ⁽¹⁾	73,605	16.7%	67,959	17.4%	5,646	8.3%	11,851				
Operating profit	56,039	12.7%	53,796	13.7%	2,243	4.2%	9,259				
Net financial expense	(18,560)	-4.2%	(12,336)	-3.2%	(6,224)	-50.5%	(1,957)				
Total income taxes	(13,717)	-3.1%	(12,829)	-3.3%	(888)	-6.9%	(1,895)				
Profit attributable to the owners of the parent	22,542	5.1%	27,474	7.0%	(4,932)	-18.0%	5,407				
<i>Earnings per share (€ cents)</i>											
	<i>basic</i>	0.55	0.67								
	<i>diluted</i>	0.54	0.65								
€'000	Q3 2018	Q3 2017	Change 2018 - 2017								
Cash flows from operating activities	(11,184)	(29,271)	18,087								
Investments	14,918	15,289	(371)								
% of revenue	3.4%	3.9%									
€'000	September 30, 2018	December 31, 2017	Change 2018 - 2017	of which: IFRS 9 effect ⁽³⁾	of which: Pacon Group ⁽⁴⁾						
Net invested capital	841,235	479,191	362,044	(2,209)	177,541						
Net financial debt ⁽⁴⁾	(591,263)	(239,614)	(351,649)	-	(69,106)						
Equity	(249,972)	(239,577)	(10,395)	2,209	(108,435)						

⁽¹⁾ Gross operating profit (loss) is 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 loan 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 September 30, 2018 amount to €4,814 thousand, of which €442 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, the net financial position as defined in the above-mentioned Consob communication. For further details, see paragraph "Financial Overview" of the Report below.

⁽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 to the application of the new standards.

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

2018 normalisations:

- the Q3 2018 adjustments to core business revenue relate to the FTA of IFRS 15. The reclassification led to a decrease of €4.1 million in revenue;
- the Q3 2018 normalised gross operating profit is net of non-recurring operating costs of roughly €12.1 million, mainly relating to consulting services supporting the mergers and acquisitions carried out by the group in the first nine months of 2018 and, for the remainder, the effect of the FTA of IFRS 15 (€0.6 million);
- the normalised operating profit for the period includes the impairment losses on financial assets of €1.3 million recognised following the FTA of IFRS 9;
- normalised net financial expense includes financial fees and expense incurred to fund the mergers and acquisitions carried out during the period;
- the group's normalised profit for the period includes the above adjustments, net of the tax effect.

2017 normalisations:

- the Q3 2017 normalised gross operating profit is net of non-recurring operating costs of roughly €5.9 million, mainly relating to the group's reorganisation plans and the stock grant plan involving some of the group's employees;
- normalised net financial expense includes the gain of roughly €1 million realised by Lyra KG (Germany) on the sale of a 30% investment in FILA Nordic AB (Sweden);
- the group's normalised profit for the period includes the above adjustments, net of the tax effect.

Key financial figures

The F.I.L.A. Group's key financial figures as at and for the nine months ended September 30, 2018 are as follows:

Normalised financial performance

The group's gross operating profit for the first nine months of 2018 rose by 8.3% compared to the corresponding period of 2017 (down by 5.8% at constant exchange rates and net of the effect of business combinations).

<i>NORMALISED - €'000</i>	Q3 2018	% of revenue*	Q3 2017	% of Q3 2018 - Q3 2017 change revenue*		
Core business revenue	441,559	100%	391,548	100%	50,011	12.8%
Other revenue and income	6,199		16,547		(10,348)	-62.5%
Total revenue	447,758		408,095		39,663	9.7%
Total operating costs	(374,153)	-84.7%	(340,136)	-86.9%	(34,017)	-10.0%
Gross operating profit	73,605	16.7%	67,959	17.4%	5,646	8.3%
<i>Amortisation, depreciation and impairment losses</i>	(17,566)	-4.0%	(14,163)	-3.6%	(3,403)	-24.0%
Operating profit	56,039	12.7%	53,796	13.7%	2,243	4.2%
Net financial expense	(18,560)	-4.2%	(12,336)	-3.2%	(6,224)	-50.5%
Pre-tax profit	37,479	8.5%	41,460	10.6%	(3,981)	-9.6%
Income taxes	(13,717)	-3.1%	(12,829)	-3.3%	(888)	-6.9%
Profit from continuing operations	23,762	5.4%	28,631	7.3%	(4,869)	-17.0%
Profit for the period	23,762	5.4%	28,631	7.3%	(4,869)	-17.0%
Profit for the period attributable to non-controlling	1,220	0.3%	1,157	0.3%	63	5.4%
Profit for the period attributable to the owners of the	22,542	5.1%	27,474	7.0%	(4,932)	-18.0%

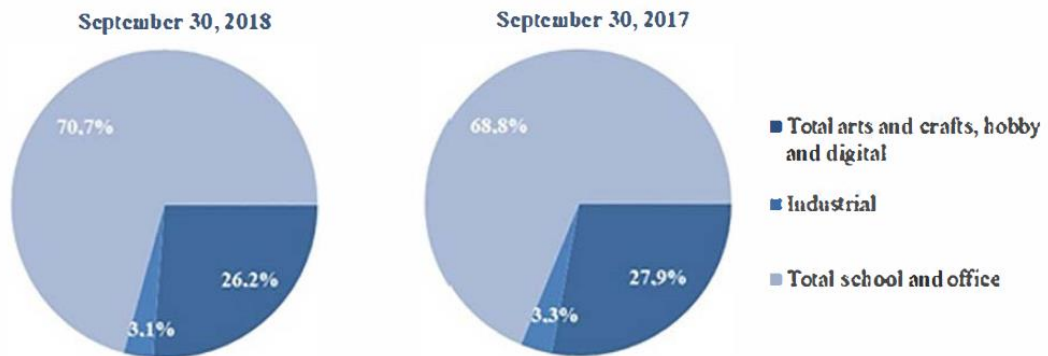
*Core business revenue

The main changes compared to the nine months ended September 30, 2017 are summarised below:

Core business revenue rose by €50,011 thousand, or 12.8%, to €441,559 thousand.

On a like-for-like basis, core business revenue is in line with the corresponding period of the previous year, down by €236 thousand, or 0.06%, calculated by eliminating exchange losses of approximately €20,284 thousand (mainly due to the depreciation of the US dollar, the Indian rupee and the South American currencies), the effect of business combinations of roughly €70,531 thousand and the effect of FTA of IFRS 15 of approximately €4,078 thousand. The growth was mostly seen in Asia (€10,668 thousand, +23.24% mainly due to the Indian subsidiary), and Central-South America (€5,522 thousand, +11.85%, especially in Mexico, Chile, Argentina and Brazil). It was offset by a decrease in turnover in North America (€9,388 thousand; -7.64%), in Europe (€6,210 thousand; -3.60%, Italy and France) and rest of world (€828 thousand; -22.07%, Australia).

The pie charts below break down the group’s revenue by “strategic segment” in order to better present the group’s operating performance:



Other revenue and income of €6,199 thousand fell by €10,348 thousand compared to the corresponding period of the previous year, mainly attributable to smaller exchange gains on commercial transactions.

Operating costs increased by €34,017 thousand to €374,153 thousand, principally caused by business combinations, partially offset by the depreciation of the currencies used by the main group companies against the Euro. Moreover, raw material prices rose in the third quarter, especially pulp, packaging and cedar wood, as did transport costs (especially in the USA) and overheads (in India and Mexico, as a result principally of the increase in the workforce, and those incurred by the parent for the implementation of the SAP system).

The gross operating profit of €73,605 thousand increased by €5,646 thousand compared to the first nine months of 2017 (+8.3%). On a like-for-like basis, it decreased by 5.79%, principally due to the variations in operating costs and larger exchange losses on commercial transactions.

Amortisation, depreciation and impairment losses rose by €3,403 thousand, chiefly due to higher amortisation and depreciation as a result of business combinations.

Net financial expense increased by €6,224 thousand, mostly due to the higher borrowing costs related to the new credit facility taken out to acquire the Pacon Group.

The normalised income taxes totalled €13,717 thousand, showing an increase of €888 thousand on the first nine months of 2017.

Net of the profit attributable to non-controlling interests, the group made a profit of €22,542 thousand for the nine months ended September 30, 2018, compared to €27,474 thousand for the corresponding period of the previous year.

Business seasonality

The group's operations are affected by the business' seasonal nature, as reflected in the consolidated results.

The quarterly breakdown of profit or loss shows the concentration of sales in the second and third quarters in conjunction with the "schools' campaign". Specifically, significant sales are made through the traditional "school suppliers" channel in June and through the "retailers" channel in August.

The Q3 2018 and 2017 key financial figures are reported below:

	2017				2018			2018 - Net of business combinations
	Q1 2017	H1 2017	Q3 2017	2017	Q1 2018	H1 2018	Q3 2018	Q3 2018
€'000								
Core business revenue	117,613	260,543	391,548	510,354	104,796	259,140	437,481	366,950
% of entire year	23.05%	51.05%	76.72%	100.00%				100.00%
Gross operating profit	16,072	38,988	62,018	73,124	15,511	34,548	61,497	49,981
% of revenue	13.67%	14.96%	15.84%	14.33%	14.80%	13.33%	14.06%	13.62%
% of entire year	21.98%	53.32%	84.81%	100.00%				
Normalised gross operating profit	17,106	43,846	67,959	80,605	16,200	44,602	73,605	61,754
% of revenue	14.54%	16.83%	17.36%	15.79%	15.46%	17.21%	16.82%	16.83%
% of entire year	21.22%	54.40%	84.31%	100.00%				
Net financial debt	(255,852)	(285,584)	(276,466)	(239,614)	(269,878)	(612,657)	(591,263)	NA

Financial position

The F.I.L.A. Group's financial highlights as at September 30, 2018 are as follows:

<i>€'000</i>	September 30, 2018	December 31, 2017	Change 2018 - 2017
Intangible assets	418,376	208,091	210,285
Property, plant and equipment	99,882	88,355	11,527
Non-current financial assets	5,196	4,725	471
Net non-current assets	523,454	301,171	222,283
Net other non-current assets	18,132	15,564	2,568
Inventories	262,643	178,699	83,944
Trade receivables and other assets	209,784	132,768	77,016
Trade payables and other liabilities	(112,508)	(96,263)	(16,245)
Net other current assets (liabilities)	(1,251)	241	(1,492)
Net working capital	358,668	215,445	143,223
Provisions	(59,019)	(52,989)	(6,030)
Net invested capital	841,235	479,191	362,044
Equity	(249,972)	(239,577)	(10,395)
Net financial debt	(591,263)	(239,614)	(351,649)
Net sources of funds	(841,235)	(479,191)	(362,044)

The group's net invested capital at September 30, 2018 of €841,235 thousand mainly includes net non-current assets of €523,454 thousand, which increased by €222,283 thousand on December 31, 2017, and net working capital of €358,668 thousand, which increased by €143,223 thousand on December 31, 2017.

Intangible assets rose by €210,285 thousand at September 30, 2018 compared to December 31, 2017, mainly due to the change in the consolidation scope. The acquisition of the Pacon Group led to an increase of €97,196 thousand in intangible assets and the preliminary recognition of goodwill of €114,038 thousand, pending the completion of the PPA procedure.

Property, plant and equipment increased by €11,257 thousand at September 30, 2018 compared to December 31, 2017. The increase is due to the acquisition of the Pacon Group (which contributed €11,157 thousand at the consolidation date) and the net investments of €11,230 thousand made principally by DOMS Industries Pvt Ltd (India), Canson SAS (France) and Grupo F.I.L.A. - Dixon, S.A. de C.V. (Mexico) during the period for the extension and upgrading of the local production and logistic facilities. The overall increase was mainly offset by depreciation of €9,489 thousand.

Non-current financial assets increased by €471 thousand compared to December 31, 2017, mainly due to the fair value gains on derivatives hedging the credit facility taken out by the parent and Dixon Ticonderoga Company (USA) to acquire the Pacon Group and to repay a previous facility agreed by Fila in 2016. At September 30, 2018, the fair value of those derivatives was €1,468 thousand, including

€402 thousand relating to F.I.L.A. S.p.A. and €1,066 thousand relating to Dixon Ticonderoga Company (USA). The increase is partially offset by the termination of hedging derivatives (IRSs) of €1,053 thousand recognised by the parent, F.I.L.A. S.p.A., following the repayment of the underlying loan.

The increase in net working capital of €143,223 thousand is due to the following:

- “Inventories” – the €83,944 thousand increase is due to the consolidation of the Pacon Group (which contributed €56,815 thousand at the acquisition date) and the rise in volume in line with sales forecasts. The increase especially related to the US subsidiaries Dixon Ticonderoga Company and Canson Inc., Daler Rowney Ltd (United Kingdom), Canson SAS (France) and DOMS Industries Pvt Ltd (India);
- “Trade receivables and other assets” – the €77,016 thousand increase is due to the consolidation of the Pacon Group (which contributed €45,293 thousand at the acquisition date) and the business seasonal trends, with trade receivables reaching their peak in the central months of the year, consistently with the turnover trend. The increase especially related to F.I.L.A. S.p.A., Dixon Ticonderoga Company (USA), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and the Spanish subsidiaries F.I.L.A. Hispania S.L. and F.I.L.A. Iberia S.L.. The application of IFRS 9 led to the recognition of a fair value loss of €3,374 thousand;
- “Trade payables and other liabilities” – the €16,245 thousand increase is mainly due to the consolidation of the Pacon Group (which contributed €15,766 thousand at the acquisition date).

The increase of €6,030 thousand in provisions is principally due to the following:

- a €1,363 thousand increase in the provisions for risks and charges mainly resulting from the change in the consolidation scope;
- a €5,209 thousand increase in deferred tax liabilities, again principally resulting from the acquisition of the Pacon Group, which contributed €4,359 thousand at the consolidation date;
- a €542 thousand decrease in employee benefits principally attributable to actuarial gains recognised by Daler Rowney Ltd (United Kingdom) during the period.

Equity rose by €10,395 thousand to €249,972 thousand at September 30, 2018. Net of the profit for the period of €11,153 thousand (including €1,099 thousand attributable to non-controlling interests), the residual increase mainly comprises exchange gains (€2,763 thousand), fair value gains on derivatives (€428 thousand) recognised by F.I.L.A. S.p.A., Dixon Ticonderoga Company (USA) and Canson SAS (France), the increase in the share-based premium reserve (€391 thousand), the increase in the actuarial reserve (€699 thousand) and the negative effect of the FTA of IFRS 9 (€1,157 thousand).

The group's net financial debt amounts to €591,263 thousand, up by €351,649 thousand on December 31, 2017. Reference should be made to the "Net financial debt and cash flows" section for further information.

Net financial debt and cash flows

The group's net financial debt at September 30, 2018 and cash flows for the period then ended are summarised in the following to complete the discussion about its financial position and financial performance.

Net financial debt amounts to €591,623 thousand at September 30, 2018.

<i>€'000</i>	September 30, 2018	December 31, 2017	Change 2018 - 2017
A Cash	206	67	139
B Cash equivalents	44,835	38,491	6,344
C Securities held for trading	-	-	-
D Cash and cash equivalents (A + B + C)	45,041	38,558	6,483
E Current financial assets	584	419	165
F Current bank loans and borrowings	(91,221)	(72,724)	(18,497)
G Current portion of non-current debt	(21,215)	(18,710)	(2,505)
H Other current loans and borrowings	(199)	(8,239)	8,040
I Current financial debt (F + G + H)	(112,635)	(99,673)	(12,962)
J Net current financial debt (I + E+ D)	(67,010)	(60,696)	(6,314)
K Non-current bank loans and borrowings	(523,585)	(178,420)	(345,165)
L Bonds issued	-	-	-
M Other non-current loans and borrowings	(1,110)	(504)	(606)
N Non-current financial debt (K + L + M)	(524,695)	(178,924)	(345,771)
O Net financial debt (J+N)	(591,705)	(239,620)	(352,085)
P Loans issued to third parties	442	6	436
Q Net financial debt (O + P) - F.I.L.A. Group	(591,263)	(239,614)	(351,649)

Note:

1) Net financial debt calculated at point "O" complies with the requirements of Consob communication no. 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 that calculated in accordance with the above communication by €442 thousand in relation to the non-current portion of loans granted to third parties by Omyacolor S.A and Pacon Corporation.

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

Net financial debt increased by €351,649 thousand from €239,614 thousand at December 31, 2017. The worsening may be explained through the statement of cash flows:

<i>€'000</i>	Q3 2018	Q3 2017
Operating profit	42,617	47,855
Non-monetary adjustments	21,484	18,583
Addition for income taxes	(11,580)	(10,887)
Cash flows from operating activities before changes in net working capital	52,521	55,551
Change in net working capital	(62,495)	(81,411)
Change in inventories	(25,498)	(15,919)
Change in trade receivables and other assets	(34,175)	(64,752)
Change in trade payables and other liabilities	(94)	1,770
Change in net other current liabilities	(2,727)	(2,510)
Net cash flows used in operating activities	(9,974)	(25,860)
Investments in property, plant and equipment and intangible assets	(14,918)	(15,289)
Interest income	(79)	72
Net increase/decrease in equity investments	(215,188)	806
Net cash flows used in investing activities	(230,185)	(14,411)
Change in equity	(3,879)	(3,833)
Financial expense	(19,582)	(6,700)
Net cash flows used in financing activities	(23,461)	(10,533)
Other changes	1,087	(684)
Total net cash flows	(262,532)	(51,488)
Exchange losses	(2,393)	(2,277)
Net financial position (debt) from business combinations	(86,724)	736
Change in net financial debt	(351,649)	(53,029)

The net cash flows used in operating activities of €9,974 thousand for the nine months ended September 30, 2018 (compared to €25,860 thousand in the corresponding period of 2017) are due to:

- inflows of €52,521 thousand (Q3 2017: €55,551 thousand) coming from the operating profit, calculated as the difference of monetary revenue and monetary operating costs plus other monetary operating items, excluding financial items;
- outflows of €62,495 thousand (Q3 2017: €81,411 thousand) attributable to the business seasonal effect on working capital trends, which resulted in an increase in inventories, trade receivables and other assets.

Investing activities used net cash flows of €230,185 thousand (Q3 2018: €14,411 thousand), including:

- outflows of €215,188 thousand for the acquisition of the Pacon Group by the US subsidiary Dixon Ticonderoga Company (USA);
- outflows of €14,918 thousand for investments in property, plant and equipment and intangible assets (Q3 2017: €15,289 thousand) principally made by DOMS Industries Pvt Ltd (India), Canson SAS (France) and Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico).

Financing activities used net cash flows of €23,461 thousand (Q3 2017: €10,533 thousand), including:

- ▶ outflows of €19,582 thousand (Q3 2017: €6,700 thousand) for interest and other financial expense incurred by the group companies in connection with loans and credit facilities, mainly relating to F.I.L.A. S.p.A. (Italy) and Dixon Ticonderoga Company (USA), which incurred one-off costs of €7,045 thousand for a new credit facility, and Grupo Fila – Dixon, S.A. de C.V. (Mexico);
- ▶ outflows of €3,879 thousand (Q3 2017: €3,833 thousand) for the distribution of dividends to the shareholders of F.I.L.A. S.p.A. and the non-controlling investors in group companies.

Net of exchange losses of €2,393 thousand and the net financial debt of €86,724 thousand arising from changes in the consolidation scope, the increase in the group's net financial debt would have been €351,649 thousand (Q3 2017: €53,029 thousand).

Changes in net cash and cash equivalents are detailed below:

<i>€'000</i>	September 30, 2018	December 31, 2017
Opening balance	20,425	53,973
Cash and cash equivalents	38,558	59,519
Bank overdrafts	(18,133)	(5,546)
Closing balance	31,887	20,425
Cash and cash equivalents	45,041	38,558
Bank overdrafts	(13,154)	(18,133)

Segment reporting

The group's segment reporting is in line with IFRS 8, which became mandatory on 1 January 2009. IFRS 8 requires an entity to base segment reporting on internal reporting, which is regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess performance.

Geographical segments are the primary basis of analysis and of decision-making by the F.I.L.A. Group's management, therefore, fully in line with the internal reporting prepared for these purposes.

The group's products are similar in terms of quality and production, target market, profit margins, sales networks and customers, even with reference to the different brands which the group markets. Accordingly, there is no diversification by business segments in consideration of the substantial uniformity of the risks and benefits relating to the products produced by the F.I.L.A. Group.

The accounting policies applied to segment reporting are in line with those used for the preparation of the condensed interim consolidated financial statements.

Segment reporting is, therefore, based on the location of operations ("entity locations"), broken down as follows: "Europe", "North America", "Central and South America" and "Rest of world". The "Rest of world" segment includes the subsidiaries in South Africa and Australia.

The group's segment reporting aggregates companies by geographical segment on the basis of the operating location.

Reference should be made to the "List of consolidated companies and other equity investments" section for information on the allocation of the group companies to the geographical segments.

The segment reporting required by IFRS 8 is presented below.

Geographical segments – Statement of financial position

The group's key statement of financial position figures broken down by geographical segment at September 30, 2018 and December 31, 2017, are reported below:

September 30, 2018	Europe	North America	Central & South America	Asia	Rest of world	Consolidation	Total
€'000							
Intangible assets	118,934	236,224	3,414	59,775	105	(76)	418,376
Property, plant and equipment	52,575	13,956	7,530	25,678	143		99,882
Total intangible assets and property, plant and equipment	171,509	250,180	10,944	85,453	248	(76)	518,258
<i>of which: intragroup</i>	(76)						
Inventories	85,706	120,006	33,551	25,405	2,939	(4,964)	262,643
Trade receivables and other assets	111,477	88,811	61,046	16,185	1,161	(68,896)	209,784
Trade payables and other liabilities	(92,635)	(45,755)	(18,589)	(19,329)	(3,059)	66,859	(112,508)
Net other current assets (liabilities)	(228)	(927)	446	(709)	167		(1,251)
Net working capital	104,320	162,135	76,454	21,552	1,208	(7,001)	358,668
<i>of which: intragroup</i>	(4,383)	(1,629)	(658)	(215)	(116)		
Net financial debt	(275,443)	(269,115)	(41,390)	(693)	(4,938)	316	(591,263)
<i>of which: intragroup</i>	284	32					
December 31, 2017							
€'000							
Intangible assets	124,612	16,941	3,746	62,760	108	(76)	208,091
Property, plant and equipment	53,216	2,571	6,338	25,973	257		88,355
Total intangible assets and property, plant and equipment	177,828	19,512	10,084	88,733	365	(76)	296,446
<i>of which: intragroup</i>	(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)
Net other current assets (liabilities)	(277)	1,077	(411)	(148)			241
Net working capital	64,290	69,259	65,699	21,197	1,497	(6,497)	215,445
<i>of which: intragroup</i>	(2,461)	(2,720)	(631)	(449)	(234)		
Net financial debt	(181,937)	(22,207)	(28,537)	(2,571)	(4,479)	117	(239,614)
<i>of which: intragroup</i>	117						
September 30, 2018							
LIKE-FOR-LIKE BASIS							
€'000							
Intangible assets	115,144	27,431	3,414	58,956	105	(76)	204,974
Property, plant and equipment	52,269	3,065	7,530	25,678	143		88,685
Total intangible assets and property, plant and equipment	167,413	30,496	10,944	84,634	248	(76)	293,659
<i>of which: intragroup</i>	(76)						
Inventories	83,224	69,602	33,551	25,405	2,939	(4,709)	210,012
Trade receivables and other assets	109,726	52,688	61,046	15,909	1,161	(68,291)	172,239
Trade payables and other liabilities	(91,505)	(33,068)	(18,589)	(19,158)	(3,059)	66,286	(99,093)
Net other current assets (liabilities)	208	710	446	(668)	167		863
Net working capital	101,653	89,932	76,454	21,488	1,208	(6,714)	284,021
<i>of which: intragroup</i>	(4,383)	(1,342)	(658)	(215)	(116)		
Net financial debt	(270,247)	(204,789)	(41,390)	(1,077)	(4,938)	285	(522,156)
<i>of which: intragroup</i>	285						

Geographical segments – Statement of comprehensive income

The group's key statement of comprehensive income figures broken down by geographical segment for the nine months ended September 30, 2018 and 2017 are reported below:

Q3 2018 €'000	Europe	North America	Central - South America	Asia	Rest of World	Consolidation	Total
Core business revenue	217,655	186,551	70,672	83,051	2,813	(123,262)	437,481
<i>of which: intragroup</i>	<i>(53,327)</i>	<i>(14,166)</i>	<i>(24,452)</i>	<i>(31,231)</i>	<i>(87)</i>		
Gross operating profit (loss)	17,811	28,192	4,024	10,162	(457)	1,765	61,497
Net financial income (expense)	(40,849)	(1,111)	(5,614)	(284)	(504)	29,041	(19,321)
<i>of which: intragroup</i>	<i>(10,347)</i>	<i>(2,860)</i>	<i>157</i>	<i>-</i>	<i>88</i>		
Profit (loss) for the period	(36,270)	17,627	(3,094)	4,414	(1,082)	29,556	11,152
Profit (loss) attributable to non-controlling interests	157	-	-	999	(57)		1,099
Profit (loss) attributable to the owners of the parent	(36,425)	17,627	(3,094)	3,415	(1,025)	29,556	10,054

Q3 2017 €'000	Europe	North America	Central - South America	Asia	Rest of world	Consolidation	Total
Core business revenue	230,574	136,840	74,277	74,345	3,804	(128,292)	391,548
<i>of which: intragroup</i>	<i>(58,086)</i>	<i>(14,027)</i>	<i>(27,685)</i>	<i>(28,439)</i>	<i>(55)</i>		
Gross operating profit (loss)	26,537	21,661	5,441	7,431	(1,083)	2,031	62,018
Net financial income (expense)	5,866	544	(3,156)	(268)	(289)	(14,043)	(11,346)
<i>of which: intragroup</i>	<i>11,672</i>	<i>2,596</i>	<i>(145)</i>	<i>-</i>	<i>(80)</i>		
Profit (loss) for the period	22,776	13,591	(234)	2,508	(1,487)	(13,045)	24,109
Profit (loss) attributable to non-controlling interests	268	-	-	947	(58)		1,157
Profit (loss) attributable to the owners of the parent	22,508	13,591	(234)	1,561	(1,429)	(13,045)	22,952

Q3 2018 LIKE-FOR-LIKE BASIS €'000	Europe	North America	Central - South America	Asia	Rest of world	Consolidation	Total
Core business revenue	214,191	117,477	70,672	82,619	2,813	(120,822)	366,950
<i>of which: intragroup</i>	<i>(53,326)</i>	<i>(11,726)</i>	<i>(24,452)</i>	<i>(31,231)</i>	<i>(87)</i>	<i>-</i>	<i>-</i>
Gross operating profit (loss)	17,040	17,546	4,024	10,005	(457)	1,823	49,981
Net financial income (expense)	(40,546)	543	(5,614)	(284)	(504)	29,041	(17,364)
<i>of which: intragroup</i>	<i>31,431</i>	<i>(2,769)</i>	<i>255</i>	<i>-</i>	<i>124</i>	<i>-</i>	<i>-</i>
Profit (loss) for the period	(36,507)	12,872	(3,094)	4,270	(1,082)	29,546	6,005
Profit (loss) attributable to non-controlling interests	157	-	-	999	(57)		1,099
Profit (loss) attributable to the owners of the parent	(36,664)	12,871	(3,094)	3,271	(1,025)	29,546	4,906

The table below breaks down the group's revenue by "strategic segment" and "entity location" in accordance with IFRS 15:

Q3 2018 €'000	Europe	North America	Central - South America	Asia	Rest of world	Total
Fine arts, hobby and figital	57,262	49,105	3,154	4,078	1,844	115,443
Industrial	6,793	5,095	1,454	226	2	13,570
School and office	100,275	118,185	41,612	47,516	880	308,468
Core business revenue	164,330	172,385	46,220	51,820	2,726	437,481

Q3 2017 €'000	Europe	North America	Central - South America	Asia	Rest of world	Total
Fine arts, hobby and figital	57,029	42,668	2,806	3,879	2,874	109,256
Industrial	6,046	5,523	1,461	6	-	13,036
School and office	109,413	74,622	42,325	42,021	875	269,256
Core business revenue	172,488	122,813	46,592	45,906	3,749	391,548

Geographical segments – Other information

The “other information” on the group companies’ investments in property, plant and equipment and intangible assets broken down by geographical segment for the nine months ended September 30, 2018 and 2017 is reported below:

September 30, 2018	Europe	North America	Central - South America	Asia	Rest of world	Total
<i>€'000</i>						
Intangible assets	3,798	51		72	3	3,924
Property, plant and equipment	3,609	1,205	1,981	4,177	23	10,994
Net investments	7,407	1,256	1,981	4,249	25	14,918

September 30, 2017	Europe	North America	Central - South America	Asia	Rest of world	F.I.L.L.A. Group
<i>€'000</i>						
Intangible assets	1,069		19	10	7	1,105
Property, plant and equipment	9,209	174	1,439	3,342	20	14,184
Net investments	10,278	174	1,458	3,352	27	15,289

Key events of the reporting period

- ▶ Considering its and the group's positive financial performance, on January 18, 2018, the parent agreed amendments to the medium to long-term credit facility agreement of a maximum of €236,900 thousand signed 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. on May 12, 2016. The amendments and supplements to the medium to long-term credit facility agreement negotiated with the lending banks improved the terms and conditions for the parent and the other group companies, by reducing the interest expense and lightening the obligations taken on under the financial documentation related to the agreement and the financial covenants. Moreover, the amendments provided the parent with an additional facility of a maximum of €30,000 thousand granted by Banca Popolare di Milano and maturing on February 2, 2022, increasing the total amount available under the credit facility agreement to €266,900 thousand;
- ▶ on March 7, 2018, 51% of the share capital of FILA Art and Craft Ltd (Israel), a company involved in the sale of F.I.L.A. writing, art and design products in Israel, was acquired;

- ▶ on June 7, 2018, the subsidiary Dixon Ticonderoga Company (USA) acquired 100% of the share capital of Pacon Holding Company ("Pacon") for an enterprise value of USD325 million and tax benefits of USD15 million. For this purpose, on May 1, 2018, the vehicle FILA Acquisition Company was incorporated, with registered office in Delaware (USA) and wholly owned by Dixon Ticonderoga Company (USA). Completion of the transaction required antitrust clearance 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 confirms the group's internationalisation strategy increasing F.I.L.A.'s access to the world's largest market. In addition, with Pacon, the group will be able to complete its offer in the colouring and paper segment with a wide-ranging portfolio of products and tools for recreational-educational-creative activities aimed at an extremely diversified target.

Incorporated in 1951, Pacon is a leading schools and arts and crafts operator on the US market, headquartered in Appleton, Wisconsin. The range of products includes over 8,500 items produced at eight facilities located in the United States (three in Appleton and three in Neenah, Wisconsin), in Great Britain (one facility in the West Midlands) and in Canada (one facility in Barrie, Ontario). The transaction was funded by a medium to long-term €520 million credit facility granted by 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., including the refinancing of the parent's existing debt, and a revolving credit

facility of €50 million to meet any working capital requirements of the group. €150 million of the medium to long-term credit facility will be repaid over five years and the remainder with bullet repayments (€125 million due after five years and €245 million after six years). The financing accrues interest at the 3-month Euribor/Libor plus a spread, respectively for the amount drawn down in Euros and in dollars. In order to strengthen its capital structure, the board of directors resolved to propose that the parent's shareholders approve a capital increase of a maximum of €100 million (including any share premium), offered to the shareholders with right of first refusal and to be used to prepay the group's financial debt. Mediobanca - Banca di Credito Finanziario S.p.A. and UniCredit Corporate & Investment Banking will act as joint global coordinators and joint bookrunners for the proposed share capital increase and have entered into a pre-underwriting agreement pursuant to which they have undertaken, on terms and conditions in line with market practice for similar transactions, to enter into an underwriting agreement for the subscription of any newly issued shares that remain unsubscribed for at the end of the auction period of the offering, for a maximum amount equal to the capital increase. Pacon Group's Q3 2018 revenue and normalised gross operating profit totalled USD190.4 million and USD30.9 million, respectively. These figures were provided by Pacon management and have not been approved by the parent's board of directors or management nor has the parent audited or checked them in any way. They have been included in the interim consolidated financial statements as from the acquisition date and, hence, for €70.5 million and €11.9 million, respectively.

Events after the reporting period

On October 11, 2018, the parent's shareholders resolved the following:

- ▶ a capital increase of a maximum of €100,000,000 (including any share premium) against consideration and divisible, to be carried out no later than March 31, 2019 by issuing ordinary and class B shares with regular dividend rights, to be offered to the Issuer's shareholders with right of first refusal pursuant to article 2441.1/2/3 of the Italian Civil Code (the "Capital increase");
 - ▶ to grant the board of directors the powers to define the following in relation to the Capital increase:
 - ▶ the timing of the various stages of the Capital increase, including the offer with right of first refusal, in compliance with the applicable laws and the deadline established by the shareholders;
 - ▶ the unit subscription price of the newly-issued shares (which cannot be lower than the carrying amount of the existing shares) and, possibly, the portion thereof to be allocated to share premium;
 - ▶ the maximum number of and the ratio between new ordinary shares and new class B shares, as well as the right of first refusal ratio applicable to each existing ordinary and class B share;
- ▶ a capital increase of a maximum of USD2,050,000, against consideration and divisible, to be translated into Euros at the exchange rate applicable on the board of directors' approval date of the Capital increase's unit subscription price and, in any case, not exceeding €2,500,000, including any share premium, with a unit subscription price equal to Capital increase's subscription price approved by the board of directors. This capital increase will service the exercise of the warrants granted free of charge to certain managers employed by the subsidiary Pacon Holding Company and, therefore, will exclude the right of first refusal pursuant to article 2441.8 of the Italian Civil Code. It will be carried out no later than December 31, 2025, by issuing the number of ordinary shares that the board of directors will establish after their approval of the Capital increase's subscription price;
- ▶ to grant the board of directors the powers to establish the number of warrants and ordinary shares to be issued as part of the capital increase servicing the warrants, based on the ratio between the overall amount of the capital increase and the unit subscription price that will be established for this increase;

With reference to the Pacon acquisition, following the application of the contractually provided for price adjustment, which is principally based on net working capital and net financial debt at the acquisition date, the parent received USD262,194.69 from Pacon's sellers in October.

Furthermore, the group wound up the following non-operating or dormant companies in the fourth quarter of 2018:

- ▶ Daler-Rowney USA Limited on October 11, 2018;
- ▶ Daler Holdings Limited and Longbeach Arts Limited on October 18, 2018.

Outlook

Management will continue to closely focus on the production, commercial, logistic and IT integration of the recently-acquired entities in the fourth quarter of 2018, which hinges on the introduction of SAP at the main group companies and the streamlining of some of the key warehouses, such as, for example, the construction of a European logistics hub.

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

Related party transactions

Related party transactions, including intragroup transactions, were not atypical or unusual and were part of ordinary transactions. They are carried out at 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 NINE MONTHS ENDED
SEPTEMBER 30, 2018**

Condensed interim consolidated financial statements as at and for the nine months ended September 30, 2018

Interim consolidated financial statements

Statement of financial position

<i>€'000</i>		September 30, 2018	December 31, 2017
Assets		1,071,905	675,970
Non-current assets		542,115	316,837
Intangible assets	Note 1	418,376	208,091
Property, plant and equipment	Note 2	99,882	88,355
Non-current financial assets	Note 3	4,814	3,918
Equity-accounted investments	Note 4	794	782
Other equity investments	Note 5	31	31
Deferred tax assets	Note 6	18,218	15,660
Current Assets		529,790	359,133
Current financial assets	Note 3	584	419
Current tax assets	Note 7	11,738	8,689
Inventories	Note 8	262,643	178,699
Trade receivables and other assets	Note 9	209,784	132,768
Cash and cash equivalents	Note 10	45,041	38,558
Liabilities and equity		1,071,905	675,970
Equity	Note 12	249,972	239,577
Share capital		37,261	37,261
Reserves		30,184	23,872
Retained earnings		148,939	138,049
Profit for the period/year		10,054	15,767
Equity attributable to the owners of the parent		226,438	214,949
Equity attributable to non-controlling interests		23,534	24,628
Non-current liabilities		579,851	229,092
Non-current financial liabilities	Note 13	524,674	178,889
Financial instruments	Note 17	22	35
Employee benefits	Note 14	8,194	8,736
Provisions for risks and charges	Note 15	2,425	2,095
Deferred tax liabilities	Note 16	44,450	39,241
Other liabilities	Note 19	86	96
Current liabilities		242,082	207,301
Current financial liabilities	Note 13	112,635	99,673
Current provisions for risks and charges	Note 15	3,950	2,917
Current tax liabilities	Note 18	12,989	8,448
Trade payables and other liabilities	Note 19	112,508	96,263

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

The group adopted IFRS 15 and IFRS 9 as of January 1, 2018. Based on the first-time adoption elections selected, it did not restate the comparative figures.

Statement of comprehensive income

<i>€'000</i>		Q3 2018	Q3 2017
Revenue from sales and services	Note 20	437,481	391,548
Other revenue and income	Note 21	6,199	16,547
Total revenue		443,680	408,095
Raw Materials, consumables, supplies and goods	Note 22	(213,745)	(178,377)
Services and use of third party assets	Note 23	(99,120)	(87,223)
Other costs	Note 24	(8,540)	(17,290)
Change in raw materials, semi-finished products, work in progress and finished goods	Note 22	25,780	17,342
Personnel expense	Note 25	(86,558)	(80,529)
Amortisation and depreciation	Note 26	(16,610)	(13,304)
Impairment losses	Note 27	(2,270)	(859)
Total operating costs		(401,063)	(360,240)
Operating profit		42,617	47,855
Financial income	Note 28	5,498	2,700
Financial expense	Note 29	(24,902)	(14,046)
Share of profit of equity-accounted investments	Note 31	83	-
Net financial expense		(19,321)	(11,346)
Pre-tax profit		23,296	36,509
Income taxes		(12,023)	(13,335)
Deferred taxes		(120)	935
Total taxes	Note 32	(12,143)	(12,400)
Profit from continuing operations		11,153	24,109
Profit (loss) from discontinued operations		-	-
Profit for the period		11,153	24,109
<i>Attributable to:</i>			
Non-controlling interests		1,099	1,157
Owners of the parent		10,054	22,952
Other comprehensive income (expense) which may be reclassified subsequently to profit or loss		3,191	(13,773)
Exchange gains (losses) recognised in equity		2,763	(14,161)
Fair value gains on hedging derivatives		428	388
Other comprehensive income which may not be reclassified subsequently to profit or loss		699	1,806
Actuarial gains		859	2,286
Taxes		(160)	(480)
Other comprehensive income (expense), net of tax effect		3,890	(11,967)
Comprehensive income		15,043	12,142
<i>Attributable to:</i>			
Non-controlling interests		(932)	(434)
Owners of the parent		15,975	12,576
Earnings per share:			
	<i>basic</i>	0.24	0.56
	<i>diluted</i>	0.24	0.55

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

The group adopted IFRS 15 and IFRS 9 as of January 1, 2018. Based on the first-time adoption elections selected, it did not restate the comparative figures.

Statement of changes in equity

Note 12.A Statement of Changes in Equity

	Share capital	Legal reserve	Share premium reserve	Actuarial reserve	Other reserves	Translation reserve	Retained earnings	Profit attributable to the owners of the parent	Equity attributable to the owners of the parent	Capital and reserves att. to non-controlling interests	Profit attributable to non-controlling interests	Equity attributable to non-controlling interests	Total equity
<i>€'000</i>													
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
Post-tax adjustment for IFRS 15 FTA	-	-	-	-	-	-	-	-	-	-	-	-	-
Post-tax adjustment for IFRS 9 FTA	-	-	-	-	-	-	(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
Profit for the period	-	-	-	-	-	-	-	10,054	10,054	-	1,099	1,099	11,153
Other changes of the period	-	-	-	699	819	4,794	-	-	6,312	(2,034)	-	(2,034)	4,278
Profit for the period and gains (losses) recognised directly in equity	-	-	-	699	819	4,794	-	10,054	16,366	(2,034)	1,099	(935)	15,431
Allocation of 2017 profit	-	-	-	-	-	-	15,767	(15,767)	-	1,600	(1,600)	-	-
Dividends	-	-	-	-	-	-	(3,720)	-	(3,720)	(159)	(159)	(159)	(3,879)
September 30, 2018	37,261	7,434	65,349	(972)	(19,585)	(22,042)	148,939	10,054	226,438	22,435	1,099	23,534	249,972

	Share capital	Legal Reserve	Share Premium Reserve	Actuarial Reserve	Other Reserves	Translation Reserve	Retained Earnings	Profit attributable to the owners of parent	Equity attributable to the owners of parent	Capital and reserve att. to non controlling interests	Profit attributable to non controlling interests	Equity attributable to non controlling interests	Total Equity
<i>Euro thousands</i>													
December 31, 2016	37,171	7,434	65,349	(3,303)	(23,026)	(10,904)	120,767	20,993	214,481	23,510	979	24,489	238,970
Profit of the period	-	-	-	-	-	-	-	22,952	22,952	-	1,157	1,157	24,109
Other Changes of the period	90	-	-	1,718	2,330	(12,481)	-	-	(8,343)	(1,471)	-	(1,471)	(9,814)
Profit of the period and gains (losses) recognised directly in equity	90	-	-	1,718	2,330	(12,481)	-	22,952	14,609	(1,471)	1,157	(314)	14,295
Allocation of the 2016 profit	-	-	-	-	-	-	20,993	(20,993)	-	979	(979)	-	-
Dividends	-	-	-	-	-	-	(3,711)	-	(3,711)	(166)	(166)	(166)	(3,877)
September 30, 2017	37,261	7,434	65,349	(1,585)	(20,696)	(23,385)	138,049	22,952	225,379	22,852	1,157	24,009	249,388

The group adopted IFRS 15 and IFRS 9 as of January 1, 2018. Based on the first-time adoption elections selected, it did not restate the comparative figures.

Statement of cash flows

€'000		Q3 2018	Q3 2017
Operating profit		42,617	47,855
Non-monetary and other adjustments:		25,000	20,347
Amortisation and depreciation	Note 1 - 2	16,610	13,304
Net impairment losses on intangible assets and property, plant and equipment	Note 1 - 2	51	121
Credit losses on trade receivables and write-downs of inventories	Note 9	1,937	(627)
Accruals for post-employment and other employees benefits		2,239	4,238
Accrual to the provision for risks and charges		879	1,597
Net Exchange gains on foreign currency trade receivables and payables	Note 24	3,516	1,765
Net losses on the sale of intangible assets and property, plant and equipment	Note 21 - 24	(231)	(51)
Additions for:		(16,307)	(16,062)
Income taxes paid	Note 7 - 18	(11,581)	(10,887)
Net unrealised exchange losses on foreign currency assets and liabilities	Note 28 - 29	(4,937)	(2,158)
Net Realised exchange gains (losses) on foreign currency assets and liabilities	Note 28 - 29	211	(3,017)
Cash flows from operating activities before changes in net working capital		51,311	52,140
Changes in net working capital:		(62,495)	(81,411)
Change in inventories	Note 8	(25,498)	(15,919)
Change in trade receivables and other assets	Note 9	(34,175)	(64,752)
Change in trade payables and other liabilities	Note 19	(95)	1,770
Change in other liabilities, net	Note 15 - 16 - 6	(1,134)	(752)
Change in post-employment and other employee benefits	Note 14	(1,593)	(1,758)
Net cash flows used in operating activities		(11,184)	(29,271)
Net increase in intangible assets	Note 1	(3,924)	(1,105)
Net increase in property, plant and equipment	Note 2	(10,994)	(14,184)
Net Increase/decrease in equity-accounted investments, net of profits/losses and impairment losses			(184)
Net increase/decrease in equity investments measured at cost	Note 5	-	990
Net Increase in other financial assets	Note 3	301	399
Acquisition of Pacon equity investment		(215,188)	-
Interest		(79)	72
Net cash flows used in investing activities		(229,884)	(14,012)
Change in equity	Note 12	(3,879)	(3,833)
Financial expense	Note 29	(19,582)	(6,700)
Total increase in loans and borrowings and other financial liabilities	Note 13	363,398	816
Net cash flows from (used in) financing activities		339,937	(9,717)
Exchange gains (losses)	Note 12	2,763	(14,161)
Other non-monetary changes		(3,447)	15,043
Net cash flows for the period		98,185	(52,118)
Opening cash and cash equivalents net of current account overdrafts		20,426	53,973
Opening cash and cash equivalents net of current account overdrafts (change in consolidation scope)		(86,724)	(39)
Closing cash and cash equivalents net of bank overdrafts		31,887	1,816

1. Cash and cash equivalents and current account overdrafts, net of accrued interest, amount to €45,041 thousand and €13,154 thousand, respectively, at September 30, 2018.
2. Cash and cash equivalents and current account overdrafts, net of accrued interest, amount to €36,708 thousand and €34,892 thousand, respectively, at September 30, 2017.
3. The cash flows are presented using the indirect method. In order to provide a more suitable and accurate presentation of the individual cash flows, the effects of non-monetary transactions have been separated (including the translation of foreign currency assets and liabilities), where significant. These effects were combined and included in "Other non-monetary changes".

<i>€'000</i>	Q3 2018	Q3 2017
Opening cash and cash equivalents	20,425	53,973
Cash and cash equivalents	38,558	59,519
Current account overdrafts	(18,133)	(5,546)
Closing cash and cash equivalents	31,887	20,425
Cash and cash equivalents	45,041	38,558
Current account overdrafts	(13,154)	(18,133)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

The group adopted IFRS 15 and IFRS 9 as of January 1, 2018. Based on the first-time adoption elections selected, it did not restate the comparative figures.

Statement of financial position with indication of related party transactions pursuant to Consob resolution no. 15519 of July 27, 2006

<i>€'000</i>		September 30, 2018	<i>of which: related parties</i>	December 31, 2017	<i>of which: related parties</i>
Assets		1,071,905	-	675,970	-
Non-current assets		542,115	-	316,837	-
Intangible assets	Note 1	418,376		208,091	
Property, plant and equipment	Note 2	99,882		88,355	
Non-current financial assets	Note 3	4,814		3,918	
Equity-accounted investments	Note 4	794		782	
Other equity investments	Note 5	31		31	
Deferred tax assets	Note 6	18,218		15,660	
Current assets		529,790	-	359,133	-
Current financial assets	Note 3	584		419	
Current tax assets	Note 7	11,738		8,689	
Inventories	Note 8	262,643		178,699	
Trade receivables and other assets	Note 9	209,784		132,768	
Cash and cash equivalents	Note 10	45,041		38,558	
Liabilities and equity		1,071,905	958	675,970	1,191
Equity	Note 12	249,972	-	239,577	-
Share capital		37,261		37,261	
Reserves		30,184		23,872	
Retained earnings		148,939		138,049	
Profit for the period/year		10,054		15,767	
Equity attributable to the owners of the parent		226,438		214,949	
Equity attributable to non-controlling interests		23,534		24,628	
Non-current liabilities		579,851	-	229,092	-
Non-current financial liabilities	Note 13	524,674		178,889	
Financial instruments	Note 17	22		35	
Employee benefits	Note 14	8,194		8,736	
Provisions for risks and charges	Note 15	2,425		2,095	
Deferred tax liabilities	Note 16	44,450		39,241	
Other liabilities	Note 19	86		96	
Current liabilities		242,082	958	207,301	1,191
Current financial liabilities	Note 13	112,635		99,673	
Current provisions for risks and charges	Note 15	3,950		2,917	
Current tax liabilities	Note 18	12,989		8,448	
Trade payables and other liabilities	Note 19	112,508	958	96,263	1,191

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Statement of comprehensive income with indication of related party transactions pursuant to Consob resolution no. 15519 of July 27, 2006

		Q3 2018	of which: related parties	of which: non-recurring expense	Q3 2017	of which: related parties	of which: non-recurring expense
<i>€'000</i>							
Revenue from sales and services	Note 20	437,481			391,548		
Other revenue and income	Note 21	6,199			16,547		
Total revenue		443,680			408,095		
Raw materials, consumables, supplies and goods	Note 22	(213,745)	(2,001)		(178,377)	(1,750)	
Services and use of third party assets	Note 23	(99,120)	(521)	(9,970)	(87,223)	(380)	(1,414)
Other costs	Note 24	(8,540)		(85)	(17,290)		(45)
Change in raw materials, semi-finished products, work in progress and finished goods	Note 22	25,780			17,342		
Personnel expense	Note 25	(86,558)		(1,437)	(80,529)		(4,482)
Amortisation and depreciation	Note 26	(16,610)			(13,304)		
Impairment losses	Note 27	(2,270)			(859)		
Total operating costs		(401,063)			(360,240)		
Operating profit		42,617			47,855		
Financial income	Note 28	5,498		1,433	2,700		990
Financial expense	Note 29	(24,902)		(2,810)	(14,046)		
Share of profit of equity-accounted investees	Note 31	83			-		
Net financial expense		(19,321)			(11,346)		
Pre-tax profit		23,296			36,509		
Income taxes		(12,023)		1,312	(13,335)		429
Deferred taxes		(120)			935		
Total taxes	Note 32	(12,143)			(12,400)		
Profit from continuing operations		11,153			24,109		
Profit (loss) from discontinued operations		-			-		
Profit for the period		11,153			24,109		
<i>Attributable to:</i>							
Non-controlling interests		1,099		121	1,157		
Owners of the parent		10,054			22,952		
Other comprehensive income (expense) which may be reclassified subsequently to profit or loss		3,191			(13,773)		
Exchange gains (losses) recognised in equity		2,763			(14,161)		
Fair value gains on hedging derivatives		428			388		
Other comprehensive income which may not be reclassified subsequently to profit or loss		699			1,806		
Actuarial gains		859			2,286		
Taxes		(160)			(480)		
Other comprehensive income (expense), net of tax effect		3,890			(11,967)		
Comprehensive income		15,043			12,142		
<i>Attributable to:</i>							
Non-controlling interests		(932)			(434)		
Owners of the parent		15,975			12,576		
Earnings per share:							
	<i>basic</i>	0.24			0.56		
	<i>diluted</i>	0.24			0.55		

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

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, chalks, 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, is a company limited by shares with registered office in Pero (Italy), Via XXV Aprile 5. Its ordinary shares have been traded on the STAR segment of the stock exchange organised and managed by Borsa Italiana S.p.A. since November 12, 2015. These condensed interim consolidated financial statements at September 30, 2018 include the interim financial statements of the parent and its subsidiaries (the “group”).

The group’s condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim financial reporting, in accordance with article 154-ter of the Consolidated Finance Act (Legislative decree no. 58/1998). They should be read in conjunction with the group’s 2017 annual consolidated financial statements (the “latest financial statements”). Although the Group defined the half-year as the interim period of reference for the application of the mentioned IAS 34 international accounting standard, this interim report as at September 30, 2018 was exceptionally drawn up in compliance with this principle, in view of its consideration in the official documentation to be used as part of the proposed increase in the Company's share capital.

These condensed interim consolidated financial statements are presented in Euro, which is the group’s functional currency. They comprise the statement of financial position, which classifies assets and liabilities as current and non-current, the statement of comprehensive income, the statement of cash flows presented using the indirect method, the statement of changes in equity and the these notes and are accompanied by the directors’ report.

All amounts presented in the statements of financial position, comprehensive income, cash flows and changes in equity and in these notes are in thousands of Euros, except where otherwise stated.

As required by Consob resolution no. 15519 of July 27, 2006, the significant related party transactions and non-recurring items are indicated separately.

Basis of preparation

Except for that stated below, these condensed interim consolidated financial statements have been prepared using the same accounting policies as those used for the preparation of the F.I.L.A. Group's 2017 annual consolidated 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 coming into force on January 1, 2018 did not significantly impact the group's condensed interim consolidated financial statements.

The changes in the accounting policies will also affect the group's consolidated financial statements as at and for the year ending December 31, 2018.

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 how to recognise revenue. The standard replaces IAS 18 Revenue, IAS 11 Construction contracts and the relative interpretations. On first-time application, an entity shall apply IFRS 15 retrospectively, using one of the following methods: (i) the retrospective method, whereby the entity recognises the cumulative effect of initially applying the new standard at the beginning of the first reporting period presented; (ii) the cumulative effect method, whereby the entity recognises the cumulative effect of initially applying the new standard at the date of initial application, with no restatement of comparative periods. A number of practical expedients 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 of the application of the new standard shall be recognised in the opening equity of the period of FTA 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 have not been restated, i.e., they are presented as per IAS 18, IAS 11 and the relative interpretations. Reference should be made to "Attachment 3 - Changes in accounting policies" for further details on the effects of FTA 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 requirements for the classification and measurement of financial instruments, including a new model for expected credit losses on financial assets, and new general requirements for hedge accounting. In addition, the standard includes requirements for the recognition and derecognition of financial instruments in line with the current IAS 39.

The group applied IFRS 9 at its effective date (January 1, 2018).

In connection with the FTA of IFRS 9, the group analysed the measurement of expected credit losses on trade receivables, tax assets, other assets and cash and cash equivalents.

Reference should be made to “Attachment 3 - Changes in accounting policies” for further details on the effects of FTA of IFRS 9.

IFRS 9 introduces new requirements for the recognition and measurement of financial assets, financial liabilities and certain contracts to buy or sell non-financial items. The new standard supersedes IAS 39 Financial instruments: recognition and measurement. It does not substantially change the IAS 39 requirements for the classification and derecognition of financial liabilities. Conversely, it eliminates the categories provided for by IAS 39 for financial assets, i.e., held-to-maturity investments, loans and receivables and available-for-sale financial assets.

The following table summarises the post-tax effects of FTA of IFRS 9 on the opening reserves, retained earnings and non-controlling interests.

The effect of FTA of IFRS 9 on the carrying amount of financial assets at January 1, 2018 solely relates to the new impairment requirements, which are described later on. The following table and the related notes show the IAS 39 and IFRS 9 categories for each of the group’s type of financial assets at January 1, 2018.

The following statements of financial position and comprehensive income show the effect of FTA of IFRS 9 and IFRS 15:

Statement of financial position

<i>€'000</i>	September 30, 2018 as reported	IFRS adjustments	September 30, 2018 (adjusted)
Assets	1,071,905	2,209	1,074,114
Non-current assets	542,115	(1,165)	540,951
Intangible assets	418,376		418,376
Property, plant and equipment	99,882		99,882
Non-current financial assets	4,814		4,814
Equity-accounted investments	794		794
Other equity investments	31		31
Deferred tax assets	18,218	(1,165)	17,053
Current assets	529,790	3,374	533,163
Current financial assets	584		584
Current tax assets	11,738		11,738
Inventories	262,643		262,643
Trade receivables and other assets	209,784	3,374	213,158
Cash and cash equivalents	45,041		45,041
Liabilities and equity	1,071,905	2,209	1,074,114
Equity	249,972	2,209	252,181
Share capital	37,261		37,261
Reserves	30,184	1,157	31,341
Retained earnings	148,939		148,939
Profit for the period	10,054	1,052	11,106
Equity attributable to the owners of the parent	226,438	2,209	228,647
Equity attributable to non-controlling interests	23,534		23,534
Non-current liabilities	579,851	-	579,850
Non-current financial liabilities	524,674		524,674
Financial instruments	22		22
Employee benefits	8,194		8,194
Provisions for risks and charges	2,425		2,425
Deferred tax liabilities	44,450		44,450
Other liabilities	86		86
Current liabilities	242,082	-	242,082
Current financial liabilities	112,635		112,635
Current provisions for risks and charges	3,950		3,950
Current tax liabilities	12,989		12,989
Trade payables and other liabilities	112,508		112,508

Statement of comprehensive income

<i>€'000</i>	Q3 2018 as reported	IFRS adjustments	Q3 2018 (adjustments)
Revenue from sales and services	437,481	4,078	441,559
Other revenue and income	6,199	-	6,199
Total revenue	443,680	4,078	447,758
Raw materials, consumables, supplies and goods	(213,745)	-	(213,745)
Services and use of third party assets	(99,120)	(3,462)	(102,582)
Other costs	(8,540)	-	(8,540)
Change in raw materials, semi-finished products, work in progress and finished goods	25,780	-	25,780
Personnel expense	(86,558)	-	(86,558)
Amortisation and depreciation	(16,610)	-	(16,610)
Impairment losses	(2,270)	1,314	(956)
Total operating costs	(401,063)	(2,148)	(403,211)
Operating profit	42,617	1,930	44,547
Financial income	5,498	-	5,498
Financial expense	(24,902)	(616)	(25,518)
Share of profit of equity-accounted investees	83	-	83
Net financial expense	(19,321)	(616)	(19,937)
Pre-tax profit	23,296	1,314	24,610
Income taxes	(12,023)	-	(12,023)
Deferred taxes	(120)	(262)	(382)
Total taxes	(12,143)	(262)	(12,404)
Profit from continuing operations	11,153	1,052	12,206
Profit (loss) from discontinued operations	-	-	-
Profit for the period	11,153	1,052	12,206
<i>Attributable to:</i>			
Non-controlling interests	1,099		1,099
Owners of the parent	10,054		11,107
Other comprehensive income which may be reclassified subsequently to profit or loss	3,191	-	3,191
Exchange gains recognised in equity	2,763	-	2,763
Fair value gains on hedging derivatives	428	-	428
Other comprehensive income which may not be reclassified subsequently to profit or loss	699	-	699
Actuarial gains	859	-	859
Taxes	(160)	-	(160)
Other comprehensive income, net of tax effect	3,890	-	3,890
Comprehensive income	15,043	1,052	16,095
<i>Attributable to:</i>			
Non-controlling interests	(932)		(932)
Owners of the parent	15,975		17,026

The FTA of IFRS 15 led to a reduction of €4,078 thousand in revenue for the nine months ended September 30, 2018, due to reclassifications, with an impact of €616 thousand on operating profit. The profit for the period was not adjusted.

The FTA of IFRS 9 led to a decrease of €1,157 thousand in opening equity, arising from the 2017 post-tax effect, and of €1,052 thousand in the Q3 profit. At the same time, trade receivables and other assets decreased by €3,374 thousand, whereas deferred tax assets increased by €1,165 thousand.

Amendments 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 address concerns arising from implementing the new IFRS 9, before the IASB replaces the current IFRS 4 with a new standard which is currently being prepared.

Amendments 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 clarify how the effects of vesting conditions on cash-settled share-based payment transactions shall be accounted for, how share-based payment transactions with net settlement features shall be classified and how a modification to the terms and conditions of a share-based payment transaction that changes its classification from cash-settled to equity-settled shall be accounted for.

Amendments to IAS 40 Investment property: transfers of investment property

In December 2016, the IASB published “Amendments to IAS 40 Transfers of investment property” to clarify transfers to, or from, investment properties. Based on these amendments, an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. The change shall be attributable to a specific event. A change in management’s intentions for the use of a property by itself does not constitute evidence of a change in use.

IFRIC 22 Foreign currency transactions and advance consideration

In December 2016, the IASB published “IFRIC 22 Foreign currency transactions and advance consideration”, which provides guidance on when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It clarifies how, in these cases, an entity shall identify the date of the transaction, for the purpose of determining the exchange rate.

Annual improvements to IFRS: 2014-2016 cycle

In December 2016, the IASB published “Annual improvements to IFRS: 2014-2016 cycle”. The principal amendments relate to:

- IFRS 1 First-time adoption of International Financial Reporting Standards: outdated exemptions for first-time adopters of IFRS have been removed;
- IAS 28 Investments in associates and joint ventures: a venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss (rather than using the equity method). This election can be made on an investment-by-investment basis upon initial recognition.

Standards, amendments and interpretations endorsed by the EU and applicable for annual periods beginning on or after January 1, 2018

Amendments to IFRS 9 Financial instruments: Prepayment features with negative compensation

In October 2017, the IASB issued the amendments to IFRS 9 Prepayment features with negative compensation. These amendments enable entities to measure some prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income (depending on the business model). The amendments are to be applied to annual periods beginning on or after January 1, 2019.

IFRS 16 Leases

The standard, published by the IASB in January 2016, introduces a single lessee accounting model, without differentiating between operating and finance leases, and requires a lessee to recognise assets and liabilities for all leases. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset in order to distinguish leases from service contracts, identifying essential differences: the identification of the asset, the right to substitute the asset, the right to obtain substantially all the economic benefits from the use of the asset and right to direct the identified asset’s use.

The IASB requires that the standard be applied to annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities applying IFRS 15 Revenue from contracts with customers

The group has started a project to define and assess the potential effects of application of IFRS 16 on its consolidated financial statements. It did not apply it in advance in the preparation of these condensed interim consolidated financial statements.

Standards, amendments and interpretations not yet endorsed by the EU and applicable for annual periods beginning on or after 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, profitability and financial position of insurers, requiring that all insurance contracts be accounted for on a uniform basis, overcoming the problems created by IFRS 4.

The standard is effective from annual periods beginning on or after January 1, 2021. Earlier application is permitted.

IFRIC 23 Uncertainty over income tax treatments

In June 2017, the IASB published IFRIC 23 Uncertainty over income tax treatments. The interpretation clarifies the application of the recognition and measurement requirements established in IAS 12 Income taxes when uncertainties over tax treatment exist. The amendments will be applicable from annual periods beginning on or after January 1, 2019. Earlier application is permitted.

Amendments to IAS 28 Investments in associates: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 Financial instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. In addition, they establish that IFRS 9 is applied to these interests before the application of IAS 28, so that the entity does not take account of any adjustments to long-term interests caused by application of that standard. The amendments will be applicable from annual periods beginning on or after January 1, 2019. Earlier application is permitted.

Annual improvements to IFRS: 2015-2017 cycle

In December 2017, the IASB published "Annual Improvements to IFRS: 2015-2017 cycle". The principal amendments relate to:

- ▶ IFRS 3 Business combinations and IFRS 11 Joint arrangements: the amendments to IFRS 3 clarify that, when an entity obtains control over a joint operation, it shall restate the fair value of the interest that it previously held therein. The amendments to IFRS 11 clarify that, when an entity obtains joint control over a joint operation, it shall not restate the fair value of the interest previously held therein;

- ▶ IAS 12 Income tax consequences of payments on financial instruments classified as equity: the amendments clarify how an entity shall recognise any tax effects from the distribution of dividends;
- ▶ IAS 23 Borrowing costs eligible for capitalisation: the amendments clarify that if funds borrowed specifically to purchase or construct an asset remain outstanding after the qualifying asset is ready for its intended use or sale, they become part of the funds an entity borrows generally for the purposes of the calculation of the borrowing cost capitalisation rate.

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

Amendments to IAS 19 Plan amendment, curtailment or settlement (published in February 2018)

The amendments clarify how current service costs and net interest are calculated if a defined benefit plan amendment, curtailment or settlement occurs. They will be applicable from annual periods beginning on or after January 1, 2019. Earlier application is permitted.

Amendments to IFRS 10 and IAS 28 Sales or contributions 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 an equity stake in the entity. The IASB has deferred indefinitely the application of these amendments.

In accordance with IFRS 2 Share-based payment, the key figures of the “2017-2019 performance shares plan” and the “One-off extraordinary bonus plan”, approved by the shareholders of F.I.L.A. S.p.A. on April 27, 2017, that grant, free of charge, the parent’s shares to group’s key management personnel, are presented below.

The free granting of shares to the beneficiaries of the one-off bonus plan was concluded in 2017, while the 2017-2019 performance shares plan covers a medium/long-term period.

The one-off bonus plan did not provide for any service or performance vesting conditions.

On the other hand, under the 2017-2019 performance shares plan, the right to receive F.I.L.A. S.p.A. shares is subject to the beneficiaries’ ongoing service as group employee or director until the conclusion of the vesting period (December 31, 2019) and the achievement of performance conditions (average ROI over the 2017-2019 three-year period).

The total number of shares to be assigned to the beneficiaries of the one-off bonus plan was established as 100,181. This number was calculated on the basis of the share's average closing price in the trading days before March 21, 2017 (excluded).

The total maximum number of shares to be assigned to the beneficiaries of the 2017-2019 performance shares plan was established as 94,765. This number was also calculated according to the share's average closing price in 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 Euros are illustrated below:

EXCHANGE RATES		
	Q3 average exchange rate	Closing rate at September 30, 2018
Argentinean peso	29.741	46.050
Canadian dollar	1.538	1.506
Chilean peso	750.750	764.180
Renminbi yuan	7.779	7.966
Euro	1.000	1.000
Pound sterling	0.884	0.887
Mexican peso	22.745	21.780
US dollar	1.195	1.158
Indonesian rupiah	16,780.900	17,249.980
Swedish krona	10.237	10.309
Singapore dollar	1.601	1.584
Turkish lira	5.504	6.965
Brazilian real	4.296	4.654
Indian rupee	80.223	83.916
Russian Rrble	73.424	76.142
South African rand	15.390	16.445
Polish zloty	4.248	4.277
Dominican peso	58.845	57.667
Australian dollar	1.577	1.605
Swiss franc	1.161	1.132
Shekel	4.249	4.212

Source: Bank of Italy

Note 1 - Intangible assets

Intangible assets amount to €418,376 thousand at September 30, 2018 (December 31, 2017: €208,091 thousand) and include assets with an indefinite useful life - goodwill of €238,430 thousand (“Note 1.B - Intangible assets with an indefinite useful life”) and intangible assets with a finite useful life of €179,946 thousand (“Note 1.D - Intangible assets with a finite useful life”).

Note 1.A - INTANGIBLE ASSETS						
	Goodwill	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other	Assets under development	Total
<i>€'000</i>						
Historical cost						
December 31, 2017	77,208	190	107,862	48,604	2,007	235,870
Increases	161,222	10	76,618	7,737	286	245,872
Investments	114,038	10	867	1,273	2,002	118,190
<i>of which: change in consolidation scope</i>				51		51
Transfers from assets under development	-	-	-	1,717	(1,717)	-
Change in consolidation scope	43,531	-	75,582	4,747	-	123,860
Exchange gains	3,653	-	169	-	-	3,823
Decreases	-	-	-	(1,248)	-	(1,248)
Disinvestments	-	-	-	(19)	-	(19)
Exchange losses	-	-	-	(1,229)	-	(1,229)
September 30, 2018	238,430	200	184,480	55,093	2,292	480,495
Accumulated amortisation						
December 31, 2017	-	(147)	(19,823)	(7,809)	-	(27,779)
Increases	-	(8)	(28,038)	(6,513)	-	(34,559)
Amortisation	-	(8)	(4,350)	(2,763)	-	(7,121)
<i>of which: change in consolidation scope</i>			(1,600)	(265)		(1,865)
Change in consolidation scope	-	-	(22,914)	(3,750)	-	(26,664)
Exchange gains	-	-	(774)	-	-	(774)
Decreases	-	-	(0)	219	-	219
Disinvestments	-	-	-	15	-	15
Exchange losses	-	-	-	204	-	204
September 30, 2018	-	(155)	(47,861)	(14,103)	-	(62,118)
Carrying amount at December 31, 2017	77,208	43	88,039	40,795	2,007	208,091
Carrying amount at September 30, 2018	238,430	45	136,619	40,990	2,292	418,376
Change	161,222	2	48,580	195	285	210,285

Intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life solely comprise goodwill totalling €238,430 thousand (December 31, 2017: €77,208 thousand). The increase over the previous year end is due to the completion of the Pacon acquisition which led to the consolidation of goodwill already recognised by group companies (€43,531 thousand) and the recognition of goodwill of €114,038 thousand arising

from that business combination. In line with the provisions of IFRS 3, the group has preliminarily allocated that amount to goodwill at the reporting date, as the PPA will be completed within one year of the acquisition date.

Goodwill is not amortised but is tested for impairment annually or whenever there is any indication that it may be impaired.

In accordance with IAS 36, goodwill is allocated to the various cash generating units (“CGUs”) and tested for impairment at least annually to check its recoverable amount.

The carrying amounts for each relevant CGU are as follows:

NOTE 1.B INTANGIBLE ASSETS AT INFINITE USEFUL LIVES						
	September 30, 2018	December 31, 2017	Change	Investments	Exchange gains	Change in consolidation scope
<i>€'000</i>						
Pacon Group ⁽⁷⁾	161,116	-	161,116	3,547	114,038	43,531
DOMS Industries Pvt Ltd	33,269	33,281	(12)	(12)	-	-
Canson Group ⁽⁴⁾	10,875	10,875	-	-	-	-
Daler-Rowney Lukas Group ⁽⁵⁾	1,647	1,647	-	-	-	-
Dixon - North America Group ⁽²⁾	23,694	23,646	48	48	-	-
Dixon - Central/South America Group ⁽¹⁾	1,882	1,812	70	70	-	-
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	238,430	77,208	161,222	3,653	114,038	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 (USA); Dixon Ticonderoga Inc. (Canada); Canson Inc (USA); Daler USA Ltd (USA); Brideshore Srl (Dominican Republic) as CGU North America; Eurholdam USA Inc. (USA).

(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 S.r.l. (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 indicators of impairment of goodwill have been identified at September 30, 2018, thanks to the group’s positive financial performance in the first nine months of the year and the medium-term forecasts. Accordingly, the group did not test goodwill for impairment when it prepared its condensed interim consolidated financial statements.

IFRS 3 – Acquisition of the Pacon Group

With reference to the business combinations carried out during the first nine months of the year that led to the recognition of goodwill, on June 7, 2018, the subsidiary Dixon Ticonderoga Company (USA) took over the entire share capital of Pacon Holding Company (USA), the parent of the Pacon Group. Accordingly, the companies of this US group entered the consolidation scope on June 7, 2018 and have contributed to the group's profit for the nine months ended September 30, 2018 with their profits or losses recognised from June 7, 2018 to the reporting date.

The acquisition of the entire share capital of Pacon Holding Company (USA) entailed an overall outlay of USD254.7 million (€215.2 million at the acquisition date), compared to the US group's equity of USD119.5 million at June 7, 2018 (€100.9 million at the acquisition date). The difference between the consideration paid for the investment and its equity at the acquisition date has been entirely recognised as goodwill, since the group opted to complete the PPA within one year from the acquisition date, as allowed by IFRS 3.

Following the application of the contractually provided for price adjustment, which is principally based on net working capital and net financial debt at the acquisition date, the parent received USD262 thousand (€227 thousand) from Pacon's sellers in October.

A breakdown of the calculation of goodwill, based on the above figures translated at the exchange rate applicable at the transaction date, is set out below:

Consideration paid by Dixon Ticonderoga Company (U.S.A.)* for the investment in Pacon Group	215,188
Price Adjustment - October 2018	(227)
Pacon Group's Equity	100,923
Difference between the consideration paid for the investment and the Pacon Group's Equity (Goodwill)	114,038

* Wholly-owned by F.I.L.A. S.p.A.

The Pacon Group's assets and liabilities at the acquisition date are as follows:

Pacon Group - June 7, 2018

€'000

Assets	215,935
Non-current assets	108,781
Intangible assets	97,196
Property, plant and equipment	11,157
Non-current financial assets	428
Current assets	107,154
Current tax assets	829
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 financial liabilities	91,424
Provisions for risks and charges	1,600
Deferred tax liabilities	4,359
Current liabilities	17,629
Current tax liabilities	1,863
Trade payables and other liabilities	15,766

Note: Figures translated at the spot exchange rates at June 7, 2018

Intangible assets with a finite useful life

Change in intangible assets with a finite useful life are as follows:

Note 1.D - INTANGIBLE ASSETS WITH FINITE USEFUL LIVES					
<i>€'000</i>	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other	Assets under development	Total
Historical cost					
December 31, 2017	190	107,862	48,604	2,007	158,663
Increases	10	76,618	7,737	286	84,650
Investments	10	867	1,273	2,002	4,152
Transfers from assets under development	-	-	1,717	(1,717)	-
Change in consolidation scope	-	75,582	4,747	-	80,329
Exchange gains	-	169	-	-	169
Decreases	-	-	(1,248)	-	(1,248)
Disinvestments	-	-	(1,229)	-	(1,229)
Exchange losses	-	-	-	-	-
September 30, 2018	200	184,480	55,093	2,292	242,065
Accumulated amortisation					
December 31, 2017	(147)	(19,823)	(7,809)		(27,779)
Increases	(8)	(28,038)	(6,513)		(34,559)
Amortisation	(8)	(4,350)	(2,763)		(7,121)
<i>of which: change in consolidation scope</i>	-	(1,600)	(265)		(1,865)
Change in consolidation scope	-	(22,914)	(3,750)		(26,664)
Exchange gains	-	(774)	-		(774)
Decreases	-	-	219		219
Disinvestments	-	-	15		15
Exchange losses	-	-	204		204
September 30, 2018	(155)	(47,861)	(14,103)	-	(62,119)
Carrying amount at December 31, 2017	43	88,039	40,795	2,007	130,884
Carrying amount at September 30, 2018	45	136,619	40,990	2,292	179,946
Change	2	48,580	195	285	49,062

Industrial patents and intellectual property rights amount to €45 thousand at September 30, 2018 (December 31, 2017: €43 thousand).

Their average useful life is six years.

Concessions, licences, trademarks and similar rights amount to €136,619 thousand at September 30, 2018 (December 31, 2017: €88,039 thousand).

The increase of €48,580 thousand compared to December 31, 2017 is mainly due to the first consolidation of the Pacon Group, which contributed €52,668 thousand. The rise is partially offset by amortisation for the period of €4,350 thousand (including €1,600 thousand relating to the acquirees). A

significant portion of amortisation is attributable to the intangible assets recognised as part of the business combinations carried out in 2016 and, specifically, the trademarks held by the UK Daler-Rowney Lukas Group (€40,223 thousand) and the Canson Group (€32,400 thousand).

The other historic trademarks held by the group are principally “Lapimex” (held by F.I.L.A.-Dixon, S.A. de C.V. (Mexico)), “Lyra” (held by Lyra KG (Germany)) and “DOMS” (held by DOMS Industries Pvt Ltd (India)).

The caption’s average useful life is 30 years at the reporting date.

The caption “Other” increased to €40,990 thousand from €40,795 thousand at December 31, 2017 due to both the contribution of the Pacon Group (€997 thousand) and investments and transfers from assets under development totalling €2,990 thousand. The investments made during the nine months mainly related to the implementation and roll out of the new ERP system at some of the group companies. Amortisation of €2,763 thousand, which includes €265 thousand related to the acquirees, mostly relates to the development technology recognised by the Daler-Rowney Lukas Group companies (€30,532 thousand), the Canson Group (€1,500 thousand) and St. Cuthberts (€2,462 thousand), which were identified as strategic assets through the PPA performed as part of the business combinations carried out in 2016.

The average useful life of “Other” is 13 years at September 30, 2018.

Assets under development amount to €2,292 thousand and mostly relate to the implementation of the new ERP system.

Note 2 – Property, plant and equipment

Property, plant and equipment amount to €99,882 thousand (December 31, 2017: €88,355 thousand).

Changes for the period are as follows:

Note 2.A - PROPERTY, PLANT AND EQUIPMENT							
€'000	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
Historical cost							
December 31, 2017	13,639	53,519	104,884	19,055	11,502	8,208	210,807
Increases	62	6,662	24,476	(239)	2,389	(3,157)	30,192
Investments	62	335	5,068	461	539	5,575	12,040
<i>of which: change in consolidation scope</i>	-	-	-	-	-	332	332
Transfers from assets under construction	-	5,279	4,231	70	30	(9,610)	-
Reclassifications	-	(66)	659	(822)	230	-	-
Change in consolidation scope	-	1,114	14,518	-	1,590	859	18,081
Exchange gains	-	-	-	52	-	18	70
	(570)	(816)	(3,141)	(434)	(303)	-	(5,264)
	(206)	(557)	(2,668)	(432)	(207)	-	(4,070)
Impairment losses	-	-	(26)	(2)	(22)	-	(51)
Exchange losses	(364)	(259)	(447)	-	(74)	-	(1,144)
September 30, 2018	13,131	59,366	126,219	18,382	13,588	5,050	235,735
Accumulated depreciation							
December 31, 2017	-	(29,965)	(66,286)	(17,024)	(9,176)	-	(122,452)
Increase		(2,788)	(12,736)	349	(1,515)	-	(16,689)
Depreciation		(1,779)	(6,314)	(468)	(928)	-	(9,489)
<i>of which: change in consolidation scope</i>		(61)	(506)	-	(93)	-	(660)
Change in consolidation scope		(726)	(5,617)	-	(581)	-	(6,924)
Exchange gains		(45)	(159)	(73)	-	-	(276)
Reclassifications		(238)	(646)	890	(6)	-	-
Decreases		281	2,401	371	235	-	3,288
Disinvestments		281	2,401	371	207	-	3,260
Exchange losses		-	-	-	28	-	28
September 30, 2018		(32,472)	(76,622)	(16,304)	(10,456)	-	(135,853)
Carrying amount at December 31, 2017	13,639	23,554	38,598	2,031	2,326	8,208	88,355
Carrying amount at September 30, 2018	13,131	26,893	49,598	2,078	3,132	5,050	99,882
Change	(508)	3,339	11,000	47	806	(3,158)	11,527

The caption “Land” of €13,131 thousand at the reporting date (December 31, 2017: €13,639 thousand) shows the land belonging to the buildings and production facilities of F.I.L.A. S.p.A. (Rufina Scopeti – Italy), the subsidiary Lyra KG (Germany), DOMS Industries Pvt Ltd (India), Daler Rowney Ltd (United Kingdom) and Canson SAS (France). In addition to exchange losses of €364 thousand, the decrease for the period includes €206 thousand due to land sold as a result of the closure of a warehouse by Daler Rowney Ltd (United Kingdom) and an increase of €62 thousand due to a purchase made by DOMS Industries Pvt Ltd (India).

The caption “Buildings” amount to €26,893 thousand at September 30, 2018 (December 31, 2017: €23,554 thousand) and mainly includes the buildings making up the group’s production facilities. It

increased by €3,339 thousand on December 31, 2017. Net investments of €59 thousand were principally made by Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and St. Cuthberts Mill (United Kingdom), whereas transfers from assets under construction totalled €5,279 thousand related to Canson SAS (France) for the preparation of the Annonay European logistics hub. The increase was partially offset by the sales by Daler Rowney Ltd (United Kingdom) of the buildings relating to the abandoned warehouse at Wareham (€235 thousand). The increase in buildings coming from the acquisition of the Pacon Group is €388 thousand and mainly relates to Pacon Corporation (USA).

Depreciation totalled €1,779 thousand and especially relates to Canson SAS (France), F.I.L.A. S.p.A., Lyra KG (Germany) and DOMS Industries Pvt Ltd (India).

The caption “Plant and machinery” amounts to €49,598 thousand (December 31, 2017: €38,598 thousand). The €11,000 thousand increase is principally related to the acquisition of the Pacon Group (€8,901 thousand). The group’s net investments for the period totalled €4,801 thousand and mainly relate to DOMS Industries Pvt Ltd (India), which invested €2,653 thousand to upgrade its production facilities, especially in the arts and crafts segment, and Daler Rowney Ltd., which invested €819 thousand to prepare its new warehouse. Transfers from assets under construction amount to €4,231 thousand, principally related to Canson SAS (France) for the preparation of the Annonay European logistics hub. The increase comprises exchange losses of €606 thousand and depreciation of €6,314 thousand, €506 thousand of which relating to the new acquirees.

“Industrial and commercial equipment” amount to €2,078 thousand (December 31, 2017: €2,031 thousand). The €47 thousand increase is mainly due to net investments of €400 thousand made especially by F.I.L.A. S.p.A. and Daler Rowney Ltd (United Kingdom).

The caption “Other assets” amount to €3,132 thousand (December 31, 2017: €2,326 thousand) and mainly comprises office furniture and equipment, office electronic machines and cars. The €806 thousand increase is principally related to the acquisition of the Pacon Group (€1,009 thousand). On a like-for-like basis, the group’s net investments amount to €539 thousand and were principally made by DOMS Industries Pvt Ltd (India), Dixon Ticonderoga Company (USA), Bridesore S.r.l. (Dominican Republic), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico), Lukas-Nerchau GmbH (Germany) and F.I.L.A. Chile Ltda (Chile). The increase is net of depreciation for the period of €928 thousand, €93 thousand of which related to the new acquirees.

Assets under construction comprise those assets being constructed internally by group companies that are not yet available for use. They amount to €5,050 thousand at the reporting date, mainly relating to DOMS Industries Pvt Ltd (€1,396 thousand), Pacon Corporation (€1,092 thousand) and Canson Inc. (€949 thousand), for the construction and extension of their local production facilities.

There are no items of property, plant and equipment whose use is restricted.

Note 3 - Financial assets

Financial assets amount to €5,398 thousand (December 31, 2017: €4,337 thousand).

Note 3.A - NON-CURRENT FINANCIAL ASSETS					
<i>€'000</i>		Loans and receivables	Derivatives	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
September 30, 2018		716	1,468	3,214	5,398
	non-current portion	442	1,468	2,904	4,814
	current portion	274	-	310	584
Change		358	415	288	1,061
	non-current portion	436	415	45	896
	current portion	(78)	-	243	165

Loans and receivables

This caption amounts to €716 thousand and shows loan assets with third parties of the parent (€274 thousand), Pacon Corporation (USA) (€436 thousand) and Omyacolor SA (€6 thousand).

Derivatives

This caption shows the fair value of derivatives hedging the credit facility (hedged item) taken out by the parent and Dixon Ticonderoga Company (USA) to acquire the Pacon Group and to repay a previous facility agreed by the parent in 2016 (to fund the acquisitions of the Daler-Rowney Lucas Group, Canson Group and St. Cuthberts Holding).

As a result of the termination of the credit facility agreed in 2016, the related hedging derivatives were settled. Based on hedge accounting, the settlement of the €1,053 thousand IRSs has been fully offset by

the concurrent reclassification of their fair value changes that had been accumulated in equity to profit or loss.

Subsequently, on July 31, 2018, F.I.L.A. S.p.A. and Dixon Ticonderoga Company (USA) entered into new IRSs with an effective date of June 29, 2018 and a maturity date matching that of the new credit facility. They were signed with the same lending banks and provide for fixed exchange rates compared to the 3-month Euribor and the 3-month Libor (for amounts drawn in Euros and US dollars, respectively) provided for by the previous derivatives. They have been designated as hedges since their characteristics are in line with those of the hedged instrument, i.e.,:

- maturity;
- repayment plan broken down into quarterly instalments with interest in arrears
- indexed variable interest rate.

In accordance with IAS 39, the group applied hedge accounting to its hedging derivatives and, specifically, the accounting treatment for cash flow hedges, which requires the recognition of a financial asset or liability and an equity reserve. At September 30, 2018, the fair value of those derivatives was €1,468 thousand, including €402 thousand relating to F.I.L.A. S.p.A. and €1,066 thousand relating to Dixon Ticonderoga Company (USA).

As required by IFRS 7, the fair value of derivatives at September 30, 2018 and their hedging characteristics are detailed below:

F.I.L.A. S.p.A.						Intesa Sanpaolo S.p.A.	Banca Nazionale del Lavoro S.p.A.	Mediobanca Banca di Credito Finanziario S.p.A.	UniCredit S.p.A.	
Euros						Notional	Notional	Notional	Notional	Total
IRS	Agreement date	Loan	% hedged	Fixed rate	Variable rate					
IRS 1	6/29/2018	TLA F.I.L.A. S.p.A.	100%	0.30%	-0.335%	8,250,000	27,750,000	19,500,000	19,500,000	75,000,000
IRS 2	6/29/2018	TLB F.I.L.A. S.p.A.	100%	0.54%	-0.335%	-	43,200,000	23,400,000	23,400,000	90,000,000
IRS 3	6/29/2018	TLC F.I.L.A. S.p.A.	20%	0.397%	-0.335%	-	12,000,000	6,500,000	6,500,000	25,000,000
						8,250,000	82,950,000	49,400,000	49,400,000	190,000,000

Dixon Ticonderoga Company (USA)						Intesa Sanpaolo S.p.A.	Banca Nazionale del Lavoro S.p.A.	Mediobanca Banca di Credito Finanziario S.p.A.	UniCredit S.p.A.	
IRS 1 and 2 in USD, IRS 3 in Euros						Notional	Notional	Notional	Notional	Total
IRS	Agreement date	Loan	% hedged	Fixed rate	Variable rate					
IRS 1	6/29/2018	TLA Dixon Tic. - USD	100%	3.05%	2.195%	19,887,435	22,351,365	22,879,350	22,879,350	87,997,500
IRS 2	6/29/2018	TLB Dixon Tic. - USD	100%	3.08%	2.195%	28,832,565	33,528,635	34,320,650	34,320,650	131,002,500
IRS 3	11/3/2016	TLB Dixon Tic. - €	20%	0.538%	-0.335%	9,603,796	10,793,647	11,048,615	11,048,615	42,494,673
						58,323,796	66,673,647	68,248,615	68,248,615	261,494,673

Other financial assets

Other financial assets rose by €288 thousand to €3,214 thousand (December 31, 2017: €2,926 thousand). They mainly include guarantee deposits for goods and services supply agreements recognised by various group companies, including Canson SAS (€797 thousand), DOMS Industries Pvt Ltd (€840 thousand) and Grupo Fila – Dixon, S.A. de C.V. (€313 thousand). They also include plan

assets of €575 thousand relating to a portion of the employee benefit plans of Dixon Ticonderoga Company (USA).

The current portion of other financial assets mostly relates to the price adjustment to the acquisition price of the Pacon Group, which led to the recognition of a financial asset of €226 thousand at the reporting date, against a reduction in the goodwill generated by the acquisition.

Financial assets are presented at their fair value at the reporting date. Fair value measurement is based on the following hierarchy levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: quoted prices (unadjusted) in active markets for identical assets or liabilities that are observable either directly (prices) or indirectly (derived from prices);
- Level 3: unobservable inputs for the asset or liability.

A breakdown of financial assets measured at fair value by hierarchical level at September 30, 2018 and December 31, 2017 is as follows:

<i>€'000</i>	September 30, 2018	Measurement model	Level 1	Level 2	Level 3
Financial assets					
Cash and cash equivalents	45,041	Fair value			
Current and non-current financial assets	5,398	Fair value			5,398
Total financial assets	50,439		-	-	5,398
<i>€'000</i>					
	December 31, 2017	Measurement model	Level 1	Level 2	Level 3
Financial assets					
Cash and cash equivalents	38,558	Fair value			
Current and non-current financial assets	4,337	Fair value			4,337
Total financial assets	42,895		-	-	4,337

Note 4 - Equity-accounted investments

Note 4.A EQUITY-ACCOUNTED INVESTMENTS	
<i>€'000</i>	Amount
December 31, 2017	782
Increases	83
Increase in investments	83
Decreases	(71)
Exchange losses	(71)
September 30, 2018	794
Change	12

Equity-accounted investments amount to €794 thousand (December 31, 2017: €782 thousand).

The increase for the period relates to investments in associates held by DOMS Industries Pvt Ltd (India). Their carrying amount was adjusted to reflect the group's share of the associates' equity at the reporting date.

Note 5 – Other equity investments

Other equity investments of €31 thousand relate to the 1% investment in Maimeri S.p.A. held by F.I.L.A. S.p.A. (€28 thousand) and the parent's interests in the consortia Conai, Energia Elettrica Zona Mugello and Energia Elettrica Milano. They are recognised at their fair value.

Note 6 – Deferred tax assets

Deferred tax assets amount to €18,218 thousand at September 30, 2018 (December 31, 2017: €15,660 thousand).

The increase for the period and opening and closing balances are broken down in the following table:

Note 6.A - CHANGES IN DEFERRED TAX ASSETS	
<i>€'000</i>	
December 31, 2017	15,660
Increase	5,703
Utilisation	(4,093)
Exchange gains	205
Increase recognised in equity	743
September 30, 2018	18,218
Change	2,558

The closing balance mainly includes deferred tax assets calculated on intangible assets, property, plant and equipment, taxed provisions for risks and charges, tax losses carried forward, ACE and inventories.

The increase recognised in equity of €743 thousand includes the estimated tax on the opening balance (FTA) of the IFRS 9 adjustment recognised in equity (€743 thousand), partially offset by the tax on the actuarial gains and losses on pension plans recognised by the various group companies (€160 thousand).

Deferred tax assets at the reporting date are those whose realisation is probable based on the future taxable profits estimated by management.

Note 7 - Current tax assets

Current tax assets amount to €11,738 thousand (December 31, 2017: €8,689 thousand) and mainly relate to the parent (€2,813 thousand), Dixon Ticonderoga Co. (USA) (€3,408 thousand) and DOMS Industries Pvt Ltd (India) (€2,393 thousand).

Note 8 – Inventories

Inventories amount to €262,643 thousand (December 31, 2017: €178,699 thousand).

Note 8.A - INVENTORIES				
<i>€'000</i>	Raw materials, consumables and supplies	Work in progress and semi-finished products	Finished goods	Total
December 31, 2017	43,895	22,895	111,909	178,699
September 30, 2018	61,797	29,478	171,368	262,643
Change	17,902	6,583	59,459	83,944

The €83,944 thousand increase is due to the consolidation of the Pacon Group (which contributed €56,815 thousand at the acquisition date) and the rise in volume in line with sales forecasts. The increase especially relates to the US subsidiaries Dixon Ticonderoga Company and Canson Inc., Daler Rowney Ltd (United Kingdom), Canson SAS (France) and DOMS Industries Pvt Ltd (India);

Inventories are stated net of the allowance for inventory write-down relating to raw materials (€1,519 thousand), work in progress (€272 thousand) and finished goods (€5,437 thousand). The write-downs are made for obsolete or slow-moving items whose carrying amount cannot be recovered through their sale.

Note 8.B- CHANGE IN THE ALLOWANCE FOR INVENTORY WRITE-DOWN				
<i>€'000</i>	Raw materials, consumables and supplies	Work in progress and semi-finished products	Finished goods	Total
December 31, 2017	1,578	328	2,947	4,853
Accruals	205	-	1,283	1,488
Utilisations	(122)	(26)	(1,383)	(1,532)
Release	(143)	(29)	(68)	(240)
Change in consolidation scope	-	-	2,562	2,562
Exchange gains (losses)	1	(1)	96	96
September 30, 2018	1,519	272	5,437	7,228
Change	(59)	(56)	2,490	2,375

The allowance for inventory write-down rose by €2,375 thousand in the first nine months of 2018, principally due to the change in the consolidation scope.

Note 9 - Trade receivables and other assets

Trade receivables and other assets total €209,784 thousand (December 31, 2017: €132,768 thousand).

Note 9.A - TRADE AND OTHER RECEIVABLES			
<i>€'000</i>	September 30, 2018	December 31, 2017	Change
Trade receivables	193,944	118,701	75,243
Tax assets	4,245	5,198	(953)
Other	6,865	5,560	1,305
Prepayments and accrued income	4,730	3,309	1,421
Total	209,784	132,768	77,016

Trade receivables rose by €75,243 thousand at September 30, 2018 compared to December 31, 2017. Net of exchange gains of €2,119 thousand and the change in the consolidation scope (€42,917 thousand), the increase would have been €30,207 thousand, mainly relating to the parent, Dixon Ticonderoga Company (USA), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and the Spanish subsidiaries F.I.L.A. Hispania S.L. e F.I.L.A. Iberia S.L.. It reflects the business seasonal trends, with trade receivables reaching their peak in the central months of the year, consistently with the turnover trend. The application of IFRS 9 led to a decrease of €3,374 thousand in trade receivables.

Changes in the loss allowance are as follows:

Note 9.B - CHANGES IN THE LOSS ALLOWANCE	
<i>€'000</i>	
December 31, 2017	5,262
Accruals	2,139
Utilisations	(94)
Release	(4)
Change in consolidation scope	19
Exchange gains	51
Other variations - IFRS 9	2,060
September 30, 2018	9,433
Change	4,171

The loss allowance rose by €9 thousand, principally as a result of the adoption of IFRS 9 by the group companies. Under the new standard, the “incurred loss” model provided for by IAS 39 has been replaced by the “expected credit loss” model. The allowance reflects the lifetime expected credit losses of trade receivables. The group assesses whether the credit risk on a financial asset has increased significantly since initial recognition in order to estimate expected credit losses considering reasonable and supportable information, that is available without undue cost or effort. This includes quantitative and qualitative information, historical and forward-looking information and an assessment of the credit risk over the expected life of the financial asset. The group estimated that the effect of the application of the new standard on the opening balance was €2,060 thousand, while the impact on profit or loss was €1,314 thousand. This effect was recognised in an equity reserve.

The caption “Tax assets” amounts to €4,245 thousand (December 31, 2017: €5,198 thousand) and includes VAT (€2,838 thousand) and other local indirect tax assets (€1,407 thousand).

“Other” of €6,865 thousand (December 31, 2017: €5,560 thousand) mainly includes amounts due from personnel (€186 thousand) and social security institutions (€61 thousand) and payments on account to suppliers (€4,987 thousand), mostly relating to the Indian and Chinese companies. The caption’s carrying amount equals its fair value at the reporting date.

All amounts are due within one year.

Note 10 - Cash and cash equivalents

Cash and cash equivalents amount to €45,041 thousand (December 31, 2017: €38,558 thousand).

Note 10 - CASH AND CASH EQUIVALENTS			
<i>€'000</i>	Bank and post office deposits	Cash in hand and cash equivalents	Total
December 31, 2017	38,491	67	38,558
September 30, 2018	44,835	206	45,041
Change	6,344	139	6,483

Bank and postal accounts shown are comprised of temporarily available cash generated by treasury management. They mostly related to the parent’s ordinary current accounts (€2,250 thousand) and the subsidiaries’ current accounts (€42,585 thousand), specifically, the Pacon group companies (€21,391

thousand), Omyacolor (€3,175 thousand), the Canson group companies (€2,181 thousand), F.I.L.A.-Dixon, S.A. de C.V. (€1,911 thousand), Dixon Ticonderoga Inc. (€1,710 thousand), Lyra KG (€1,290 thousand), FILA Dixon Stationery (Kunshan) Co. Ltd (€1,175 thousand) and Canson Art & Craft Yixing Co., Ltd. (€1,168 thousand).

The caption “Cash in hand and cash equivalents” of €206 thousand, comprises €5 thousand held by F.I.L.A. S.p.A. and €201 thousand by the subsidiaries.

It is recognised at fair value at the reporting date.

The interest on sums deposited in bank and postal accounts accrues at rates indexed to interbank rates, such as the Libor and Euribor.

There are no bank or postal accounts whose use is limited or restricted.

Reference should be made to the “Financial position” section for information on changes in the group’s net financial debt.

Note 11 - Net financial debt

Net financial debt rose by €351,649 thousand compared to December 31, 2017 to €591,263 thousand.

<i>€'000</i>	September 30, 2018	December 31, 2017	Change
A Cash	206	67	139
B Other cash equivalents	44,835	38,491	6,344
C Securities held for trading	-	-	-
D Cash and cash equivalents (A + B + C)	45,041	38,558	6,483
E Current financial assets	584	419	165
F Current bank loans and borrowings	(91,221)	(72,724)	(18,497)
G Current portion of non-current debt	(21,215)	(18,710)	(2,505)
H Other current loans and borrowings	(199)	(8,239)	8,040
I Current financial debt (F + G + H)	(112,635)	(99,673)	(12,962)
J Net current financial debt (I + E+ D)	(67,010)	(60,696)	(6,314)
K Non-current bank loans and borrowings	(523,585)	(178,420)	(345,165)
L Bonds issued	-	-	-
M Other non-current loans and borrowings	(1,110)	(504)	(606)
N Non-current financial debt (K + L + M)	(524,695)	(178,924)	(345,771)
O Net financial debt (J+N)	(591,705)	(239,620)	(352,085)
P Loans granted to third parties	442	6	436
Q Net financial debt (O + P) - F.I.L.A. Group	(591,263)	(239,614)	(351,649)

Note:

1) The net financial debt calculated at point "O" complies with the requirements of Consob communication no. 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 that calculated in accordance with the above communication by Euro 442 thousand in relation to the non-current portion of loans granted to third parties by Omvacolor S.A and Pacon Corporation.

2) At September 30, 2018, there were no related party transactions which affected net financial debt.

Reference should be made to the "Financial position" section for information on changes in the group's net financial debt.

Note 12 - Share capital and equity

Share capital

The parent's subscribed and fully paid-up share capital at September 30, 2018 comprises 41,332,477 shares, as follows:

- 34,765,969 ordinary shares without a nominal amount;
- 6,566,508 class B shares without a nominal amount, which carry three voting rights exercisable in the parent's ordinary and extraordinary shareholders' meetings.

A breakdown of the parent's share capital is as follows:

	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%	Unlisted shares

According to the available information, published by Consob and updated at September 30, 2018, the main shareholders of the parent are:

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	

All ordinary shares carry unrestricted voting rights.

Each class B share carries three voting rights, in accordance with article 127-sexies of Legislative decree no. 58/1998.

Legal reserve

It amounts to €7,434 thousand at the reporting date.

Share premium

It amounts to €65,349 thousand at the reporting date (December 31, 2017: €65,349 thousand).

The portion of share premium related to the fair value gain on the investment in DOMS Industries Pvt Ltd (€15,052 thousand), recognised when the group obtained control thereof is not available for distribution pursuant to article 6.1.a of Legislative decree no. 38 of February 28, 2015.

Sponsor warrants

No sponsor warrants were exercised during the period.

Actuarial reserve

The actuarial reserve recognised in accordance with IAS 19 is negative by €972 thousand. The group recognised actuarial gains of €699 thousand during the period.

Other reserves

These are negative by €19,585 thousand at the reporting date, with an increase of €819 thousand on December 31, 2017. They are mainly comprised as follows:

- ▶ the hedging reserve relating to the IRSs signed by the parent, Dixon Ticonderoga Company (USA) and Canson SAS. It amounts to €1,446 thousand at the reporting date, with an increase of €428 thousand on December 31, 2017;
- ▶ the share based premium reserve of €2,700 thousand, up by €391 thousand, set up to cover the group's management incentive plan. It is accounted for in accordance with the relevant standard on equity-settled share-based payment transactions. Changes in the fair value of the options granted to employees since the grant date are recognised in personnel expense over the vesting period, with a corresponding increase in equity under "Other reserves". The cost is adjusted to reflect the actual number of vested options based on the employees' achievement of the relevant service and non-market conditions. Likewise, the fair value of the granted options is measured taking into account all non-vesting conditions. With reference to the latter, any differences between the grant-date assumptions and actual figures do not affect on the condensed interim consolidated financial statements.

Translation reserve

This caption includes the exchange differences on the translation of the financial statements of subsidiaries prepared in foreign currencies and translated into the reporting currency (Euro).

Changes in the translation reserve for the reporting period are as follows:

TRANSLATION RESERVE	
<i>€'000</i>	
December 31, 2017	(26,836)
Changes	
Difference between the average rate for the period and the closing rate	1,412
Difference between the historical rate and the closing rate	3,382
September 30, 2018	(22,042)
Change	4,794

Retained earnings

This caption amounts to €148,939 thousand, with an increase of €10,890 thousand over the previous year end, mainly attributable to:

- ▶ the dividends of €3,720 thousand distributed to the parent's shareholders, as per their resolution of April 27, 2018;
- ▶ the allocation of the profit for 2017 of €15,767 thousand;
- ▶ the FTA of IFRS 9, which led to the recognition of fair value losses of €2,060 thousand on the group companies' trade receivables, which, net of the estimated tax effect of €903 thousand, decreased the opening balance by €1,157 thousand.

Equity attributable to non-controlling interests

Equity attributable to non-controlling interests decreased by €1,094 thousand, mainly as a result of:

- ▶ the profit for the period of €1,099 thousand attributable to non-controlling interests;
- ▶ the dividends of €159 thousand distributed to non-controlling investors;
- ▶ exchange losses of €2,034 thousand.

Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the profit (loss) for the period attributable to the owner of the parent by the weighted average number of outstanding ordinary shares during the period, excluding any treasury shares.

Diluted earnings per share are calculated by dividing the profit (loss) for the period attributable to the owner of the parent by the weighted average number of outstanding ordinary shares during the period and those potentially arising from the conversion of all potential ordinary shares with dilutive effect.

Reference should be made to the statement of comprehensive income for a breakdown of basic and diluted earnings per share.

The parent's equity and profit for the period are reconciled with the related consolidated figures in the following table:

Reconciliation between the parent's equity and that of F.I.L.A. Group at September 30, 2018

€'000

F.I.L.A. S.p.A.	163,184
Elimination of intragroup margins and consolidation entries	(2,899)
Consolidation of Omyacolor S.A. (France)	8,489
Consolidation of F.I.L.A. Hispania S.A. (Spain)	3,323
Consolidation of FILA Art and Craft (Israel)	(72)
Consolidation of Dixon Ticonderoga Group	79,010
Consolidation of Lyra Group	105
Consolidation of FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey)	(2,391)
Consolidation of FILA Stationary O.O.O. (Russia)	(881)
Consolidation of FILA Hellas (Greece)	1,632
Consolidation of Industria Maimeri S.p.A. (Italy)	(658)
Consolidation of FILA SA (South Africa)	(1,092)
Consolidation of Fila Polska Sp. Z.o.o (Poland)	839
Consolidation of DOMS Industries Pvt Ltd (India)	18,945
Consolidation of Daler-Rowney Lukas Group	(13,577)
Consolidation of St Cuthberts Holding (UK)	783
Consolidation of FILA Iberia S.L. (Spain)	2,834
Consolidation of Canson Group	(12,504)
Consolidation of FILA Art Product AG (Switzerland)	(116)
Consolidation of Pacon Group	5,018
Total equity	249,972
Consolidation of non-controlling interests	23,534
F.I.L.A. Group	226,438

Reconciliation of the parent's profit for the period with that of the group

€'000

F.I.L.A. S.p.A.	9
Loss of subsidiaries of the parent	(18,414)
Elimination of intragroup transactions:	
Dividends	(18,803)
Net intragroup profits on inventories	1,218
Application of group accounting policies:	
Stock option plan	(166)
FTA of IFRS 9	(535)
Daler Rowney Lukas Group - reversal of impairment losses on equity investments in wound-up dormant entities	48,078
F.I.L.A. S.p.A. - reversal of credit gains on intragroup receivables	(234)
Total profit	11,153
Non-controlling interests	1,099
F.I.L.A. Group	10,054

Note 13 - Financial liabilities

They amount to €637,309 thousand at September 30, 2018 (December 31, 2017: €278,562 thousand), including non-current and current financial liabilities of €524,674 thousand and €112,635 thousand, respectively. They comprise current and non-current bank and other loans and borrowings and bank overdrafts.

Their breakdown at September 30, 2018 is as follows:

Note 13.A - FINANCIAL LIABILITIES: Third parties							
€'000	Bank loans and borrowings		Other loans and borrowings		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
September 30, 2018	629,864	(7,043)	1,328	(40)	13,154	46	637,309
non-current portion	532,176	(8,591)	1,123	(34)	-	-	524,674
current portion	97,688	1,548	205	(6)	13,154	46	112,635
Change	375,168	(3,897)	(7,434)	14	(4,979)	(126)	358,747
non-current portion	350,356	(5,191)	610	10	-	-	345,785
current portion	24,813	1,294	(8,044)	4	(4,979)	(126)	12,962

Bank loans and borrowings

Bank loans and borrowings total €622,821 thousand, of which €99,236 thousand current (December 31, 2017: €73,129 thousand) and €523,585 thousand non-current (December 31, 2017: €178,420 thousand).

The main increase is due to the new credit facility agreement signed by the parent and Dixon Ticonderoga Company (USA) on June 4, 2018. The two companies signed the structured credit facility 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. for a non-recurring transaction, i.e., the acquisition of Pacon Holding Company, the Pacon Group's parent. Part of the credit facility granted to F.I.L.A. S.p.A. was used to repay a previous facility agreed in 2016 (to fund the acquisitions of the Daler-Rowney Lucas Group, the Canson Group and St. Cuthberts Holding) and subsequently increased by €30,000 thousand in early 2018. When it signed the new senior facility agreement on June 4, 2018, the parent extinguished the outstanding amount of €220,276 thousand.

The agreement covers three different facilities, with an established repayment plan and a total amount of €520,000 thousand, and a revolving credit facility for a maximum amount of €50,000 thousand.

The following table shows the amount of each facility and the revolving credit facility at the disbursement date:

Note 13.C - BANK LOANS AND BORROWINGS: BREAKDOWN			
<i>€'000</i>	Principal F.I.L.A. S.p.A.	Principal Dixon Ticonderoga Company (USA)	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 for a maximum amount of €50,000 thousand .

Facility A (€150,000 thousand) is repayable in eight half-yearly instalments from December 2019, whereas facilities B (€245,000 thousand) and C (€125,000 thousand) provide for bullet repayments on June 4, 2024 and 2023, respectively. The revolving credit facility provides for short-term drawdowns (due within one, three or six months) of a maximum amount of €50,000 thousand.

The repayment plan of each facility is detailed below:

Note 13.D - BANK LOANS AND BORROWINGS: REPAYMENT PLAN				
<i>€'000</i>	Facility	Principal F.I.L.A. S.p.A.	Principal Dixon Ticonderoga Company (USA)	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 repayment - June 4, 2024	Facility B	90,000	155,000	245,000
Total - Facility B		90,000	155,000	245,000
Bullet repayment - June 4, 2023	Facility C	125,000	0	125,000
Total - Facility C		125,000	-	125,000

The financing was initially recognised at fair value, including transaction costs. The carrying amount was subsequently adjusted for repayments of principal, any impairment losses and the amortisation of the difference between the repayment value and the initial carrying amount. Amortisation is calculated

at the effective internal interest rate, which is the rate that, at initial recognition, exactly discounts the expected cash flows to the initial carrying amount (amortised cost method). Interest expensed during the period in accordance with the amortised cost method is €1,494 thousand (including €802 thousand relating to F.I.L.A. S.p.A. and €692 thousand relating to Dixon Ticonderoga USA). In addition to the financing, the non-current portion includes derivatives' transaction costs measured at a fair value of €3,500 thousand.

Net of the financing relating to F.I.L.A. S.p.A. (€291,579 thousand) and Dixon Ticonderoga (€234,464 thousand) and considering the amortised cost effect of €8,591 thousand, the remaining non-current financial liabilities amount to €6,134 thousand and mainly include the non-current portions of the loans granted to:

- ▶ Industria Maimeri S.p.A. (Italy) by Banca Popolare di Milano, BPER and Creval (€120 thousand);
- ▶ DOMS Industries Pvt Ltd (India) by HDFC Bank (€640 thousand);
- ▶ Lyra KG (Germany) by Hypo Real Estate (€80 thousand);
- ▶ Canson SAS (France) by Intesa Sanpaolo (€5,294 thousand).

The current portion of bank loans and borrowings amounts to €99,236 thousand, up by €26,107 thousand on December 31, 2017, mainly due to the greater use of the credit facilities granted to the group companies. However, this is typical of the group's business, which requires larger financial resources in the central months of the year and smaller towards year end. The group's main exposures with banks are as follows:

- ▶ €50,106 thousand drawn down from the credit facilities and revolving credit facility with Unicredit S.p.A., Intesa Sanpaolo S.p.A. and Bank of the West, mentioned above, granted to Dixon Ticonderoga Company (USA). The €32,517 thousand increase on December 31, 2017 includes exchange losses of €634 thousand;
- ▶ €31,928 thousand drawn down from the credit facilities with Banamex S.A., Grupo Financiero BBVA Bancomer S.A., Banco Santander S.A., HSBC México, S.A. and Scotiabank Inverlat S.A. granted to Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico). The €10,579 thousand increase of the first nine months of 2018 includes exchange losses of €1,844 thousand;
- ▶ €6,900 thousand drawn down from the credit facilities granted to Lyra KG (Germany) by Commerzbank and HVB. The German subsidiary's current financial debt also includes the current portion of the loans granted by Hypo Real Estate (€220 thousand). The subsidiary's total exposure rose by €1,392 thousand compare to the end of 2017;
- ▶ current loan of €1,830 thousand granted to FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey) by TEB;

- ▶ current portion of €1,222 thousand of the loans granted to Industria Maimeri by Banca Popolare di Milano, BPER and Creval and the current loans of €133 thousand granted by BNL and Banca Popolare di Milano. The subsidiary's exposure rose by €455 thousand on the previous year end;
- ▶ €1,292 thousand drawn down from the credit facility granted by Intesa Sanpaolo to Xinjiang, down by €41 thousand on December 31, 2017;
- ▶ current portion of €1,056 thousand of the loan taken out by Canson SAS;
- ▶ current portion of the loan and credit facilities granted to DOMS Industries Pvt Ltd (India) by HDFC Bank (€1,108 thousand), which decreased by €124 thousand compared to December 31, 2017;
- ▶ credit facilities granted to Fila Dixon Stationery (Kunshan) Co., Ltd. (China) by Intesa Sanpaolo S.p.A. and UniCredit S.p.A. (€1,101 thousand), which decreased by €2,333 thousand compared to December 31, 2017.

Covenants

The group's financial debt with leading banks (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.) provides for compliance with negative pledges and financial covenants.

Compliance with the financial covenants is assessed on a half-yearly and yearly basis. Specifically, the financial parameters defined in the facility agreements are: net financial debt, gross operating profit and net financial expense calculated on the basis of the group's condensed interim and annual consolidated financial statements prepared in accordance with the IFRS.

The methods for the calculation of the net financial debt, gross operating profit and net financial expense are defined in the related agreement.

The covenants provided for by the agreement signed by F.I.L.A. S.p.A. and Dixon Ticonderoga Company (USA) which will be applicable as from December 31, 2018 are as follows:

- net financial debt/gross operating profit < 5.50 (if a capital increase of at least €90 million is not carried out);
- net financial debt/gross operating profit < 4.50 (if a capital increase of at least €90 million is carried out);
- gross operating profit/net financial expense > 3.50.

As required by Consob Communication no. DEM/6064293 of July 28, 2006, it is noted that, if the group fails to comply with the covenants provided for in the facility agreements, the lending banks may decide to terminate the agreement and/or trigger the acceleration clause in relation to all or part of the payment obligations.

Financial liabilities - Other loans and borrowings

The caption “Financial liabilities - Other loans and borrowings” amounts to €1,288 thousand (December 31, 2017: €8,708 thousand). Its current portion amounts to €199 thousand (December 31, 2017: €8,239 thousand).

The decrease over the previous year end is mainly due to the parent’s payment of its financial liability of €7,500 thousand, which arose following the Canson Group price adjustment contractually provided for and based on the attainment of income targets.

Financial liabilities - Bank overdrafts

The caption “Bank overdrafts” amounts to €13,200 thousand (December 31, 2017: €18,305 thousand). It principally relates to the parent (€3,000 thousand), Industria Maimeri S.p.A. (€5,075 thousand), FILA Hispania (€1,801 thousand), Canson SAS (€1,500 thousand) and Fila Stationary O.O.O. (€1,269 thousand).

Financial liabilities are presented at their fair value at the reporting date. Fair value measurement is based on the following hierarchy levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: quoted prices (unadjusted) in active markets for identical assets or liabilities that are observable either directly (prices) or indirectly (derived from prices);
- Level 3: unobservable inputs for the asset or liability.

A breakdown of financial liabilities measured at fair value by hierarchical level at September 30, 2018 and December 31, 2017 is as follows:

	September 30, 2018	Measurement model	Level 1	Level 2	Level 3
<i>€'000</i>					
Financial liabilities					
Bank loans and borrowings	622,821	Amortised cost			622,821
Other loans and borrowings	1,288	Fair value			1,288
Bank overdrafts	13,200	Fair value			
Financial instruments	22	Fair value			22
Total financial liabilities	637,331		-	-	624,131

<i>€'000</i>	December 31, 2017	Measurement model	Level 1	Level 2	Level 3
Financial liabilities					
Bank loans and borrowings	251,549	Amortised cost			251,549
Other loans and borrowings	8,708	Fair value			8,708
Bank overdrafts	18,305	Fair value			
Financial instruments	35	Fair value			35
Total financial liabilities	374,860		-	-	260,292

Note 14 - Employee benefits

The group companies grant post-employment benefits to their employees both directly and by contributing to funds outside the group.

These benefits are granted in a variety of ways, depending on the legal, tax and economic conditions of each country in which the group operates. In particular, the pension reform under Law no. 296/2006 has been considered.

Italian remuneration-based post-employment benefits granted to the parent's employees are governed by article 2120 of the Italian Civil Code. The amount of post-employment benefits due by the employer is proportionate to the remuneration received at the contractual terms signed by the parties on the hiring date.

The other group companies, particularly Omyacolor S.A. (France), Dixon Ticonderoga Company (USA), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico), Daler Rowney Ltd (United Kingdom) and Canson SAS (France), grant post-employment benefits through defined contribution and defined benefit plans.

In the case of defined contribution plans, the group companies pay fixed contributions to a state-owned or private insurance body, based on a statutory or contractual obligation or on a voluntary basis. By paying the contributions, the group companies satisfy all their obligations. The group recognises contributions to the plan as personnel expense when the employees provide service in exchange for the contributions.

The defined benefit plans may be unfunded or partially or fully funded by the contributions paid by the group 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 grants its employees other long-term benefits, generally paid on the reaching of a fixed number of years of service or in the case of invalidity. In this instance, the group recognises an

obligation that reflects the payment probability and the related payment period. The amount of these plans is calculated on an actuarial basis, using the projected unit credit method.

Changes in this caption during the first nine months of 2018 are summarised below:

Note 14.A - ITALIAN POST-EMPLOYMENT BENEFITS AND OTHER EMPLOYEE BENEFITS			
<i>€'000</i>	Post-employment benefits (Italy)	Other employee benefits	Total
December 31, 2017	2,391	6,345	8,736
Benefits paid	(679)	(914)	(1,593)
<i>of which: change in consolidation scope</i>	-	(18)	(18)
Interest cost	23	(17)	6
Service cost	544	1,303	1,847
<i>of which: change in consolidation scope</i>	-	18	18
Actuarial gains	-	(859)	(859)
Exchange losses	-	57	57
September 30, 2018	2,279	5,915	8,194
Change	(112)	(430)	(542)

The actuarial gains of €859 thousand have been recognised directly in equity, net of the tax effect.

The following table breaks down employee benefits by funded and unfunded by plan assets.

EMPLOYEE BENEFIT PLANS		
1. Employee benefit obligations	September 30, 2018	December 31, 2017
Present value of obligations funded by plan assets	2,279	2,391
	2,279	2,391
Present value of obligations unfunded by plan assets	8,985	9,507
Fair value of plan assets relating to the obligations	(3,070)	(3,162)
	5,915	6,345
Total	8,194	8,736

The plan assets amount to €3,070 thousand (December 31, 2017: €3,162 thousand) and relate to Dixon Ticonderoga Company (€1,967 thousand) and F.I.L.A.-Dixon, S.A. de C.V. (€1,103 thousand). These financial investments carry an average ROI of 4.5% (equally invested in the “Ticket PFG” fund and guaranteed-return contracts). The “structure” of financial investments at September 30, 2018 did not change on the previous year end.

The cost for employee benefits recognised in profit or loss is as follows:

2. Cost recognised in profit or loss	Q3 2018	2017
Service cost	1,847	2,911
Interest cost	6	194
	1,853	3,105

The main actuarial assumptions used to estimate post-employment benefits are the following:

3. Main actuarial assumptions at reporting date (average values)	September 30, 2018	December 31, 2017
Annual technical discount rate	3.9%	3.3%
Increase in cost of living index	4.3%	3.7%
Future salary increase	3.2%	3.2%
Future pension increase	2.0%	2.7%

Note 15 - Provisions for risks and charges

Provisions for risks and charges total €6,375 thousand (December 31, 2017: €5,012 thousand). Their non-current and current portions amount to €2,425 thousand (December 31, 2017: €2,095 thousand) and €3,950 thousand (December 31, 2017: €2,917 thousand), respectively.

Note 15A - PROVISIONS FOR RISKS AND CHARGES						
	Provisions for tax disputes	Provisions for legal disputes	Pension and similar provisions	Restructuring provisions	Other provisions	Total
<i>€'000</i>						
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
September 30, 2018	159	197	649	1,604	3,766	6,375
non-current portion	-	-	613	-	1,812	2,425
current portion	159	197	36	1,604	1,954	3,950
Change	-	(16)	(145)	(353)	1,877	1,363
non-current portion	-	-	(148)	-	478	330
current portion	-	(16)	3	(353)	1,400	1,033

Changes in the provisions for risks and charges during the first nine months of 2018 are summarised below:

Note 15.B PROVISIONS FOR RISKS AND CHARGES: CHANGES						
	Provisions for tax disputes	Provisions for legal disputes	Pension and similar provisions	Restructuring provisions	Other provisions	Total
<i>€'000</i>						
December 31, 2017	159	213	794	1,957	1,889	5,012
Utilisations	-	-	(182)	(1,205)	(121)	(1,508)
Accruals	-	-	37	941	361	1,339
Releases	-	-	-	(74)	-	(74)
Discounting	-	-	-	-	-	-
Change in consolidation scope	-	-	-	-	1,600	1,600
Exchange gains and losses	-	(16)	-	(15)	37	6
September 30, 2018	159	197	649	1,604	3,766	6,375
Change	-	(16)	(145)	(353)	1,877	1,363

Provisions for tax disputes

These provisions represent management's best estimate of tax liabilities arising from tax assessments concerning:

- ▶ F.I.L.A. S.p.A., relating to 2004 direct and indirect taxes (€39 thousand);
- ▶ Lyra KG (Germany), penalty regarding the ongoing tax audit (€120 thousand).

Provisions for legal disputes

These provisions relate to:

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

Except for the €16 thousand exchange losses, the provisions are unchanged from the previous year end.

Pension and similar provisions

The caption includes accruals for the agents' leaving indemnity made by the parent and the subsidiaries Industria Maimeri S.p.A. and Canson Italia S.r.l..

Restructuring provisions

In order to integrate and update the group's structure following the acquisitions made in recent years, a number of companies accrued provisions for personnel mobility plans totalling €1,604 thousand. The plans involved, in particular, Canson SAS (France), Lukas-Nerchau GmbH (Germany) and Daler Rowney GmbH (Germany), as per the parent's structural reorganisation plans.

Other provisions

Other provisions total €3,766 thousand and mainly relate to the subsidiaries Dixon Ticonderoga Company (USA) and Pacon Corporation (USA), as well as to F.I.L.A. S.p.A.. Dixon Ticonderoga Company (USA) accrued €398 thousand for environmental restoration costs relating to activities carried out in the USA before F.I.L.A. S.p.A. acquired it. Timing and estimates are regularly revised by management until the restoration's completion. No further dismantlement and environmental restoration costs are expected following the reorganisation process involving the group facilities.

Pacon Corporation (USA), part of the Pacon Group that was acquired on June 7, 2018, recognised employee liabilities totalling €1,636 thousand.

Based on the information available and the management's best estimates, the parent made a provision of €1,516 thousand for the medium/long-term variable remuneration plan for its key management personnel. The plan, approved by the remuneration committee and ratified by the board of directors, is indexed to quantitative and qualitative parameters. The provision was discounted at December 31, 2017, but not at the reporting date as it is due within one year.

In order to estimate the potential liability as best as possible, each group company assesses legal proceedings individually to estimate the probable losses which generally derive from similar events. The best estimate considers, where feasible and necessary, the opinion of legal consultants and other experts, the company's past experience and its intention to undertake further actions in each case. The provisions recognised in the condensed interim consolidated financial statements are the sum of the individual accruals made by each group company.

Note 16 – Deferred tax liabilities

Deferred tax liabilities amount to €44,450 thousand at September 30, 2018 (December 31, 2017: €39,241 thousand).

Note 16.A CHANGES IN DEFERRED TAX LIABILITIES	
<i>€'000</i>	
December 31, 2017	39,241
Increase	2,571
Utilisation	(841)
Exchange gains	(880)
Change in consolidation scope	4,359
September 30, 2018	44,450
Change	5,209

The increase for the period is mainly related to the Pacon Group, partially offset by the release of the deferred tax liabilities recognised on the higher fair value of property, plant and equipment and intangible assets arising from the PPA procedure relating to the companies acquired in previous periods (specifically, the Canson Group, the Daler-Rowney Lukas Group and DOMS Industries PVT Ltd). The companies progressively release the deferred tax liabilities in line with the assets' amortisation and depreciation process.

Note 17 – Financial instruments

Financial instruments amount to €22 thousand (December 31, 2017: €35 thousand) and comprise the derivatives hedging the credit facility (hedged instrument) granted to Canson SAS (France) in 2017. They are recognised at fair value. The interest rate swaps designated as hedges have 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 3-month Euribor.

In accordance with IAS 39, the group applied hedge accounting to its hedging derivatives and, specifically, the accounting treatment for cash flow hedges, which requires the recognition of a financial asset or liability and an equity reserve.

Note 18 - Current tax liabilities

Current tax liabilities amount to €12,989 thousand (December 31, 2017: €8,448 thousand) and are mainly related to the parent (€1,043 thousand), Dixon Ticonderoga Company (€2,723 thousand), the Indian company DOMS Industries Pvt Ltd (€2,779 thousand) and Pacon Corporation (€2,461 thousand).

Note 19 - Trade payables and other liabilities

Trade payables and other liabilities amount to €112,508 thousand (December 31, 2017: €96,263 thousand) and are made up as follows:

Note 19.A TRADE PAYABLES AND OTHER LIABILITIES			
<i>€'000</i>	September 30, 2018	December 31, 2017	Change
Trade payables	78,288	68,374	9,914
Tax liabilities	9,322	7,096	2,226
Other	23,353	19,416	3,937
Accrued expenses and deferred income	1,545	1,377	168
Total	112,508	96,263	16,245

The €9,914 thousand increase in trade payables principally results from the acquisition of the Pacon Group, which contributed €11,068 thousand at the consolidation date.

Their reporting-date carrying amount approximates their fair value.

The trade payables shown above are due within one year.

The caption “Tax liabilities” amounts to €9,322 thousand (December 31, 2017: €7,096 thousand), including VAT of €7,426 thousand and other tax liabilities of €1,896 thousand.

The caption “Other” check table amounts to €23,353 thousand at the reporting date and mainly includes:

- ▶ accrued remuneration payable to employees of €13,289 thousand (December 31, 2017: €€9,671 thousand);
- ▶ social security contributions payable of €3,356 thousand (December 31, 2017: €4,946 thousand);
- ▶ commissions payable to agents of €1,465 thousand (December 31, 2017: €241 thousand);
- ▶ other minor amounts of €5,238 thousand, mainly advances from customers (December 31, 2017: €4,558 thousand).

The reporting-date carrying amount of “Tax liabilities”, “Other” and “Accrued expenses and deferred income” approximates their fair value.

Other non-current financial liabilities amount to €86 thousand and relate to guarantee deposits made by customers for long-term supply agreements with the Indian company DOMS Industries Pvt Ltd (India).

Note 20 – Core business revenue

Core business revenue amounts to €437,481 thousand (Q3 2017: €391,548 thousand).

Note 20.A - CORE BUSINESS REVENUE			
<i>€'000</i>	Q3 2018	Q3 2017	Change
Revenue from sales and services	464,530	413,217	51,313
Adjustments to sales	(27,049)	(21,669)	(5,380)
<i>Returns on sales</i>	(17,509)	(10,812)	(6,697)
<i>Discounts, allowances and bonuses</i>	(9,540)	(10,857)	1,317
Total	437,481	391,548	45,933

It rose by €45,933 thousand, or 11.7%, to €437,481 thousand.

This is due to the adoption of IFRS 15, which led to a reduction in turnover of €4,078 thousand, and exchange losses of €20,284 thousand, offset by the change in the consolidation scope, with the Pacon Group contributing €70,531 thousand in the first nine months of 2018. Net of those changes, core business revenue would have decreased slightly by €236 thousand.

The table below breaks down the group's revenue by "strategic segment" and "entity location" in accordance with IFRS 15:

Q3 2018	Europe	North America	Central-South America	Asia	Rest of world	Total
<i>€'000</i>						
Fine arts, hobbies and digital	57,262	49,105	3,154	4,078	1,844	115,443
Industrial	6,793	5,095	1,454	226	2	13,570
School and office	100,275	118,185	41,612	47,516	880	308,468
Core business revenue	164,330	172,385	46,220	51,820	2,726	437,481

Q3 2017	Europe	North America	Central-South America	Asia	Rest of world	Total
<i>€'000</i>						
Fine arts, hobbies and digital	57,029	42,668	2,806	3,879	2,874	109,256
Industrial	6,046	5,523	1,461	6	-	13,036
School and office	109,413	74,622	42,325	42,021	875	269,256
Core business revenue	172,488	122,813	46,592	45,906	3,749	391,548

Note 21 – Other revenue and income

Other revenue and income shows operating income other than from sales of goods and services and realised and unrealised exchange gains on commercial transactions.

Reference should be made to "Note 30 – Foreign currency transactions" for information on exchange gains.

Other revenue and income came to €6,199 thousand (Q3 2017: €16,547 thousand).

Note 21 – OTHER REVENUE AND INCOME			
<i>€'000</i>	Q3 2018	Q3 2017	Change
Gains on sales of property, plant and equipment	231	51	180
Unrealised exchange gains on commercial transactions	2,396	8,860	(6,464)
Realised exchange gains on commercial transactions	2,256	5,873	(3,617)
Other	1,316	1,763	(447)
Total	6,199	16,547	(10,348)

Q3 2018 “Other” of €1,316 thousand mainly comprises gains on the sale of production scraps by group companies and government grants received by DOMS Industries Pvt Ltd (India).

Note 22 – Raw materials, consumables, supplies and goods and Change in raw materials, semi-finished products, work in progress and finished goods

The caption comprises all purchases of raw materials and semi-finished products, including transport costs and goods and consumables necessary to carry out the group’s core operations.

Raw materials, consumables, supplies and goods amount to €213,745 thousand (Q3 2017: €178,377 thousand).

They are made up as follows:

Note 22 - RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS			
<i>€'000</i>	Q3 2018	Q3 2017	Change
Raw materials, consumables, supplies and goods	(184,882)	(148,879)	(36,003)
Transport costs	(9,210)	(8,692)	(518)
Packaging	(7,246)	(6,189)	(1,057)
Import charges and customs duties	(4,248)	(4,086)	(162)
Other purchase costs	(7,958)	(9,859)	1,901
Materials for maintenance	(680)	(730)	50
Adjustments to purchases	479	58	421
<i>Returns on purchases</i>	20	-	20
<i>Discounts, allowances and bonuses</i>	459	58	401
Total	(213,745)	(178,377)	(35,368)

The increase of €35,368 thousand in raw materials, consumables, supplies and goods is principally attributable to the change in the consolidation scope, as the costs recognised by the Pacon Group totalled €35,524 thousand in the first nine months of 2018.

The overall change in inventories amounts to €25,780 thousand in the first nine months of 2018, including:

- ▶ a €1,314 thousand decrease in raw materials, consumables, supplies and goods (Q3 2017: increase of €1,653 thousand);
- ▶ a €4,283 thousand increase in work in progress and semi-finished products (Q3 2017: €2,422 thousand);
- ▶ a €22,811 thousand increase in finished goods (Q3 2017: €13,267 thousand).

Reference should be made to the “Normalised financial performance” section of the directors’ report for further information.

Note 23 - Services and use of third party assets

Services and use of third party assets amount to €99,120 thousand (Q3 2017: €87,223 thousand).

Costs for services are made up as follows:

Note 23 - SERVICES AND USE OF THIRD PARTY ASSETS			
<i>€'000</i>	Q3 2018	Q3 2017	Change
Sundry services	(5,129)	(7,772)	2,643
Transport	(18,372)	(14,948)	(3,424)
Warehousing	(1,398)	(1,255)	(143)
Maintenance	(7,917)	(6,405)	(1,512)
Utilities	(6,176)	(5,988)	(188)
Consulting	(14,304)	(7,145)	(7,159)
Directors' and statutory auditors' fees	(3,292)	(3,509)	217
Advertising, promotions, shows and fairs	(5,701)	(4,839)	(862)
Cleaning	(587)	(453)	(134)
Bank charges	(713)	(717)	4
Agents	(5,817)	(5,639)	(178)
Sales representatives	(3,982)	(3,987)	5
Sales commissions	(9,520)	(10,066)	546
Insurance	(1,573)	(1,560)	(13)
Other service costs	(3,731)	(3,003)	(728)
Leases	(6,814)	(6,116)	(698)
Rent	(1,133)	(1,307)	174
Operating leases	(2,462)	(1,952)	(510)
Royalties and patents	(499)	(562)	63
Total	(99,120)	(87,223)	(11,897)

Services and use of third party assets rose by €11,897 thousand compared to the first nine months of 2017, mainly relating to the consulting fees paid by the parent for the acquisitions carried out during the period (€8,572 thousand) and the depreciation of the Euro against the main currencies used by the group.

Note 24 – Other costs

Other costs amount to €8,540 thousand (Q3 2017: €17,290 thousand).

This caption mainly includes realised and unrealised exchange losses on commercial transactions. Reference should be made to “Note 30 – Foreign currency transactions” for information on exchange losses.

Other costs are made up as follows:

Note 24 – OTHER COSTS			
<i>€'000</i>	Q3 2018	Q3 2017	Change
Unrealised exchange losses on commercial transactions	(4,398)	(8,865)	4,467
Realised exchange losses on commercial transactions	(3,770)	(7,634)	3,864
Other	(372)	(791)	419
Total	(8,540)	(17,290)	8,750

The caption “Other” decreased by €419 thousand in the first nine months of 2018. It mainly includes non-recurring costs incurred by the Chinese subsidiary FILA Dixon Stationery (Kunshan) Co., Ltd and the parent.

Note 25 – Personnel expense

The caption “Personnel expense” includes employee-related costs and expense.

It amounts to €86,558 thousand (Q3 2017: €80,529 thousand).

It is made up as follows:

Note 25 – PERSONNEL EXPENSE			
<i>€'000</i>	Q3 2018	Q3 2017	Change
Wages and salaries	(65,240)	(58,456)	(6,784)
Social security charges	(15,570)	(12,894)	(2,676)
Employee benefits	(1,303)	(1,877)	574
Post-employment benefits	(544)	(93)	(451)
Other personnel expenses	(3,901)	(7,209)	3,308
Total	(86,558)	(80,529)	(6,029)

The €6,029 thousand increase in personnel expense is principally related to the acquisition of the Pacon Group.

A breakdown of the group's workforce by geographical segment at September 30, 2018 and December 31, 2017 is as follows:

	Europe	North America	Central - South America	Asia	Rest of world	Total
December 31, 2017	1,099	206	1,836	5,263	35	8,439
September 30, 2018	1,098	745	1,935	5,696	28	9,502
Change	(1)	539	99	433	(7)	1,063

The increase of 1,063 people compared to the previous year end was mainly seen in North America, where the impact of the acquisition mentioned above is higher. The contribution of the Pacon Group was 580 people.

Note 26 – Amortisation and depreciation

Amortisation and depreciation amount to €16,610 thousand (Q3 2017: €13,304 thousand) and are detailed below:

Note 26 – AMORTISATION AND DEPRECIATION			
<i>€'000</i>	Q3 2018	Q3 2017	Change
Depreciation	(9,489)	(8,213)	(1,276)
Amortisation	(7,121)	(5,091)	(2,030)
Total	(16,610)	(13,304)	(3,306)

The increase in amortisation and depreciation compared to the nine months ended September 30, 2017 is mostly due to acquisitions (€2,524 thousand).

Reference should be made to “Note 1 - Intangible assets” and “Note 2 - Property, plant and equipment” for further information.

Note 27 – Impairment losses

Impairment losses total €2,270 thousand (Q3 2017: €859 thousand).

They are made up as follows:

Note 27 – IMPAIRMENT LOSSES			
<i>€'000</i>	Q3 2018	Q3 2017	Change
Property, plant and equipment	(51)	(50)	(1)
Intangible assets	-	(71)	71
Trade receivables	(2,219)	(738)	(1,481)
Total	(2,270)	(859)	(1,411)

The jump in impairment losses compared to the corresponding period of the previous year is principally the result of the adoption of IFRS 9, whose effect was €1,314 thousand during the period.

Note 28 – Financial income

Financial income came to €5,498 thousand (Q3 2017: €2,700 thousand).

It is made up as follows:

Note 28 – FINANCIAL INCOME			
<i>€'000</i>	Q3 2018	Q3 2017	Change
Interest on bank deposits	77	85	(8)
Other financial income	323	1,091	(768)
Unrealised exchange gains on financial transactio	2,866	1,471	1,395
Realised exchange gains on financial transactions	2,232	53	2,179
Total	5,948	2,700	2,798

The decrease of €768 thousand in other financial income is due to the fact that a gain of €990 thousand on the sale of a 30% non-controlling interest in FILA Nordic AB (Sweden) was recognised by the German subsidiary Lyra KG in 2017.

Note 29 – Financial expense

Financial expense amounts to €24,902 thousand (Q3 2018: €14,046 thousand).

It is made up as follows:

Note 29 - FINANCIAL EXPENSE			
<i>€'000</i>	Q3 2018	Q3 2017	Change
Interest on current account overdrafts	(117)	(109)	(8)
Interest on bank loans and borrowings	(12,516)	(6,967)	(5,551)
Interest on other loans and borrowings	(43)	(17)	(26)
Other financial expense	(5,920)	(2,019)	(3,901)
Unrealised exchange losses on financial transacti	(5,799)	(3,626)	(2,173)
Realised exchange losses on financial transaction	(507)	(1,308)	801
Total	(24,902)	(14,046)	(10,856)

In addition to exchange losses, the Q3 2018 increase of €10,856 thousand in financial expense is mainly due to the larger expense incurred by the parent in connection with the termination of the credit facility agreed in 2016 and the new structured credit facility agreed to fund the acquisition made during the period. Moreover, the caption includes the release of the amortisation of €2,534 thousand recognised as a decrease in the structured credit facility.

The Q3 2018 amortisation cost accrued by F.I.L.A. S.p.A. and Dixon Ticonderoga Company (USA) on the new credit facilities totals €1,494 thousand (see note 13 for further information).

Note 30 - Foreign currency transactions

Exchange gains and losses on financial and commercial transactions are summarised below:

Note 30 - FOREIGN CURRENCY TRANSACTIONS			
<i>€'000</i>	Q3 2018	Q3 2017	Change
Net unrealised gains on commercial transactions	2,396	8,860	(6,464)
Net realised gains on commercial transactions	2,256	5,873	(3,617)
Net unrealised exchange losses on commercial transacti	(4,398)	(8,865)	4,467
Net realised exchange losses on commercial transaction	(3,770)	(7,634)	3,864
Net exchange losses on commercial transactions	(3,516)	(1,766)	(1,750)
Net unrealised exchange gains on financial transactions	2,866	1,471	1,395
Net realised exchange gains on financial transactions	2,232	53	2,179
Net unrealised exchange losses on financial transactions	(5,799)	(3,626)	(2,173)
Net realised exchange losses on financial transactions	(507)	(1,308)	801
Net exchange losses on financial transactions	(1,208)	(3,410)	2,202
Net exchange losses	(4,724)	(5,176)	452

The 2018 increase in net exchange gains is due to local currencies' fluctuations (principally the depreciation of the US dollar, Indian rupee and the South American currencies) and the foreign currency commercial and financial transactions carried out during the period.

Note 31 -Share of profit of equity-accounted investees

This caption shows a profit of €83 thousand for the first nine months of 2018 (Q1 2017: nil), due to the equity accounting of investments in associates held by DOMS Industries Pvt Ltd (India).

Note 32 – Income taxes

Income taxes amount to €12,143 thousand (Q3 2017: €12,400 thousand). They comprise current taxes of €12,023 thousand (Q3 2017: €13,335 thousand) and net deferred taxes of €120 thousand - negative (Q3 2017: €935 thousand - positive).

Note 32.A – Current taxes

Note 32.A - CURRENT TAXES			
<i>€'000</i>	Q3 2018	Q3 2017	Change
Italy	(523)	(1,212)	689
Abroad	(11,500)	(12,123)	623
Total	(12,023)	(13,335)	1,312

Italian current taxes relate to F.I.L.A. S.p.A., Canson Italy S.r.l and Industria Maimeri S.p.A..

Note 32.A.1 - FOREIGN CURRENT TAXES			
<i>€'000</i>	Q3 2018	Q3 2017	Change
OMYACOLOR S.A. (France)	(919)	(958)	39
FILA Hispania S.L. (Spain)	(447)	(456)	9
DOMS Industries Pvt Ltd (India)	(1,612)	(1,240)	(372)
FILA (Russia)	28	0	28
Fila Hellas SA (Greece)	(202)	(177)	(25)
Fila Polska Sp. Z.o.o (Poland)	(78)	(80)	2
Fila Iberia S. L. (Spain)	(485)	(368)	(117)
Canson Brasil I.P.E. LTDA (Brazil)	50	(60)	110
Canson SAS (France)	(204)	(706)	502
Canson Inc. (USA)	(0)	(16)	16
Canson Qingdao Ltd. (China)	0	(30)	30
Dixon Ticonderoga Company (USA)	(2,911)	(6,573)	3,662
Dixon (China)	(36)	0	(36)
Dixon Ticonderoga Inc. (Canada)	(196)	(202)	6
Grupo F.I.L.A.-Dixon, S.A. de C.V.(Mexico)	(366)	(506)	140
F.I.L.A. Chile Ltda (Chile)	(27)	(285)	258
FILA Argentina S.A. (Argentina)	(23)	(4)	(19)
FILA Dixon Stationery (Kunshan) Co., Ltd. (China)	(482)	(129)	(353)
FILA Dixon Art & Craft Yixing Co. Ltd (China)	(35)	(62)	27
Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG (Germany)	(157)	(195)	38
St.Cuthberts Mill Limited Paper (UK)	(90)	0	(90)
Lyra Bleistift-Fabrik Verwaltungs GmbH (Germany)	(2)	(1)	(1)
F.I.L.A. Nordie AB (Sveden)	0	(7)	7
PT. Lyra Akrelux (Indonesia)	(73)	(52)	(21)
FILA Benelux SA (Belgium)	(286)	5	(291)
Daler Rowney Group Ltd (Jersey - UK)	(5)	(21)	16
Daler Rowney Ltd (UK)	(134)	0	(134)
Daler Rowney USA Ltd (USA)	(622)	0	(622)
Pacon Corporation	(1,909)	0	(1,909)
Baywood Paper ULC	(111)	0	(111)
Creativity International	(166)	0	(166)
Total	(11,500)	(12,122)	623

The parent's current taxes include its share as the tax representative of the subsidiary Lyra KG (€16 thousand).

Note 32.B – Deferred taxes

They are made up as follows:

Note 32.B DEFERRED TAXES			
<i>€'000</i>	Q32018	Q3 2017	Change
Change in deferred tax assets	(1,730)	4,559	(6,289)
Change in deferred tax liabilities	1,610	(3,624)	5,234
Total	(120)	935	(1,055)

Attachments

Attachment 1 - Related party transactions

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 “Governance” section of its website www.filagroup.it for information on related party transactions, also with reference to the provisions of article 2391-bis of the Italian Civil Code.

The following table summarises the effect of related party transactions on the condensed interim consolidated financial statements, as required by Consob communication no. 6064293 of July 28, 2006:

F.I.L.A. GROUP RELATED PARTIES - 2018														
		September 30, 2018						Q3 2018						
		Statement of financial position						Statement of comprehensive income						
		ASSETS			LIABILITIES			REVENUE			COSTS			
€'000	Company	Nature	Property, plant & equipment	Trade receivables	Cash and cash equivalents	Bank loans and borrowings	Other loans and borrowings	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	-	-	-	-	-	666	-	-	-	1,625	0.4	-
	Studio Legale Salonia e Associati	Legal consultancy	-	-	-	-	-	9	-	-	-	-	370	-
	Studio Zucchetti	Tax and administration consultancy	-	-	-	-	-	37	-	-	-	-	129	-
	ARDA S.p.A	Trade	-	-	-	-	-	246	-	-	-	205	-	-
	Pynturas y Texturizados S.A. de C.V.	Trade	-	-	-	-	-	-	-	-	-	172	10	-
	HR Trustee	Services	-	-	-	-	-	-	-	-	-	-	11	-
	Total		-	-	-	-	-	958	-	-	-	2,001	521	-

F.I.L.A. GROUP RELATED PARTIES - 2017														
		December 31, 2017						Q3 2017						
		Statement of Financial Position						Statement of comprehensive income						
		ASSETS			LIABILITIES			REVENUE			COSTS			
€'000	Company	Nature	Property, plant & equipment	Trade receivables	Cash and cash equivalents	Bank loans and borrowings	Other loans and borrowings	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	-	-	-	-	-	944	-	-	-	1,618	-	-
	Studio Legale Salonia e Associati	Legal consultancy	-	-	-	-	-	35	-	-	-	-	240	-
	Studio Zucchetti	Tax and administration consultancy	-	-	-	-	-	119	-	-	-	-	112	-
	Beijing Majestic	Trade	-	-	-	-	-	92	-	-	-	-	-	-
	Autogrill S.p.A	Trade	-	-	-	-	-	1	-	-	-	-	1	-
	Pynturas y Texturizados S.A. de C.V.	Trade	-	-	-	-	-	-	-	-	-	131	8	-
	HR Trustee	Services	-	-	-	-	-	-	-	-	-	-	19	-
	Totale		-	-	-	-	-	1,191	-	-	-	1,750	380	-

Studio Legale Salonia e Associati

Studio Legale Salonia e Associati, a partner of which is related to the parent’s controlling investors, mainly provides legal assistance.

Nuova Alpa Collanti S.r.l.

Nuova Alpa Collanti S.r.l., a quotaholder of which is one of the parent’s directors, provides glues.

Studio Zucchetti

Studio Zucchetti, a partner of which is one of the parent’s directors, mainly provides tax and administrative assistance.

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 group company, is specialised in the production and sale of paint, coating paints and anti-corrosion products.

HR Trustee

HR Trustee, a partner of which is related to the management of a group company, is a UK-based company specialised in the provision of professional pension plan services.

ARDA S.p.A.

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

Related party transactions are part of ordinary operations and are regulated at market conditions, i.e., the conditions that would be applied between two independent parties, and are undertaken in the interests of the group. Typical or usual transactions are those which, by their object or nature, do not fall outside the normal course of the group's business and those which do not involve particular critical factors due to their characteristics or to counterparty or timing risks; normal market conditions are the standard terms and conditions applied by the group in similar situations.

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

Attachment 2 - List of consolidated companies and other equity investments

Company	State of residence of the company	IFRS 8 segment ¹	Year of acquisition	% held directly (F.I.L.A. S.p.A.)	% held indirectly	% held by F.I.L.A. Group	Held by	Recognition	Non-controlling interests
Onyacolor S.A.	France	EU	2000	94.94%	5.06%	100.00%	FILA S.p.A. Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG Lyra Bleistift-Fabrik Verwaltungs GmbH	Consolidated	0.00%
F.I.L.A. Hispania S.L.	Spain	EU	1997	96.77%	0.00%	96.77%	FILA S.p.A.	Consolidated	3.23%
FILALYRA GB Ltd.	UK	EU	2005	0.00%	100.00%	100.00%	Daler Rowney Ltd	Consolidated	0.00%
Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG	Germany	EU	2008	99.53%	0.47%	100.00%	FILA S.p.A. Lyra Bleistift-Fabrik Verwaltungs GmbH	Consolidated	0.00%
Lyra Bleistift-Fabrik Verwaltungs GmbH	Germany	EU	2008	0.00%	100.00%	100.00%	Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG	Consolidated	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	Consolidated	50.00%
FILA Stationary and Office Equipment Industry Ltd. Co.	Turkey	EU	2011	100.00%	0.00%	100.00%	FILA S.p.A.	Consolidated	0.00%
Fila Stationary O.O.O.	Russia	EU	2013	90.00%	0.00%	90.00%	FILA S.p.A.	Consolidated	10.00%
Industria Maineri S.p.A.	Italy	EU	2014	51.00%	0.00%	51.00%	FILA S.p.A.	Consolidated	49.00%
Fila Hellas SA ²	Greece	EU	2013	50.00%	0.00%	50.00%	FILA S.p.A.	Consolidated	50.00%
Fila Polska Sp. Z.o.o	Poland	EU	2015	51.00%	0.00%	51.00%	FILA S.p.A.	Consolidated	49.00%
Dixon Ticonderoga Company	USA	NA	2005	100.00%	0.00%	100.00%	FILA S.p.A.	Consolidated	0.00%
Dixon Ticonderoga Inc.	Canada	NA	2005	0.00%	100.00%	100.00%	Dixon Ticonderoga Company	Consolidated	0.00%
Grupo F.I.L.A.-Dixon, S.A. de C.V.	Mexico	CSA	2005	0.00%	100.00%	100.00%	Dixon Ticonderoga Inc. Dixon Ticonderoga Company	Consolidated	0.00%
F.I.L.A. Chile Ltda	Chile	CSA	2000	0.79%	99.21%	100.00%	Dixon Ticonderoga Company FILA S.p.A.	Consolidated	0.00%
FILA Argentina S.A.	Argentina	CSA	2000	0.00%	100.00%	100.00%	F.I.L.A. Chile Ltda Dixon Ticonderoga Company	Consolidated	0.00%
Beijing F.I.L.A.-Dixon Stationery Company Ltd.	China	AS	2005	0.00%	100.00%	100.00%	Dixon Ticonderoga Company	Consolidated	0.00%
Xijiang 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.	Consolidated	0.00%
PT. Lyra Akrelux	Indonesia	AS	2008	0.00%	52.00%	52.00%	Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG	Consolidated	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.	Consolidated	0.00%
FILA SA PTY LTD	South Africa	RM	2014	90.00%	0.00%	90.00%	FILA S.p.A.	Consolidated	10.00%
Canson Art & Craft Xiyang Co., Ltd.	China	AS	2015	0.00%	100.00%	100.00%	Beijing F.I.L.A.-Dixon Stationery Company Ltd.	Consolidated	0.00%
DOMS Industries Pvt Ltd	India	AS	2015	51.00%	0.00%	51.00%	FILA S.p.A.	Consolidated	49.00%
Renoir Topco Ltd	UK	EU	2016	100.00%	0.00%	100.00%	FILA S.p.A.	Consolidated	0.00%
Renoir Midco Ltd	UK	EU	2016	0.00%	100.00%	100.00%	Renoir Topco Ltd	Consolidated	0.00%
Renoir Bidco Ltd	UK	EU	2016	0.00%	100.00%	100.00%	Renoir Midco Ltd	Consolidated	0.00%
Daler Rowney Group Ltd	UK	EU	2016	0.00%	100.00%	100.00%	Renoir Bidco Ltd	Consolidated	0.00%
FILA Benelux SA	Belgium	EU	2016	0.00%	100.00%	100.00%	RENOIR BIDCO LTD Renoir Bidco Ltd	Consolidated	0.00%
Daler Rowney Ltd	UK	EU	2016	0.00%	100.00%	100.00%	Renoir Bidco Ltd	Consolidated	0.00%
Longbeach Arts Ltd	UK	EU	2016	0.00%	100.00%	100.00%	Daler Rowney Group Ltd	Consolidated	0.00%
Daler Board Company Ltd	UK	EU	2016	0.00%	100.00%	100.00%	Daler Rowney Group Ltd	Consolidated	0.00%
Daler Holdings Ltd	UK	EU	2016	0.00%	100.00%	100.00%	Longbeach Arts Ltd	Consolidated	0.00%
Daler Designs Ltd	UK	EU	2016	0.00%	100.00%	100.00%	Daler Board Company Ltd	Consolidated	0.00%
Daler Rowney GmbH	Germany	EU	2016	0.00%	100.00%	100.00%	Daler Rowney Ltd	Consolidated	0.00%
Lukas-Nerchau GmbH	Germany	EU	2016	0.00%	100.00%	100.00%	Daler Rowney GmbH	Consolidated	0.00%
Nerchauer Mallarben GmbH	Germany	EU	2016	0.00%	100.00%	100.00%	Daler Rowney GmbH	Consolidated	0.00%
Lastmill Ltd	UK	EU	2016	0.00%	100.00%	100.00%	Daler Rowney Ltd	Consolidated	0.00%
Rowney & Company Pencils Ltd	UK	EU	2016	0.00%	100.00%	100.00%	Daler Rowney Ltd	Consolidated	0.00%
Rowney (Artists Brushes) Ltd	UK	EU	2016	0.00%	100.00%	100.00%	Daler Rowney Ltd	Consolidated	0.00%
Brideshore srl	Dom. Republic	CSA	2016	0.00%	100.00%	100.00%	Daler Rowney Ltd	Consolidated	0.00%
St. Cuthberts Holding Limited	UK	EU	2016	100.00%	0.00%	100.00%	FILA S.p.A.	Consolidated	0.00%
St. Cuthberts Mill Limited	UK	EU	2016	0.00%	100.00%	100.00%	St. Cuthberts Holding Limited	Consolidated	0.00%
Fila Iberia S.L.	Spain	EU	2016	0.00%	99.99%	99.99%	F.I.L.A. Hispania S.L.	Consolidated	0.01%
Eurholdam USA Inc.	USA	NA	2016	100.00%	0.00%	100.00%	FILA S.p.A.	Consolidated	0.00%
Canson Inc.	USA	NA	2016	0.00%	100.00%	100.00%	Eurholdam USA Inc.	Consolidated	0.00%
Canson SAS	France	EU	2016	100.00%	0.00%	100.00%	FILA S.p.A.	Consolidated	0.00%
Canson Brasil I.P.E. LTDA	Brazil	CSA	2016	0.19%	99.81%	100.00%	CANSON SAS FILA S.p.A.	Consolidated	0.00%
Lodi 12 SAS	France	EU	2016	100.00%	0.00%	100.00%	FILA S.p.A.	Consolidated	0.00%
Canson Australia PTY LTD	Australia	RM	2016	0.00%	100.00%	100.00%	Lodi 12 SAS	Consolidated	0.00%
Canson Qingdao Ltd.	China	AS	2016	0.00%	100.00%	100.00%	Lodi 12 SAS	Consolidated	0.00%
Canson Italy S.r.l.	Italy	EU	2016	0.00%	100.00%	100.00%	Lodi 12 SAS	Consolidated	0.00%
FILA Art Products AG	Switzerland	EU	2017	52.00%	0.00%	52.00%	FILA S.p.A.	Consolidated	48.00%
FILA Art and Craft Ltd	Israel	AS	2018	51.00%	0.00%	51.00%	FILA S.p.A.	Consolidated	49.00%
Pacon Holding Company	USA	NA	2018	0.00%	100.00%	100.00%	Dixon Ticonderoga Company	Consolidated	0.00%
Pacon Corporation	USA	NA	2018	0.00%	100.00%	100.00%	Pacon Holding Company	Consolidated	0.00%
Pacon Canadian Holding Co	USA	NA	2018	0.00%	100.00%	100.00%	Pacon Corporation	Consolidated	0.00%
Baywood Paper ULC	Canada	NA	2018	0.00%	100.00%	100.00%	Pacon Canadian Holding Co	Consolidated	0.00%
Castle Hill Crafts	UK	EU	2018	0.00%	100.00%	100.00%	Pacon Corporation	Consolidated	0.00%
Craftivity International	UK	EU	2018	0.00%	100.00%	100.00%	Castle Hill Crafts	Consolidated	0.00%
Princeton Hong Kong	Hong Kong	AS	2018	0.00%	100.00%	100.00%	Pacon Corporation	Consolidated	0.00%
Pioneer Stationery Pvt Ltd.	India	AS	2015	0.00%	51.00%	51.00%	DOMS Industries Pvt Ltd	Equity-accounted	49.00%
Univrite Pens and Plastics Pvt Ltd	India	AS	2016	0.00%	60.00%	60.00%	DOMS Industries Pvt Ltd	Equity-accounted	40.00%

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

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

Atypical and/or unusual transactions

Pursuant to Consob communication of July 28, 2006, it is noted that the group did not carry out atypical and/or unusual transactions during the first nine months of 2018, as defined in that communication, according to which atypical and/or unusual transactions are those transactions which, due to their size/materiality, nature of the counterparties, their nature, transfer pricing method or timing (close to the reporting date) may give rise to doubts as to: the correctness/completeness of the information in the condensed interim consolidated financial statements, conflicts of interest, the safeguarding of the group's assets and the protection of non-controlling investors.

The board of directors
CHAIRMAN
Gianni Mion

Statement of the manager in charge of financial reporting and the CEO



Fabbrica Italiana Lapis ed Affini
F.I.L.A. S.p.A.
Via XXV Aprile, 5
20016 Pero (Milan)

November 13th, 2018

Declaration of the Executive Officer and the Corporate Boards - F.I.L.A. S.p.A. Interim Report (ref. Article 154-bis, paragraph 5)

The undersigned Massimo Candela, as Chief Executive Officer, and Stefano De Rosa, as Executive Officer for Financial Reporting of F.I.L.A. S.p.A., declare, and also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:

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

of the administrative and accounting procedures for the compilation of the F.I.L.A. S.p.A. interim report September 30th, 2018.

The assessment of the adequacy of the administrative-accounting procedures for the preparation of the F.I.L.A. S.p.A. Interim Report at September 30th, 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. the F.I.L.A. S.p.A. Interim Report at September 30th, 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 documents and records;
 - provide a true and fair view of the financial situation and results of the issuer and of the other companies in the consolidation scope.
2. The Interim Report at September 30th, 2018 includes a reliable analysis of the significant events in the first six months of the year and their impact on the condensed half-year financial statements, with a description of the principal risks and uncertainties for the remaining six months. The Report also includes a reliable analysis of the information on significant transactions with related parties.

The Chief Executive Officer

Massimo Candela

The Executive Officer
for Financial Reporting
Stefano De Rosa

F.I.L.A. - Fabbrica Italiana Lapis ed Affini Società per Azioni.

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