

**F.I.L.A. – FABBRICA ITALIANA LAPIS ED AFFINI S.P.A.**



**ILLUSTRATIVE REPORT OF THE BOARD OF DIRECTORS ON MATTER 4 OF THE AGENDA OF THE  
ORDINARY SHAREHOLDERS' MEETING OF F.I.L.A. - FABBRICA ITALIANA LAPIS ED AFFINI S.P.A.,  
CALLED FOR APRIL 18, 2019 IN SINGLE CALL**

(prepared in accordance with Article 125-*ter* of Legislative Decree No. 58 of February 24, 1998 and subsequent amendments and supplements, and Articles 73 and 84-*ter* of the Regulation adopted with Consob Motion No. 11971 of May 14, 1999 and subsequent amendments and supplements)

Report approved by the Board of Directors of F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A. at the meeting of March 15, 2019 and available on the website [www.filagroup.it](http://www.filagroup.it)

**Matter 4 on the agenda of the Ordinary Shareholders' Meeting of F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A., called for April 18, 2019 in single call:**

**“Authorisation to acquire and utilise treasury shares; resolutions thereon;”**

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Dear Shareholders,

This Report has been prepared in accordance with Article 125-*ter* of Legislative Decree No. 58 of February 24, 1998 and subsequent amendments and supplements (the “**CFA**”) and Article 73 of the Regulation adopted with Consob motion No. 11971 of May 14, 1999 and subsequent amendments and supplements (the “**Issuers' Regulation**”), and in compliance with Annex 3A - Schedule No. 4 to the Issuers' Regulation.

It was approved by the Board of Directors on March 15, 2019 and is made available to the public, in accordance with applicable law and regulations, at the registered office, on the company website ([www.filagroup.it](http://www.filagroup.it)) and also by the other means established by the applicable regulation.

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With reference to matter 4 on the agenda of the Shareholders' Meeting, the Board of Directors is submitting for your examination and approval, in accordance with Articles 2357 and 2357-*ter* of the Civil Code and 132 of the CFA, the authorisation of a plan to purchase and sell, on one or more occasions, a maximum number of 500,000 ordinary shares of F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A. (the “**company**” or “**Fila**”), representing, at the date of this Report, 0.9829% of the company's share capital.

The present Report sets out the motivations behind the authorisation request, as well as the terms and methods according to which the company intends to carry out the implementation of the above plan for the purchase and sale of treasury shares.

**1. Reasons for the requested authorisation to purchase and utilise treasury shares**

The authorisation to purchase and utilise treasury shares (the subject of the Report) is requested, in general, to tap into any market opportunities which may arise in the future, and in particular to permit the company to undertake the following transactions:

- a) to intervene, in compliance with the applicable provisions, laws and regulations, also through intermediaries, in support of the Fila share's liquidity;
- b) to set up a reserve of securities to be utilised, in line with the company's strategic objectives, as extraordinary transactions, including exchange, transfer and swap transactions or in service of share capital transactions or other company transactions (such as, joint ventures or combinations) and/or financial transactions of an extraordinary nature in line with the interests of the company, in relation to which procedures for the exchange or sale, in any form, of shareholdings becomes necessary or beneficial;
- c) to allocate treasury shares in service of bond loans or other debt instruments convertible into company shares;
- d) to allocate treasury shares in service of any incentive plans, for consideration or for free, for the directors and/or employees and/or collaborators of the company or companies belonging to the Group;

- e) to execute other extraordinary transactions on share capital (including any reductions of the share capital through the cancellation of treasury shares, subject to the applicable legal requirements);
- f) to offer shareholders an additional tool to monetise their investment;

The authorisation requested would permit the Board of Directors to carry out repeated and subsequent purchase and sales operations (or other acts of disposal) of treasury shares on a revolving basis, also for fractions of the maximum authorised quantity, so that the total number of shares held by the Company does not at any time exceed the legal limit of 20% of share capital, and subject to the limits set by the authorisation which must be approved by the Shareholders' Meeting.

The Board of Directors also considers it necessary for the Company to undertake any acts of disposal of treasury shares purchased to enable the maximisation of the value that may be derived from market performance and, therefore, also to undertake trading activities, provided that these are in compliance with the law concerning market abuse.

## **2. Maximum number, category and nominal value of the shares to which the authorisation refers.**

The company's share capital amounts to Euro 46,799,406.00 and is divided into 50,870,740 shares, of which 42,788,884 ordinary shares and 8,081,856 special class B shares (“**B Shares**”), all without nominal value. The authorisation requested, as indicated in this Report, exclusively covers ordinary shares of the company.

The Board of Directors requests authorisation to purchase a number of ordinary shares such that the company is never to hold a number of treasury shares exceeding 500,000 units, or the different number overall representing no more than the maximum limit of 0.9829% of share capital in the case of the approval and execution of increases and/or reductions in share capital during the duration period of the authorisation indicated in paragraph 4 below.

## **3. Information for a comprehensive evaluation of compliance with the provisions of Article 2357, paragraph 1 and 3 of the Civil Code**

The maximum number of shares to which the authorisation under discussion refers is of 500,000 ordinary shares representing 0.9829% of the company's share capital. Therefore, authorisation to purchase the treasury shares under this proposal complies with the provisions of paragraph 3 of Article 2357 of the Civil Code, according to which, it should be noted, under no circumstances can the nominal value of purchased shares exceed 20% of the company's share capital. This limit refers to all treasury shares which the company has in portfolio, as well as the company shares owned by its subsidiaries. At the date of this Report: (i) the Company does not hold treasury shares, and (ii) no Fila subsidiary holds company shares.

In accordance with Article 2357, first paragraph of the Civil Code, the purchase of treasury shares must be within the limits of the distributable profits and available reserves from the latest duly approved financial statements. To this end, it should be noted that available reserves in the 2017 financial statements amount to approximately Euro 101,954,000.

The Board of Directors is required to verify compliance with the conditions set out by Article 2357, paragraphs 1 and 3 of the Civil Code to purchase treasury shares prior to carrying out each authorised

purchase. In particular, the Board shall verify the balance of available reserves immediately after the approval of the financial statements for the year ended December 31, 2018 by the Shareholders' Meeting.

On the purchase of shares or on their disposal, exchange, transfer or devaluation, the appropriate adjustments must be carried out in the accounts, in compliance with applicable legal provisions and accounting standards. In the case of disposal, exchange, transfer or devaluation, the amount can be reutilised for further purchases, until the expiry of the authorisation period of the shareholders' meeting, subject to the amount and expenditure limits, and the conditions established by the Shareholders' Meeting.

#### **4. Duration of the requested authorisation**

The authorisation to purchase treasury shares is requested for the maximum permitted duration under Article 2357, paragraph 2, of the Civil Code and therefore for a period of 18 (eighteen) months from the date of any approval of this proposal by the Shareholders' Meeting. During this period, the company can carry out the transactions on treasury shares, provided for herein, in one or more tranches.

The authorisation to sell, dispose and/or utilise treasury shares which will be purchased is requested without time limit, in consideration of the absence of legal constraints in this regard and the opportunity to be given maximum flexibility, also in terms of the timeframe, for their possible disposal.

#### **5. Minimum and maximum purchase price**

The Board of Directors proposes that the unitary price for the purchase of the shares is established on a case by case basis for each transaction, subject to the consideration that such may not be higher or lower than 10% the recorded price of the Fila share for the trading session preceding each purchase transaction.

As regards the price for the disposal of purchased treasury shares, the Board of Directors proposes that the Shareholders' Meeting decides only on the minimum price, and to grant the Board the power to determine, on a case by case basis, any additional condition, method and terms of the act of disposal.

This minimum price may not be lower than 10% of the recorded price of the share for the trading session preceding each sales transaction. This price limit shall not, however, be applied: (i) in the case of executing transactions in relation to which it is beneficial to exchange or sell shareholdings also to be carried out through a swap or transfer or during share capital operations involving the assignment or disposal of treasury shares (such as, by way of example, mergers, spin-offs, issue of convertible bonds or warrants served by treasury shares); (ii) in the case of sale or assignment, including free assignment, in favour of directors, employees and/or collaborators of the company and/or its subsidiaries to implement incentive plans.

#### **6. Manner by which the purchases and acts of disposal will be made**

In consideration of the various goals pursuable through treasury share transactions, the Board proposes that authorisation is granted for purchases to be made according to any means permitted by the pro-tempore applicable legislation and regulations, to be identified on a case by case basis at the Board's discretion and, therefore:

- (i) through a public purchase or exchange offer;

- (ii) with purchases to be carried out on regulated markets according to the procedures established by Borsa Italiana S.p.A., which do not allow the direct subscription of a purchase trading proposal with a corresponding predetermined sales proposal.
- (iii) through the purchase and sale of derivative instruments traded in regulated markets or multilateral trading facilities which involve the physical transfer of underlying shares at the conditions established by Article 144-*bis*, letter c) of the Issuers' Regulation;
- (iv) through the proportional assignment of call options to shareholders;
- (v) in the performance of systematic internalisation according to non-discriminatory methods and involving the automatic and non-discretionary execution of transactions based on pre-set parameters;
- (vi) according to the means established by market practices permitted by Consob as per Article 13 of Regulation (EU) No. 596/2014;
- (vii) at the conditions indicated by Article 5 of Regulation (EU) No. 596/2014.

With regard to disposal transactions, the Board proposes that the authorisation permits the adoption of any means considered appropriate to serve the purposes pursued, including sale outside of the regulated market. The Board is also requesting authorisation to carry out subsequent purchase and sale transactions for trading activities.

Finally, in accordance with the exemption indicated in Article 132, paragraph 3 of the CFA, the above operating procedures do not apply in the case of a purchase of treasury shares owned by employees of the company, its subsidiaries or parent companies and are assigned or subscribed in accordance with Articles 2349 and 2441, paragraph 8 of the Civil Code, or stemming from remuneration plans approved pursuant to Article 114-*bis* of the CFA.

## **7. Further information, where the purchase operation is instrumental for the reduction of the share capital through the cancellation of treasury shares acquired**

The purchase of treasury shares is not intended to reduce the company's share capital, without prejudice to the Company's right, where a reduction in share capital is approved by the Shareholders' Meeting on a future date, to execute such a reduction by cancelling treasury shares in portfolio.

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Dear Shareholders,

In consideration of that outlined above, we invite you to adopt the following motions:

*"The Ordinary Shareholders' Meeting of F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A.*

- *having examined the Board of Directors' Report, prepared in accordance with Article 125-ter of the CFA and Article 73 of the Issuers' Regulation and in conformity with Annex 3A, Schedule No. 4, of the same Regulation;*
- *noting the opportunity to authorise the purchase and disposal of treasury shares for the purposes and in accordance with the procedures indicated in the Report of the Board of Directors.*

- *having considered the provisions of Articles 2357 and 2357-ter of the Civil Code and Article 132 of Legislative Decree 58/1998;*

**resolves**

1. *to authorise, in accordance with Article 2357 of the Civil Code, for a period of 18 (eighteen) months effective from the date of this shareholders' meeting resolution, the acquisition, on one or more occasions and at any moment, of a maximum number, also on a rotating basis (maximum number of treasury shares held at any one time in portfolio) of 500,000 ordinary shares or a different number of shares which will represent 0.9829% of the share capital resulting from increases and/or reductions in capital during the period of the authorisation, taking also into account the shares which may be held by the company and which may be held from time to time by subsidiary companies and, in any case, in accordance with the limits required by law, for the purposes pursuant to the report of the Board of Directors and in accordance with the following terms and conditions:*
  - a. *the purchase may be carried out according to one of the methods envisaged by the combined provision in Article 132 of the CFA and Article 144-bis of the Issuers' Regulation, taking into account the specific exemption provided by paragraph 3 of Article 132 of the CFA and, in any case, with any other means permitted by applicable legal and regulatory provisions;*
  - b. *the unitary share purchase price may not be higher or lower than 10% of the official price recorded for the trading session preceding each purchase transaction;*
2. *pursuant to Article 2357-ter of the Civil Code, to authorise acts of disposals, on one or more occasions, of the treasury shares acquired and those held in the company's portfolio, in accordance with applicable legal and regulatory provisions, for the purposes pursuant to the Report of the Board of Directors and in accordance with the following terms and conditions:*
  - a. *the shares may be disposed of or transferred at any time without time limit;*
  - b. *disposal transactions may also be undertaken before the purchases have been fully completed and may take place on one or more occasions in the manner considered to be most beneficial to the company, establishing that disposal may occur: (i) through the disposal of ownership of treasury shares, or through the transfer of any real and/or personal rights relating to them (ii) through sale on the market, including through trading activities, or outside the regulated market, (iii) through disposal or assignment, including free assignment, in favour of directors, employees and/or collaborators of the company and/or its subsidiaries, in implementation of incentive plans, (iv) through another act of disposal, as part of transactions in relation to which it is considered beneficial to swap or sell shareholdings, including through exchange or transfer, (v) during share capital transactions involving the assignment or disposal of treasury shares (such as, by way of example, mergers, spin-offs, issue of convertible bonds or warrants served by treasury shares), or in the case of distribution of dividends, or, finally (vi) under any other form of disposal permitted by applicable law, granting the Board of Directors the power to establish, on a case by case basis in compliance with legal and regulatory provisions, and with the methods and conditions that are considered most beneficial;*
  - c. *the unitary price for the sale of the shares may not be lower than 10% in respect of the official price recorded in the trading session preceding each sale transaction. However, this price limit does not apply in cases of disposal or assignment, including free assignment, in favour of directors, employees and/or collaborators of the company and/or its subsidiaries in implementation of incentive plans, as well as in cases involving the execution of transactions in relation to which it is considered beneficial to swap or sell shareholdings, including through exchange or transfer, or during share capital transactions involving the assignment or disposal of*

*treasury shares (including, by way of example, mergers, spin-offs, issue of convertible bonds or warrants served by treasury shares);*

3. *to confer to the Board of Directors, with the express right of delegation, the widest powers necessary or appropriate to execute this resolution, including by means of authorised intermediaries and approving any and all executive provisions of the relative acquisition programme."*

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Pero, March 19, 2019

The Chairman of the Board of Directors

*(Gianni Mion)*