F.I.L.A. GROUP
HALF-YEAR REPORT
AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2019

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 (**)	Annalisa Barbera
Director (*)(**)	Filippo Zabban
Director (*)(**)(***)	Gerolamo Caccia Dominioni
Director (*)(**)	Francesca Prandstraller
Director (*)(**)	Paola Bonini
Director (*)(**)	Alessandro Potestà

(*) 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 Risks Committee

Gerolamo Caccia Dominioni
Paola Bonini
Filippo Zabban
Alessandro Potestà

Remuneration Committee

Francesca Prandstraller
Annalisa Barbera
Filippo Zabban
Paola Bonini

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 operates through 21 production facilities and 35 subsidiaries across the globe and employs over 9,500, becoming a pinnacle for creative solutions in many countries with brands such as GIOTTO, DAS, LYRA, Canson, Maimeri, Daler & Rowney Lukas, Ticonderoga, Pacon, Strathmore and Princeton.

Founded in Florence in 1920 by two noble Tuscan families, della Gherardesca and Antinori, F.I.L.A. has achieved strong international growth in the past 20 years, supported by a series of strategic acquisitions. Over the years, the Company acquired: (i) the Italian firm Adica Pongo in 1994, a leading producer of modelling clay for children; (ii) the Spanish firm Spanish Fila Hispania S.L. (formerly Papeleria Mediterranea S.L.) in 1997, the Group's former exclusive distributor in Spain; (iii) the French firm Omyacolor S.A. in 2000, a leading manufacturer of modelling putties and clays; (iv) the U.S. Dixon Ticonderoga Group in 2005, a leading producer and distributor of pencils in North America, with subsidiaries operating on the Canadian, Mexican, Chinese and European markets; (v) the German LYRA Group in 2008, which allowed the Group to enter the German, Scandinavian and Eastern Asian markets; (vi) the business unit operated by Lapiceria Mexicana in 2010, one of the main local competitors in the budget coloured and graphite pencils market; and (vii) the business unit operated by Maimeri S.p.A. in 2014, a manufacturer and distributor of paints and accessories for arts and crafts. In addition to these operations, on the conclusion of an initiative which began with the acquisition of significant influence in 2011, control of the Indian company DOMS Industries Pvt Ltd. was acquired in 2015 (viii); 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 3 February 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 (ix). In September 2016, the F.I.L.A. Group acquired the entire share capital of St. Cuthberts Holding Limited and the operating company St. Cuthberts Mill Limited, a highly-renowned English paper mill, founded in 1907, located in the south-west of England and involved in the production of high-quality artist's papers (x). 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 (xi).

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

Directors' report

Financial Highlights

The F.I.L.A. Group's H1 2019 financial highlights are reported below.

Euro thousands	First Half of 2019	% revenue	First Half of 2018	% revenue	Change 2019-2018		Normalisations of which: IFRS 16 effect (3)	Normalisations of which: Non-recurring expense
Core business revenue	350,703	*100,0%*	259,14	*100,0%*	91,563	*35,3%*	-	-
Gross opearting profit (1)	59,938	*17,1%*	34,548	*13,3%*	25,390	*73,5%*	*6,315*	*(4,603)*
Operating profit	39,692	*11,3%*	23,491	*9,1%*	16,201	*69,0%*	*1,214*	*(4,603)*
Net financial expense	(15,236)	*-4,3%*	(9,909)	*-3,8%*	(5,327)	*-53,8%*	*(2,934)*	-
Total income taxes	(6,414)	*-1,8%*	(7,599)	*-2,9%*	1,185	*15,6%*	*455*	*858*
Profit attributable to the owners of Parent	16,968	*4,8%*	5,325	*2,1%*	11,643	*218,7%*	*(1,237)*	*(3,745)*
Earnings per share (€ cents)								
basic	*0,35*		*0,13*					
diluted	*0,34*		*0,13*					

NORMALISED - Euro thousands	First Half of 2019	% revenue	First Half of 2018	% revenue	Change 2019-2018	
Core Business Revenue	350,703	*100,0%*	255,185	*100,0%*	95,518	*37,4%*
Gross operating profit (1)	58,226	*16,6%*	44,371	*17,4%*	13,855	*31,2%*
Operating profit	43,081	*12,3%*	33,314	*13,1%*	9,767	*29,3%*
Net financial expense	(12,302)	*-3,5%*	(8,532)	*-3,3%*	(3,77)	*-44,2%*
Total income taxes	(7,727)	*-2,2%*	(8,562)	*-3,4%*	835	*9,8%*
Profit attributable to the owners of the Parent	21,950	*6,3%*	15,460	*6,1%*	6,490	*42,0%*
Earnings per share (€ cents)						
basic	*0,45*		*0,39*			
diluted	*0,44*		*0,38*			

Euro thousands	First Half of 2019	First Half of 2018	Change 2019-2018
Cash flows from operating activities	(23,824)	(44,825)	21,001
Investments	8,012	10,252	(2,240)
% of revenue	*2,3%*	*3,2%*	

Euro thousands	June 30, 2019	December 31, 2018	Change 2019-2018	of which: IFRS 16 effect (3)
Net Invested Capital	945,680	791,579	154,102	*67,562*
Net Financial Debt (2)	(602,365)	452,770	(149,595)	*(76,373)*
Equity	(343,315)	(338,809)	(4,506)	*1,265*

(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 loans assets provided to third parties classified as non-current. The net financial position as per CONSOB Communication DEM/6064293 of July 28, 2006 excludes non-current financial assets. The non-current financial assets of the F.I.L.A. Group at June 30, 2018 amount to Euro 4,023 thousand, of which Euro 501 thousand included in the calculation of the net financial position; therefore the F.I.L.A. Group financial indicator does not match, for this amount, net financial position as defined in the above-mentioned Consob communication.

(3) The Group has adopted IFRS 16 for the first time on January 1, 2019. 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 16 on the consolidated financial statements" for more information about the effects related the application of the new standards

2019 Normalisations:

- The H1 2019 adjustment to the gross operating profit concerns non-recurring operating expense of approx. Euro 4.6 million, principally for the reorganisation of the F.I.L.A. Group in the first half of 2019 and particularly in North America, and lower service costs of Euro 6.3 million on the first application of IFRS 16;
- The adjustment to the operating profit concerns higher amortisation and depreciation of Euro 5.1 million relating to the first application of IFRS 16;
- The adjustment to Net financial expense mainly concerns higher interest of Euro 2.9 million following the first application of IFRS 16;
- The adjustment to the H1 2019 Profit attributable to the owners of the parent concerns the above adjustments, net of the tax effect.

2018 Normalisations:

- The adjustment to the H1 2018 gross operating profit and operating profit concerns non-recurring expense of Euro 9.8 million, principally concerning non-recurring consultancy for the M&A's in the first half of the year;
- The adjustment to Net financial expenses concerns fees and financial charges relating to the funding activities for the M&A's undertaken in the period;
- The adjustment to the H1 2018 Profit attributable to the owners of the parent concerns the above adjustments, net of the tax effect.

F.I.L.A Group's Key Financial figures

The F.I.L.A. Group's H1 2019 Key Financial figures are reported below.

Normalised financial performance

The H1 2019 gross operating profit rose by 31.2% on H1 2018.

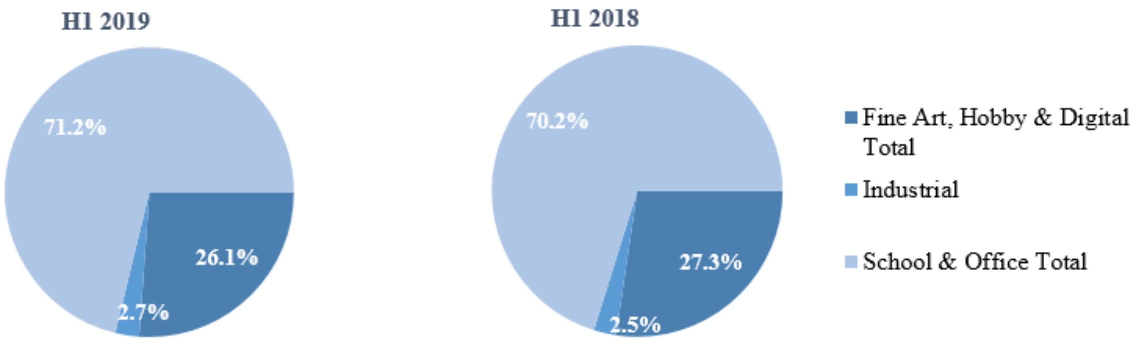
NORMALISED - Euro thousands	First Half of 2019	% of revenue	First Half of 2018	% of revenue	Change 2019-2018	
Core business revenue	350,703	*100%*	255,185	*100%*	95,518	*37,4%*
Other revenue and income	3,558		4,951		(1,393)	*-28,1%*
Total revenue	**354,261**		**260,136**		**94,125**	***36,2%***
Total operating costs	(296,035)	*-84,4%*	(215,765)	*-84,6%*	(80,270)	*-37,2%*
Gross operating profit	**58,226**	***16,6%***	**44,371**	***17,4%***	**13,855**	***31,2%***
Amortisation, depreciation and impairment losses	(15,145)	*-4,3%*	(11,057)	*-4,3%*	(4,088)	*-37,0%*
Operating profit	**43,081**	***12,3%***	**33,314**	***13,1%***	**9,767**	***29,3%***
Net financial expense	(12,302)	*-3,5%*	(8,532)	*-3,3%*	(3,770)	*-44,2%*
Pre-tax profit	**30,778**	***8,8%***	**24,782**	***9,7%***	**5,996**	***24,2%***
Income taxes	(7,727)	*-2,2%*	(8,562)	*-3,4%*	835	*9,8%*
Profit for the period	**23,052**	***6,6%***	**16,220**	***6,4%***	**6,832**	***42,1%***
Profit for the period attributable to non-controlling interests	1,103	*0,3%*	760	*0,3%*	343	*45,1%*
Profit for the period attributable to the owners of the parent	**21,950**	***6,3%***	**15,460**	***6,1%***	**6,490**	***42,0%***

The main changes compared to H1 2018 are outlined below.

"Core Business Revenue" of Euro 350,703 thousand was up Euro 95,518 thousand on the first half of the previous year (+37.4%), of which Euro 87,172 thousand relating to the Pacon Group (acquired in June 2018 and defined below as an M&A effect) and Euro 10,015 thousand regarding the positive currency effects (principally US Dollars and Mexican Pesos, offset by Argentinian Pesos).

Net of these effects, the increase in Asian revenue of Euro 7,672 thousand (+23%, principally concerning the Indian company DOMS Industries Pvt Ltd and to a lesser extent the Chinese companies) and in Central and South America of Euro 1,113 thousand (+4.0% compared to the first half of the previous year, particularly concerning the subsidiaries in Mexico and Argentina), was offset by the revenue contraction in North America of Euro 7,254 thousand (-4.5% compared to the first half of the previous year), in Europe of Euro 2,575 thousand (-2.2% compared to the first half of the previous year, particularly concerning the Italian parent and the French subsidiaries), and in the Rest of the World of Euro 625 thousand (-30.9% compared to the first half of the previous year, principally at the Australian subsidiary).

In order to better illustrate F.I.L.A. Group revenue, the table below highlights revenue by strategic segment compared with the corresponding period of the previous year:



“Other revenue and income” of Euro 3,558 thousand fell by Euro 1,393 thousand, mainly due to lower exchange gains on commercial transactions.

H1 2019 “Core Business Revenue” compared to H1 2018, on a pro forma basis considering the H1 2018 revenue of the Pacon Group, increased 2.4% (-0.5% net of the currency effect).

“Operating Costs” in H1 2019 of Euro 296,035 thousand rose Euro 80,270 thousand compared to the first half of 2018, mainly due to the M&A effect and residually to capex investment at the Indian subsidiary to support revenue growth and Fine & Art business development.

The gross operating profit of Euro 58,226 thousand increased by Euro 13,855 thousand on H1 2018 (+31.2%), principally due to the M&A effect and the good Asian and Central-South American performances.
Compared with the H1 2018 pro forma operating profit (including the Pacon Group’s figures for the first 6 months of 2018), the H1 2019 gross operating profit increased 1.3% (-2.5% net of the currency effect).

“Amortisation, depreciation and impairment losses” rose by Euro 4,088 thousand, principally due to higher amortisation and depreciation resulting from investments and the M&A effect.

Net financial expense increased by Euro 3,770 thousand, substantially due to the higher borrowing costs related to the new credit facility taken out to acquire the Pacon Group, offset by positive currency effects.

Normalised “Income taxes” amounted to Euro 7,727 thousand, slightly reducing on the comparative period.

Net of the profit attributable to non-controlling interests, the F.I.L.A. Group’s H1 2019 normalised profit was Euro 21,950 thousand, compared to Euro 15,460 thousand in the first half 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 key quarterly figures for 2019 and 2018 are reported below.

	First Half of 2018				First Half of 2019	
Euro thousands	**Q1 2018**	**H1 2018**	**Q3 2018**	**2018**	**Q1 2019**	**H1 2019**
Core business revenue	**104,796**	**259,140**	**437,481**	**588,747**	**143,811**	**350,703**
% of entire year	*17,80%*	*44,02%*	*74,31%*	*100,00%*	*41,01%*	*100,00%*
Gross operating profit	**15,511**	**34,548**	**61,497**	**73,510**	**18,490**	**59,938**
% of revenue	*14,80%*	*13,33%*	*14,06%*	*12,49%*	*12,86%*	*17,09%*
% of entire year	*21,10%*	*47,00%*	*83,66%*	*100,00%*	*30,85%*	*100,00%*
Normalised gross operating profit	**16,1999**	**44,371**	**73,605**	**96,899**	**18,418**	**58,226**
% of revenue	*15,46%*	*17,12%*	*16,82%*	*16,46%*	*12,81%*	*16,60%*
% of entire year	*16,72%*	*45,79%*	*75,96%*	*100,00%*	*31,63%*	*100,00%*
Net financial debt	**(269,878)**	**(612,657)**	**(591,263)**	**(452,770)**	**(578,277)**	**(602,365)**

Statement of Financial Position

The statement of financial position of the F.I.L.A. Group at June 30, 2019 is reported below.

Euro thousands	June 30, 2019	December 31, 2018	Change 2019-2018
Intangible assets	437,691	441,907	(4,216)
Property, plant and equipment	175,791	104,472	71,319
Non-current financial assets	4,023	3,608	415
Net non-current assets	**617,504**	**549,987**	**67,517**
Net other non-current assets	**20,487**	**20,793**	**(307)**
Inventories	280,556	262,432	18,124
Trade receivables and other assets	230,459	151,617	78,842
Trade payables and other liabilities	(117,377)	(105,537)	(11,840)
Net other current assets (liabilities)	(1,953)	2,071	(4,024)
Net working capital	**391,683**	**310,583**	**81,100**
Provisions	**(83,995)**	**(89,784)**	**5,788**
Net invested capital	**945,680**	**791,579**	**154,102**
Equity	**(343,315)**	**(338,809)**	**(4,506)**
Net financial debt	**(602,365)**	**(452,770)**	**(149,595)**
Net sources of funds	**(945,680)**	**(791,579)**	**(154,102)**

The “Net Invested Capital” of the F.I.L.A. Group at June 30, 2019 of Euro 945,680 thousand is principally comprised of “Net Fixed Assets” of Euro 617,504 thousand (increasing on December 31, 2018 Euro 67,517 thousand) and the “Net Working Capital” totalling Euro 391,683 (increasing on December 31, 2018 Euro 81,100 thousand).

“Intangible assets” decreased Euro 4,216 thousand compared to December 31, 2018, mainly due to amortisation in the period of Euro 7,141 thousand, partially offset by investments of Euro 1,876 thousand, mainly at F.I.L.A. S.p.A. for the SAP project, in addition to positive currency differences in the period.

“Property, plant and equipment” increased compared to December 31, 2018 by Euro 71,319 thousand, mainly due to the first application of IFRS 16 for Euro 70,894 thousand. Net investments in the period amounted to Euro 6,119 thousand and were principally undertaken by DOMS Industries Pvt Ltd (India), Canson SAS (France), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and Pacon Corporation (U.S.A.). These investments were rolled out to extend and develop production facilities and local logistics. The overall increase was mainly offset by depreciation of Euro 7,222 thousand.

The increase in “Non-current financial assets” compared to December 31, 2018 was Euro 415 thousand and mainly concerned loans.

The increase in “Net Working Capital” of Euro 81,100 thousand relates to the following:

- “Inventories” - the increase of Euro 18,124 thousand is due both to the business seasonality of the schools’ campaign and the supply chain reorganisation. The increase particularly concerned the US subsidiary Pacon Corporation, the Mexican Grupo F.I.L.A.-Dixon, S.A. de C.V. and Canson SAS (France);

- “Trade receivables and other assets” increased Euro 78,842 thousand, due to the seasonality of F.I.L.A. Group business, with receivables at their highest during the middle months of the year as revenue is principally generated during the “*Schools’ campaign*”, in addition to the significant revenues in the second quarter of the year. The movements particularly concern F.I.L.A. S.p.A., Dixon Ticonderoga Company (U.S.A.), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and Pacon Corporation (U.S.A.);

- Trade payables and other liabilities” increased Euro 11,840 thousand, principally due to business seasonality with procurement concentrated in the initial months of the year in support of production and supplies for peak sales concentrated in the middle months of the year. The movement in particular concerned the North American subsidiaries.

The decrease in “Provisions” on December 31, 2018 of Euro 5,788 thousand principally concerns:

- Decrease in “Provisions for Risks and Charges” of Euro 4,604 thousand, mainly due to the allocation of Euro 2,974 thousand to “Right-of-Use assets” on first application of IFRS 16, in addition to the utilisations in the period;

- Decrease in “Deferred tax liabilities” of Euro 1,634 thousand, also mainly due to utilisations in the period;

- Increase in “Employee benefits” of Euro 450 thousand, mainly due to the actuarial gains recorded in the period by Canson SAS (France).

Equity attributable to owners of the companies of the F.I.L.A. Group, amounting to Euro 343,315 thousand, increased on December 31, 2018 by Euro 4,506 thousand. Net of the profit for the period of Euro 18,042 thousand (of which Euro 1,074 thousand attributable to non-controlling interests), and exchange gains of Euro 2,242 thousand, the residual movement mainly concerned the adjustments of the reserve for fair value losses on derivatives for Euro 10,657 thousand (Mark to Market Hedging) and the distribution of dividends to non-controlling investors of Euro 4,262 thousand, in addition to charges for the share capital increase, net of tax effects of Euro 725 thousand.

F.I.L.A. Group's "Net Financial Debt" at June 30, 2019 was Euro 602,365 thousand, of which Euro 76,373 thousand concerning the first application of IFRS 16 and increasing Euro 149,595 thousand on December 31, 2018. For greater details, reference should be made to the "Net financial debt and cash flows" section.

Net financial debt and cash flows

The group's net financial debt at June 30, 2019 and cash flows for the period then ended are summarised in the following table to complete the discussion about its financial position and financial performance.

The Net Financial Debt at June 30, 2019 is Euro 602,365 thousand.

	Euro thousands	June 30, 2019	December 31, 2018	Change
A	Cash	156	129	27
B	Other cash equivalents	32,488	157,473	(124,985)
C	Securities held-for-trading	-	-	-
D	**Liquidity (A + B + C)**	**32,644**	**157,602**	**(124,958)**
E	**Current loan assets**	**306**	**352**	**(47)**
F	Current bank loans and borrowings	(113,203)	(75,617)	(37,586)
G	Current portion of non-current loans and borrowings	(19,542)	(10,412)	(9,130)
H	Other current loans and borrowings	(1,376)	(183)	(1,193)
I	**Current financial debt (F + G + H)**	**(134,121)**	**(86,212)**	**(47,909)**
J	**Net current financial debt (I + E+ D)**	**(101,171)**	**71,742**	**(172,914)**
K	Non-current bank loans and borrowings	(409,531)	(518,779)	109,248
L	Bonds issued	-	-	-
M	Other non-current loans and borrowings	(92,164)	(6,207)	(85,957)
N	**Non-current financial debt (K + L + M)**	**(501,695)**	**(524,986)**	**23,291**
O	**Net financial debt (J+N)**	**(602,866)**	**(453,244)**	**(149,623)**
P	**Loans issued to third parties**	**501**	**474**	**27**
Q	**Net financial debt (O + P) - F.I.L.A. Group**	**(602,365)**	**(452,770)**	**(149,595)**

Note:

1) The net financial debt calculated at point "O" complies with Consob Communication DEM/6064293 of July 28, 2006, which excludes non-current loan assets.The net financial debt of the F.I.L.A. Group differs from the above communication by Euro 501 thousand, mainly in relation to Omyacolor S.A and Pacon Corporation

2) At June 30, 2019, there were no transactions with related parties which impacted the net financial debt.

3) "M - Other non-current loans and borrowings" include derivatives (IRS) of Euro 15,781 Euro thounsand.

Compared to December 31, 2018 (debt of Euro 452,770 thousand), the net financial debt increased Euro 149,595 thousand, of which Euro 80,521 thousand from the application from January 1, 2019 of IFRS 16 and as outlined below in the Statement of Cash Flows.

The impact of the first application of IFRS 16 at June 30, 2019 of Euro 76,373 thousand was recognised in other non-current and current financial liabilities (Euro 75,811 thousand and Euro 562 thousand, respectively).

The application of IFRS 16 from January 1, 2019 results in an increase of Euro 80,521 thousand in Net Financial Debt at June 30, 2019.

Euro thousands	First Half of 2019	First Half of 2018
Operating profit	39,692	23,491
Non-monetary adjustments	15,508	12,887
Addition for income taxes	(3,632)	(6,539)
Cash flows from operating activities before changes in net working capital	**51,568**	**29,839**
Change in net working capital	**(81,683)**	**(74,568)**
Change in inventories	(15,486)	(26,623)
Change in trade receivables and other assets	(78,163)	(61,646)
Change in trade payables and other liabilities	14,747	15,755
Change in net other current liabilities	(2,781)	(2,054)
Net cash flows used in operating activities	**(30,115)**	**(44,729)**
Investments in property, plant and equipment and intangible assets	(8,012)	(10,252)
Interest income/expense	68	(92)
Net increase in equity investments	-	(215,151)
Net cash flows used in investing activities	**(7,943)**	**(225,531)**
Change in equity	(4,262)	(3,762)
Financial expense	(13,091)	(11,436)
Net cash flows used in financing activities	**(17,353)**	**(15,198)**
Other changes	161	833
Total net cash flows	**(55,250)**	**(284,627)**
Exchange losses	(3,167)	(1,693)
IFRS 16 FTA impact	(80,521)	-
Mark to market hedging adjustments	(10,657)	-
Net financial debt from business combinations	-	(86,724)
Change in net financial debt	**(149,595)**	**(373,043)**

The net cash flows used in operating activities of Euro 30,115 thousand in the first half of 2019 (compared to Euro 44,729 thousand for the same period of 2018) are due to:

- inflows of Euro 51,568 thousand (Euro 29,839 thousand in H1 2018) from operating profit, calculated as the difference of operating costs and revenue plus other operating items, excluding financial items;
- outflows of Euro 81,683 thousand (Euro 74,568 thousand in H1 2018) attributable to working capital movements, related to the seasonality of business and principally the increases both in inventories and trade receivables and other assets.

"Investing Activities" used net cash flows of Euro 7,943 thousand (Euro 225,531 thousand in H1 2018 relating to the acquisition of the Pacon Group), of which:

- Investments in property, plant and equipment and intangible assets of Euro 8,012 thousand (Euro 10,252 thousand in H1 2018), mainly by DOMS Industries Pvt Ltd (India), Canson SAS (France), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and Pacon Corporation (U.S.A.).

"Financing Activities" used net cash flows of Euro 17,353 thousand (Euro 15,198 thousand in H1 2018), of which:

- Euro 13,091 thousand (Euro 11,436 thousand in H1 2018) concerning interest and other financial expense incurred by the Group companies concerning loans and credit facilities granted, mainly concerning F.I.L.A. S.p.A. (Italy) and Dixon Ticonderoga Company (U.S.A.) and Grupo F.I.L.A. – Dixon, S.A. de C.V. (Mexico);
- Euro 4,262 thousand (Euro 3,762 thousand in H1 2018) from the distribution of dividends to F.I.L.A. S.p.A.'s shareholders and the Group's non-controlling investors.

Excluding exchange losses from the translation of the net financial positions in currencies other than the Euro (Euro 3,167 thousand), the negative impact of the first application of IFRS 16 (Euro 80,521 thousand) and of mark-to-market hedging adjustments (Euro 10,657 thousand), the change in the Group's net financial debt was Euro 149,595 thousand (Euro 373,043 thousand at June 30, 2018).

Changes in net cash and cash equivalents are detailed below.

Euro thousands	**H1 2019**	**2018**
Opening cash and cash equivalents	**146,831**	**20,425**
Cash and other cash equivalents	157,602	38,558
Current account overdrafts	(10,771)	(18,133)
Closing cash and cash equivalents	**20,051**	**146,831**
Cash and other cash equivalents	32,644	157,602
Current account overdrafts	(12,593)	(10,771)

Segment reporting

In terms of segment reporting, the F.I.L.A. Group has adopted IFRS 8, mandatory from January 1, 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 allocate resources to the various segments 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, margins, sales network and customers, even with reference to the different brands which the group markets. Accordingly, there is no diversification by 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 consolidated financial statements.
Segment reporting was therefore based on the location of operations ("Entity Locations"), broken down as follows: "Europe", "North America", "Central and South America", "Asia" and "Rest of the World". The "Rest of the World" includes the subsidiaries in South Africa and Australia.

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

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

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

Geographical segments – Statement of financial position

The group's key statement of financial position figures by geographical segment, at June 30, 2019 and December 31, 2018, are reported below:

June 30, 2019 *Euro thousands*	**Europe**	**North America**	**Central & South America**	**Asia**	**Rest of the world**	**Consolidation**	**F.I.L.A. Group**
Intangible assets	117,602	257,194	3,499	59,384	88	(76)	437,691
Property, plant and equipment	68,051	40,428	26,787	40,212	313		175,791
Total intangible assets and property, plant and equipment	**185,653**	**297,622**	**30,286**	**99,596**	**400**	**(76)**	**613,482**
of which: intragroup	*(76)*						
Inventories	94,471	118,107	42,947	28,008	2,694	(5,670)	280,556
Trade receivables and other assets	122,315	94,734	58,688	15,753	1,298	(62,329)	230,459
Trade payables and other liabilities	(87,073)	(52,715)	(18,976)	(17,147)	(2,621)	61,154	(117,377)
Net other current assets (liabilities)	1,229	(1,962)	136	(1,357)			(1,953)
Net working capital	**130,943**	**158,165**	**82,793**	**25,257**	**1,372**	**(6,845)**	**391,685**
of which: intragroup	*7,455*	*(14,874)*	*1,545*	*3,326*	*(4,297)*		
Net financial debt	**(223,490)**	**(300,727)**	**(65,308)**	**(10,917)**	**(2,064)**	**141**	**(602,365)**
of which: intragroup	*141*						

31 December, 2018 *Euro thousands*	**Europe**	**North America**	**Central & South America**	**Asia**	**Rest of the world**	**Consolidation**	**F.I.L.A. Group**
Intangible assets	118,913	259,632	3,488	59,861	89	(76)	441,907
Property, plant and equipment	52,578	17,492	7,203	27,048	151		104,472
Total intangible assets and property, plant and equipment	**171,491**	**277,124**	**10,691**	**86,909**	**241**	**(76)**	**546,380**
of which: intragroup	*(76)*						
Inventories	87,247	112,390	35,752	28,744	2,768	(4,469)	262,432
Trade receivables and other assets	89,014	57,144	51,881	15,179	1,259	(62,860)	151,617
Trade payables and other liabilities	(86,978)	(33,120)	(22,429)	(21,799)	(2,982)	61,771	(105,537)
Net other current assets (liabilities)	2,457	780	(489,554)	(675,777)			2,071
Net working capital	**91,740**	**137,194**	**64,714**	**21,448**	**1,045**	**(5,558)**	**310,583**
of which: intragroup	*(3,595)*	*(1,546)*	*(211)*	*(293)*	*87*		
Net financial debt	**(165,337)**	**(257,996)**	**(25,932)**	**1,117**	**(4,822)**	**200**	**(452,770)**
of which: intragroup	*200*						

Geographical segments – Statement of comprehensive income

The group's key statement of comprehensive income figures broken down by geographical segment for the periods ended June 30, 2019 and June 30, 2018, are reported below:

H1 2019 *Euro thousands*	**Europe**	**North America**	**Central & South America**	**Asia**	**Rest of the world**	**Consolidation**	**F.I.L.A. Group**
Core business revenue	159,212	182,702	43,782	62,858	1,493	(99,344)	350,703
of which intragroup	*(45,690)*	*(16,385)*	*(15,646)*	*(21,467)*	*(155)*		
Gross operating profit (loss)	20,421	27,415	4,223	9,489	(417)	(1,194)	59,938
Net financial income (expense)	6,188	(3,861)	(3,605)	(429)	26	(13,556)	(15,236)
of which intragroup	*10,880*	*2,772*	*(29)*	*(9)*	*(58)*		
Profit (loss) for the period	17,156	13,622	(1,696)	3,940	(456)	(14,524)	18,042
Profit (loss) attributable to non-controlling interests	387	-	-	687	-		1,074
Profit (loss) attributable to the owners of the parent	16,769	13,622	(1,696)	3,253	(456)	(14,524)	16,968

H1 2018 *Euro thousands*	**Europe**	**North America**	**Central & South America**	**Asia**	**Rest of the world**	**Consolidation**	**F.I.L.A. Group**
Core business revenue	147,947	92,300	43,703	55,223	2,111	(82,142)	259,140
of which intragroup	*(36,255)*	*(7,553)*	*(16,036)*	*(22,210)*	*(87)*		
Gross operating profit (loss)	10,326	14,246	2,237	6,440	(284)	1,583	34,548
Net financial income (expense)	4,459	2,419	(3,206)	(,183)	(435)	(12,964)	(9,909)
of which intragroup	*(10.348)*	*(2.860)*	*157*	*-*	*88*		
Profit (loss) for the period	6,008	12,303	(1,904)	2,763	(776)	(12,413)	5,983
Profit (loss) attributable to non-controlling interests	(30)	-	-	730	(42)		658
Profit (loss) attributable to the owners of the parent	6,038	12,303	(1,904)	2,033	(734)	(12,413)	5,325

The table below breaks down the group's revenue by "strategic segment", "geographical segment" and "entity location", net of intragroup items in accordance with IFRS 15:

H1 2019 *Euro thousands*	**Europe**	**North America**	**Central & South America**	**Asia**	**Rest of the world**	**F.I.L.A. Group**
Fine Art, Hobby & Digital	31,581	45,567	10,912	2,807	716	91,583
Industrial	5,411	3,133	794	61	1	9,399
School & Office	56,821	118,436	36,139	37,703	621	249,720
Core Business Revenue	**93,812**	**167,136**	**47,845**	**40,571**	**1,338**	**350,703**

H1 2018 *Euro thousands*	**Europe**	**North America**	**Central & South America**	**Asia**	**Rest of the world**	**F.I.L.A. Group**
Fine Art, Hobby & Digital	39,047	28,483	2,556	2,263	1,418	73,767
Industrial	4,384	3,343	763	130	1	8,620
School & Office	68,776	52,404	24,348	30,620	604	176,753
Core Business Revenue	**112,206**	**84,230**	**27,667**	**33,013**	**2,023**	**259,140**

Geographical Segments – Other Information

The “other information” on the group companies’ property, plant and equipment and intangible assets broken down by geographical segment for the periods ended June 30, 2019 and June 30, 2018, are reported below:

June 30, 2019 *Euro thousands*	**Europe**	**North America**	**Central & South America**	**Asia**	**Rest of the world**	**Consolidation**	**F.I.L.A. Group**
Intangible assets	1,792	66					1,916
Property, plant and equipment	1,441	895	2,098	1,717	3		6,249
Right-of-use assets	18,410	27,821	21,179	12,100	221		79,730
Net investments	**21,643**	**28,782**	**23,278**	**13,817**	**223**		**87,742**

** Allocation for Entity Location*

June 30, 2018 *Euro thousands*	**Europe**	**North America**	**Central & South America**	**Asia**	**Rest of the world**	**Consolidation**	**F.I.L.A. Group**
Intangible assets	2,502	-	5	71	3		2,581
Property, plant and equipment	2,535	530	1,412	3,179	15		7,671
Net investments	**5,037**	**530**	**1,417**	**3,250**	**18**		**10,251**

** Allocation for Entity Location*

Key events of the reporting period

On January 11, 2019, a partial repayment of Euro 100 million was made on one of the various medium/long-term credit lines granted for the acquisition of the Pacon Group (line of Euro 125 million with bullet repayment at 5 years)

In January 2019, a number of corporate reorganisation transactions were undertaken in the US. Specifically:

- Merger between Dixon Ticonderoga (U.S.A.) and Eurholdham (U.S.A.) - January 1, 2019;
- Merger between Pacon Corporation (U.S.A.) and Canson Inc. (U.S.A.) - January 1, 2019;

In April 2019, FILA signed an exclusive global distribution agreement with ARCHES®, the renowned French premium paper for artists brand. This agreement allows the FILA Group to establish a clear leadership position in the “fine art” sector.

In June 2019, F.I.L.A. S.p.A.’s share capital changed as follows:

- For Euro 63.2 thousand following the exercise of 63,177 “Pacon Manager Warrants” to be applied to the paid and divisible share capital increase, with the exclusion of the option right pursuant to Article 244, paragraph 8, of the Civil Code, to service the "Pacon Manager Warrants”, approved by Fila’s shareholders in the Extraordinary Meeting of October 11, 2018.
- For Euro 7.5 thousand following the issue of 7,468 new shares in service of the “*2019-2021 Performance Share Plan*” for managers of the F.I.L.A. Group.

Subsequent events

In July 2019, F.I.L.A.'s share capital changed as follows:

- For Euro 6.2 thousand following the issue of 7,411 new shares in service of the "*2019-2021 Performance Share Plan*" for other managers of the F.I.L.A. Group.

On July 30, 2019, Mr. Gianni Mion resigned for personal reasons as a member and Chairman of the Board of Directors of F.I.L.A., with effect from the co-option by the Board of Directors of the new director called to replace him.

Outlook

The schools' sector is expected to continue its recovery in the second half of the year, in view of the extended and increasingly fragmented period in which orders are received from distributors.

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

Transactions with related parties

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

Reconciliation between Parent and Group Equity

Euro thousands	Equity December 31, 2018	Change in equity	H1 2019 profit	Equity June 30, 2019
F.I.L.A. S.p.A.'s separate financial statements	**265,689**	**(8,447)**	**11,138**	**268,380**
Consolidation effect of the financial statements of subsidiaries	70,553	(7,251)	5,830	69,131
Translation reserve	(22,524)	1,894		(20,630)
F.I.L.A. Group's Consolidated Financial Statements	**313,719**	**(13,804)**	**16,968**	**316,881**
Equity attributable to non-controlling interests	25,090	270	1,074	26,434
Consolidated Financial Statements	**338,809**	**(13,535)**	**18,042**	**343,315**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2019

Condensed Interim Consolidated Financial Statements as at and for the six months ended June 30, 2019

Interim Consolidated Financial Statements

Statement of Financial Position

The notes from pages 45 to 94 are an integral part of these condensed interim consolidated financial statements.

Statement of Comprehensive Income

Euro thousands		June 30, 2019	December 31, 2018
Assets		**1,193,074**	**1,155,053**
Non-current assets		**638,536**	**571,307**
Intangible assets	Note 1	437,691	441,907
Property, plant and equipment	Note 2	175,791	104,472
Non-current financial assets	Note 3	3,624	3,284
Equity-accounted investments	Note 4	868	767
Other equity investments	Note 5	31	31
Deferred tax assets	Note 6	20,531	20,846
Current assets		**554,538**	**583,746**
Current financial assets	Note 3	306	352
Current tax assets	Note 7	10,573	11,743
Inventories	Note 8	280,556	262,432
Trade receivables and other assets	Note 9	230,459	151,617
Cash and cash equivalents	Note 10	32,644	157,602
Liabilities and equity		**1,193,074**	**1,155,053**
Equity	Note 12	**343,315**	**338,809**
Share capital		46,870	46,799
Reserves		99,427	109,234
Retained earnings		153,616	148,939
Profit for the period/year		16,968	8,747
Equity attributable to the owners of the parent		**316,881**	**313,719**
Equity attributable to non-controlling interests		**26,434**	**25,090**
Non-current liabilities		**584,306**	**611,254**
Non-current financial liabilities	Note 13	485,914	519,884
Financial instruments	Note 17	15,781	5,102
Employee benefits	Note 14	11,381	10,931
Provisions for risks and charges	Note 15	1,204	3,668
Deferred tax liabilities	Note 16	69,982	71,616
Other liabilities	Note 19	44	53
Current liabilities		**265,452**	**204,990**
Current financial liabilities	Note 13	134,120	86,212
Current provisions for risks and charges	Note 15	1,429	3,569
Current tax liabilities	Note 18	12,526	9,672
Trade payables and other liabilities	Note 19	117,377	105,537

Euro thousands		H1 2019	H1 2018
Revenue from sales and services	Note 20	350,703	259,140
Other revenue and income	Note 21	3,688	4,951
Total revenue		**354,391**	**264,091**
Raw materials, consumables, supplies and goods	Note 22	(174,40)	(130,607)
Services and use of third party assets	Note 23	(61,206)	(65,836)
Other costs	Note 24	(3,829)	(5,949)
Change in raw materials, semi-finished products, work in progress and finished goods	Note 22	16,349	27,135
Personnel expense	Note 25	(71,367)	(54,286)
Amortisationand depreciation	Note 26	(19,465)	(9,468)
Net impairment losses on trade receivables and other assets	Note 27	(733)	(1,582)
Other net impairment losses	Note 28	(48)	(7)
Total operating costs		**(314,699)**	**(240,600)**
Operating profit		**39.692**	**23.491**
Financial income	Note 29	2,986	4,151
Financial expense	Note 30	(18,311)	(14,120)
Share of profit of equity-accounted investments	Note 32	89	60
Net financial expense		**(15,236)**	**(9,909)**
Pre-tax profit		**24,456**	**13,582**
Income taxes		(7,740)	(7,245)
Deferred taxes		1,326	(354)
Total taxes	Note 33	**(6,414)**	**(7,599)**
Profit from continuing operations		**18,042**	**5,983**
Profit for the period		**18,042**	**5,983**
Attributable to:			
Non-controlling interests		**1,074**	**658**
Owners of the parent		**16,968**	**5,325**
Other comprehensive income (expense) which may be reclassified subsequently to profit or loss		**(8,415)**	**1,257**
Exchange gains recognised in equity		2,242	2,325
Fair value gains on hedging derivatives		(10,657)	(1,068)
Other comprehensive income which may not be reclassified subsequently to profit or loss		**(723)**	**1,216**
Actuarial gains (losses)		(69)	1,456
Taxes		71	(240)
Capital increase transaction costs		(1,006)	-
Taxes		281	-
Other comprehensive income (expense), net of tax effect		**(9,138)**	**2,473**
Comprehensive income		**8,904**	**8,456**
Attributable to:			
Non-controlling interests		**1,434**	**(297)**
Owners of the parent		**7,470**	**8,753**
Earnings per share:			
	basic	*0,35*	*0,13*
	diluted	*0,34*	*0,13*

The notes from pages 45 to 94 are an integral part of these condensed interim consolidated financial statements.

Statement of Changes in Equity

Note 12.A Statement of Changes in Equity

Euro thousands	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
									-			-	-
December 31, 2017	**37,261**	**7,434**	**65,349**	**(1,671)**	**(20,404)**	**(26,836)**	**138,049**	**15,767**	**214,949**	**23,028**	**1,60**	**24,628**	**239,577**
Gains (losses) of the year								8,747	8,747		1,714	1,714	10,461
Share capital increase	9,538		90,422						99,960				
Post-tax adjustment for IFRS 9 FTA							(1,157)						
Post-tax share capital increase costs			(4,002)						(4,002)				
Other changes				(1,582)	(3,788)	4,312			(1,058)	(913)		(913)	(1,971)
Gains/(losses) recognised directly in equity	**9,538**	**-**	**86,420**	**(1,582)**	**(3,788)**	**4,312**	**(1,157)**	**8,747**	**103,647**	**(913)**	**1,714**	**801**	**104,448**
Allocation of the 2017 profit							15,767	(15,767)	-	1,600	(1,600)	-	-
Dividends							(3,720)		(3,720)	(339)		(339)	(4,059)
December 31, 2018	**46,799**	**7,434**	**151,769**	**(3,253)**	**(24,192)**	**(22,524)**	**148,939**	**8,747**	**313,719**	**23,376**	**1,714**	**25,090**	**338,809**
Gains (losses) of the period								16,968	16,968		1,074	1,074	18,042
Post-tax share capital increase costs			(725)					,	(725)				
Other changes	71		2,578	13	(13,567)	1,894			(9,011)	462		462	(8,549)
Gains/(losses) recognised directly in equity	**71**	**-**	**1,853**	**13**	**(13,567)**	**1,894**	**-**	**16,968**	**7,232**	**462**	**1,074**	**1,536**	**8,768**
Allocation of the 2018 profit		331			(331)		8,747	(8,747)	-	1,714	(1,714)	-	-
Dividends							(4,070)		(4,070)	(192)		(192)	(4,262)
June 30, 2019	**46,870**	**7,765**	**153,622**	**(3,240)**	**(38,090)**	**(20,630)**	**153,616**	**16,968**	**316,881**	**25,360**	**1,074**	**26,434**	**343,315**

Note:

For information on the changes in equity, reference should be made to Note 12.

The notes from pages 45 to 94 are an integral part of these condensed interim consolidated financial statements.

Condensed Statement of Cash Flows

Euro thousands		H1 2019	H1 2018
Operating profit		**18,042**	**5,983**
Non-monetary and other adjustments:		**42,688**	**32,433**
Amortisation and depreciation	Note 1 - 2	14,364	9,468
Depreciation of right-of-use assets	Note 1 - 2	5,101	-
Net impairment losses on intangible assets and property, plant and equipment	Note 1 - 2	48	7
Impairment gains/losses on trade receivables and write-downs of inventories	Note 9	(130)	1,071
Accruals for post-employment and other employees benefits		1,322	1,587
Accruals to/reversals of the provision for risks and charges		(60)	1,011
Exchange losses on foreign currency trade receivables and payables	Note 24	427	2,037
Net gains on the sale of intangible assets and property, plant and equipment	Note 21 - 24	(36)	(256)
Net financial expense	Note 30 - 29	15,325	9,969
Net gains on equity investments	Note 32	(89)	(60)
Taxes	Note 33	6,414	7,599
Addition for:		**(2,871)**	**(8,672)**
Income taxes paid	Note 7 - 18	(3,632)	(6,539)
Net unrealised exchange gains/losses on foreign currency assets and liabilities	Note 28 - 29	1,136	(3,162)
Net realised exchange gains/losses on foreign currency assets and liabilities	Note 28 - 29	(374)	1.029
Cash flows from operating activities before changes in net working capital		**57,858**	**29,744**
Changes in net working capital:		**(81,683)**	**(74,568)**
Change in inventories	Note 8	(15,486)	(26,623)
Change in trade receivables and other assets	Note 9	(78,163)	(61,646)
Change in trade payables and other liabilities	Note 19	14,747	15,755
Change in other liabilities, net	Note 15 - 16 - 6	(1,602)	(906)
Change in post-employment and other employee benefits	Note 14	(1,178)	(1,147)
Net cash flows used in operating activities		**(23,824)**	**(44,825)**
Net increase in intangible assets	Note 1	(1,893)	(2,581)
Net increase in property, plant and equipment	Note 2	(6,119)	(7,671)
Net increase in equity investments measured at cost	Note 5	-	(215,188)
Net increase/decrease in other financial assets	Note 3	80	(93)
Interest collected		68	(92)
Net cash flows used in investing activities		**(7,863)**	**(225,625)**
Change in equity	Note 12	(4,262)	(3,762)
Financial expense	Note 29	(13,091)	(11,436)
Lease expense	Note 29	(2,934)	-
Net increase/decrease in loans and borrowings and other financial liabilities	Note 13	(74,346)	379,827
Net increase/decrease in lease liabilities	Note 13	(6,315)	-
Net cash flows from (used in) financing activities		**(100,948)**	**364,629**
Exchange gains	Note 12	2,242	2,325
Other non-monetary changes		(3,285)	(4,032)
Net cash flows for the period		**(133,678)**	**92,473**
Opening cash and cash equivalents net of current account overdrafts		146,831	20,426
Opening cash and cash equivalents net of current account overdrafts (change in consolidation scope)		-	(86,724)
Closing cash and cash equivalents net of bank overdrafts		**13,153**	**26,174**

1. *Cash and cash equivalents at June 30, 2019 totalled Euro 32,644 thousand; current account overdrafts amounted to Euro 12,593 thousand net of relative interest.*

2. *Cash and cash equivalents at June 30, 2018 totalled Euro 38,766 thousand; current account overdrafts amounted to Euro 12,593 thousand net of relative interest.*
3. *The cash flows are presented using the indirect method. In order to provide a more complete and accurate presentation of the individual cash flows, the effects of non-monetary items were eliminated (including the translation of statement of financial position items in currencies other than the Euro), where significant. These effects were aggregated and included in the account "Other non-monetary changes".*

Euro thousands	**H1 2019**	**2018**
Opening cash and cash equivalents	**146,831**	**20,425**
Cash and other cash equivalents	157,602	38,558
Current account overdrafts	(10,771)	(18,133)
Closing cash and cash equivalents	**20,051**	**146,831**
Cash and other cash equivalents	32,644	157,602
Current account overdrafts	(12,593)	(10,771)

The notes from pages 45 to 94 are an integral part of these condensed interim consolidated financial statements.

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

Euro thousands		June 30, 2019	*of which:* Related Parties	December 31, 2018	*of which:* Related Parties
Assets		**1,193,074**	**-**	**1,155,053**	**-**
Non-current assets		**638,536**	**-**	**571,307**	**-**
Intangible assets	Note 1	437,691		441,907	
Property, plant and equipment	Note 2	175,791		104,472	
Non-current financial assets	Note 3	3,624		3,284	
Equity-accounted investments	Note 4	868		767	
Other equity investments	Note 5	31		31	
Deferred tax assets	Note 6	20,531		20,846	
Current assets		**554,538**	**-**	**583,746**	**-**
Current financial assets	Note 3	306		352	
Current tax assets	Note 7	10,573		11,743	
Inventories	Note 8	280,556		262,432	
Trade receivables and other assets	Note 9	230,459		151,617	
Cash and cash equivalents	Note 10	32,644		157,602	
Liabilities and equity		**1,193,074**	**1,095**	**1,155,053**	**880**
Equity	Note 12	**343,315**	**-**	**338,809**	**-**
Share capital		46,870		46,799	
Reserves		99,427		109,234	
Retained earnings		153,616		148,939	
Profit for the period/year		16,968		8,747	
Equity attributable to the owners of the parent		**316,881**		**313,719**	
Equity attributable to non-controlling interests		**26,434**		**25,090**	
Non-current liabilities		**584,306**	**-**	**611,254**	**-**
Non-current financial liabilities	Note 13	485,914		519,884	
Financial instruments	Note 17	15,781		5,102	
Employee benefits	Note 14	11,381		10,931	
Provisions for risks and charges	Note 15	1,204		3,668	
Deferred tax liabilities	Note 16	69,982		71,616	
Other liabilities	Note 19	44		53	
Current liabilities		**265,452**	**1,095**	**204,990**	**880**
Current financial liabilities	Note 13	134,120		86,212	
Current provisions for risks and charges	Note 15	1,429		3,569	
Current tax liabilities	Note 18	12,526		9,672	
Trade payables and other liabilities	Note 19	117,377	1,095	105,537	880

Condensed statement of comprehensive income with indication of related party transactions and income components from non-recurring events or transactions pursuant to CONSOB Resolution No. 15519 of July 27, 2006

Euro thousands		First Half of 2019	*of which:* Related Parties	*of which:* Non-Recurring Charges	First Half of 2018	*of which:* Related Parties	*of which:* Non-Recurring Charges
Revenue from sales and services	Note 20	350,703			259,140		
Other revenue and income	Note 21	3,688		130	4,951		
Total revenue		**354,391**			**264,091**		
Raw materials, consumables, supplies and goods	Note 22	(174,400)	(1,135)	(674)	(130,607)	(1,439)	
Services and use of third party assets	Note 23	(61,206)	(167)	(2,742)	(65,836)	(316)	(1,027)
Other costs	Note 24	(3,829)			(5,949)		(243)
Change in raw materials, semi-finished products, work in progress and finished goods	Note 22	16,349			27,135		
Personnel expense	Note 25	(71,367)		(1,317)	(54,286)		(3,588)
Amortisation and depreciation	Note 26	(19,465)			(9,468)		
Impairment losses	Note 27	(733)			(1,582)		
Impairment Losses	Note 28	(48)			(7)		
Total operating costs		**(314,699)**			**(240,60)**		
Operating profit		**39,692**			**23,491**		
Financial income	Note 28	2,986			4,151		990
Financial expense	Note 29	(18,311)			(14,120)		
Share of profit of equity-accouned investees	Note 31	89			60		
Net financial expense		**(15,236)**			**(9,909)**		
Pre-tax profit		**24,456**			**13,582**		
Income taxes		(7,740)		858	(7,245)		292
Deferred taxes		1,326			(354)		
Total taxes	Note 32	**(6,414)**			**(7,599)**		
Profit from continuing operations		**18,042**			**5,983**		
Profit (loss) from discontinued operations		**-**			**-**		
Profit for the period		**18,042**			**5,983**		
Attributable to:							
Non-controlling interests		**1,074**		102	**658**		
Owners of the parent		**16,968**			**5,325**		
Other comprehensive income (expense) which may be reclassified subsequently to profit or loss		**(8,415)**			**1,257**		
Exchange gains recognised in equity		2,242			2,325		
Fair value losses on hedging derivatives		(10,657)			(1,068)		
Other comprehensive income which may not be reclassified subsequently to profit or loss		**(723)**			**1,216**		
Actuarial gains (losses)		(69)			1,456		
Taxes		71			(240)		
Capital increase transaction costs		(1,006)			-		
Taxes		281			-		
Other comprehensive income (expense), net of tax effect		**(9,138)**			**2,473**		
Comprehensive income		**8,904**			**8,456**		
Attributable to:							
Non-controlling interests		**1,434**			**(297)**		
Owners of the parent		**7,470**			**8,753**		
Earnings per share:							
basic		*0,35*			*0,13*		
diluted		*0,34*			*0,13*		

Notes to the condensed interim consolidated financial statements

Introduction

The F.I.L.A. Group operates in the creativity tools market, producing colouring, design, modelling, writing and painting objects, such as pencils, crayons, modelling clay, chalk, oil colours, acrylics, watercolours, paints and paper for the fine arts, school and leisure.

The Parent F.I.L.A. S.p.A., Fabbrica Italiana Lapis ed Affini (hereafter "the Company") is a company limited by shares with registered office in Pero (Italy), Via XXV Aprile, 5. The ordinary shares of the Company were admitted for trading on the MTA, STAR Segment, organised and managed by Borsa Italiana S.p.A. from November 12, 2015.

These condensed interim consolidated financial statements as at and for the six months ended June 30, 2019 include the interim financial statements of the Company and its subsidiaries (collectively, the "Group").

The Condensed Interim Consolidated Financial Statements of the F.I.L.A. Group were prepared in accordance with IAS 34 Interim Financial Reporting, as established also by Article 154-ter of the Consolidated Finance Act (Legislative Decree No. 58/1998) and should be read together with the F.I.L.A. Group 2018 Annual Consolidated Financial Statements ("latest financial statements"). Although not presenting all the information required for complete financial statement disclosure, specific notes are included outlining the events and transactions central to understanding the changes to the F.I.L.A. Group's financial position and performance since the latest financial statements.

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

All amounts reported in the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and in these Notes are expressed in thousands of Euro, except where otherwise stated.

With reference to Consob Resolution No. 15519 of July 27, 2006 in relation to the format of the Financial Statements, significant transactions with related parties and the non-recurring items or transactions are indicated separately.
These condensed interim consolidated financial statements were authorised for publication by the Board of Directors on August 6, 2019.

Basis of preparation

Except for that stated below, these Condensed Interim Consolidated Financial Statements were prepared according to the same accounting policies used for the preparation of the latest annual financial statements.
The changes to the accounting standards will impact also the Group consolidated financial statements for the year ending December 31, 2019.

The Group adopted IFRS 16 Leases from January 1, 2019. The other new standards entering into force from January 1, 2019 did not have significant impacts on the Group condensed interim consolidated financial statements.

For the preparation of the condensed interim consolidated financial statements, company management made judgements and estimates which impact the application of the accounting policies and the carrying amounts of assets, liabilities, costs and revenue. However, it should be noted as these refer to estimates, the results obtained will not necessarily be the same as those represented in these condensed interim consolidated financial statements. The relevant judgements of company management in applying the Group accounting policies and the main sources of uncertainty upon estimates were the same as those applied by the F.I.L.A. Group for the preparation of the consolidated financial statements for the year ended December 31, 2018, except for the new issues arising from application of IFRS 16 described below.

Standards, amendments and interpretations applied from January 1, 2019

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

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

IFRS 16 – Leases

The standard, published by the IASB in January 2016 and endorsed by the European Commission in October 2017, replaces IAS 17, proposing substantial changes to the accounting treatment of leasing agreements in the lessee's financial statements, which must recognize the assets and liabilities deriving from contracts, without distinction between operating and financial leases, in the statement of financial position. The new standard provides a new definition of leases and introduces a criterion based on control (Right of Use) of an asset to distinguish leasing contracts from service contracts, identifying essential differences: the identification of the asset, the right of replacement of the asset, the right to obtain substantially all the economic benefits from the use of the asset and the right to use the asset underlying the contract. All contracts that qualify as leases – except for contracts governing low value assets and leases with a contractual term of 12 months or less – must be recognized in the statement of financial position as a "Right-of-Use" asset with a balancing entry to financial liabilities. This standard does not contain significant amendments for lessors.
It introduces a criterion based on control of the use of an asset to distinguish leasing contracts from service contracts, identifying essential differences:

- Identification of the leased property (without the right for the lessor to replace the said property);
- The right to obtain substantially all the economic benefits from the use of the asset;
- The right to establish how and for what purpose the property is used.

Upon initial application it is possible to use the full retrospective method (restating the comparative information) or the modified retrospective method (with cumulative effect from the adoption of IFRS 16 recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, without restating the comparative information).

The Group applied IFRS 16 Leases from January 1, 2019 utilising the modified retrospective application method, on the basis of which the cumulative effect from initial application is recognised to retained earnings at January 1, 2019. Therefore, the 2018 figures were not restated i.e. they were presented as per IAS 17 and the relative interpretations. Reference should be made to Attachment 3 to these condensed interim consolidated financial statements for further details on these changes to the accounting standards.
The effects of the adoption of IFRS 16 may change until the presentation of the first Group consolidated financial statements which include the date of initial application, also on the basis of opinions on certain matters more subject to interpretation of the rules.

IFRIC 23 – Uncertainty over income tax treatments

In June 2017, the IASB published interpretation IFRIC 23 – Uncertainty over Income Tax Treatments.
The interpretation clarifies the application of the requirements for recognition and measurement established in IAS 12 Income Taxes when uncertainties exist on tax treatment.

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

The amendment clarifies that IFRS 9 is applied to long-term receivables from an associate or joint venture which, in substance, are part of the net investment in the associate or joint venture. The amendment in addition establishes that IFRS 9 is applied to these receivables before the application of IAS 28, so that the entity does not take account of any adjustments to long-term interests from application of the above IAS.

Amendment to IAS 19 - Plan Amendment, Curtailment or Settlement

The amendments, published in February 2018, clarifies how current labour costs and net interest is calculated where there is a change to the defined benefits plan.

Improvements to IFRS: 2015-2017 Cycle

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

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

Standards, amendments and interpretations not yet endorsed by the EU and applicable after January 1, 2019

IFRS 17 Insurance Contracts

In May 2017, the IASB published IFRS 17 Insurance Contracts which replaces IFRS 4, issued in 2014. The standard has the objective to improve investors' understanding of the exposure to risk, earnings and the financial position of insurers, requiring that all insurance contracts are recorded on a uniform basis, overcoming the problems created within IFRS 4.
The standard is applicable from January 1, 2021, however advance application is permitted.

Amendment to IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture

The document was published in September 2014 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 conferment of a non-monetary asset to a joint venture or associate in exchange for a share of the capital of this latter. Currently, the IASB has suspended the application of this amendment.

Amendments to the references in IFRSs to the Conceptual Framework for Financial Reporting

In October 2018, the IASB published the reviewed version of the Conceptual Framework for Financial Reporting. The main changes from the previous version of 2010 were as follows:

- A new chapter on measurement;
- Improved definitions and guidance, in particular with regards to defining liabilities;
- Clarification of important concepts such as stewardship, prudence and uncertainty in measurement.

The amendment updates several references in the IFRS to the previous Conceptual Framework in IFRS Standards, the accompanying documents and the IFRS Practice Statements. The amendments will be applicable from periods beginning January 1, 2020. Earlier application is permitted.

Amendment to IFRS 3 – Definition of a Business

The amendment, published in October 2018, is intended to aid in determining whether a transaction is an acquisition of a business or of a group of assets that does not meet the definition of a business provided in IFRS 3. These amendments will be applied to acquisitions after January 1, 2020. Earlier application is however permitted.

Amendment to IAS 1 and IAS 8 – Definition of Material

The purpose of the amendment, published in October 2018, is to clarify the definition of “material” in order to aid companies in assessing whether information is to be included in the financial statements. These amendments will be applied from January 1, 2020. Earlier application is however permitted.

Share-based payment arrangement

2019-2021 Performance Shares Plan

In accordance with IFRS 2 - Share-based payments, the key data regarding the "2019-2021 Performance shares plan" approved by the Shareholders' Meeting of F.I.L.A. S.p.A. on April 18, 2019 in replacement of the 2017-2019 Performance Share Plan closed in advance and based on the free awarding of shares of the parent F.I.L.A. S.p.A to managers and senior executives of the F.I.L.A. Group, is presented below.

The "2019-2021 Performance Shares Plan" represents a medium/long-term incentive system based on the free assignment of company shares and subject to the achievement of specific performance objectives, in addition to continued employment with the Group. In particular, the free assignment of shares is linked (i) partly to the achievement of the performance objectives calculated for all beneficiaries of the 2019-2021 Performance Shares Plan with reference to the scope of the F.I.L.A. Group, and (ii) partly to the achievement of certain individual or organisational strategic objectives defined specifically for each beneficiary of the 2019-2021 Performance Shares Plan by reason of the role and position held.

The total maximum number of shares to be assigned to beneficiaries of the "2019-2021 Performance Shares Plan" was established at 789,320. It is stipulated that these shares derive from (i) a share capital increase to be executed through the use, in accordance with Article 2349 of the Civil Code, of profits or retained earnings and/or (ii) treasury shares from purchases made in accordance with Article 2357 and 2357-ter of the Civil Code. Against a total maximum 789,320 ordinary shares of F.I.L.A. S.p.A. to be granted to beneficiaries where achieving the maximum performance objectives set out under the Plan, the Board of Directors, on conclusion of the three-year vesting period (i.e. December 31, 2021) shall establish the effective number of shares to be assigned to the beneficiaries of the Plan, which shall be made available to each, according to the terms and means established by the Plan and, in particular, not beyond 60 calendar days from approval of the financial statements at December 31, 2021.

For equity-settled share-based payment transactions, the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. Where the entity cannot estimate reliably the fair value of the goods or services received, it shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

The F.I.L.A. Group calculated the fair value of the benefit received against options on shares granted referring to the fair value of the options granted, calculated on the grant date and utilising the binomial options pricing model.

In calculating the fair value at the grant date of the share-based payment, the following parameters are used:

- Share price at the grant date: Euro 13.22;
- Risk free interest rate (based on iBoxx Euro Sovereign): 0.20%;
- Expected volatility (expressed as average weighted volatility): 26.4%;
- Duration of the option: 3 years;
- Expected dividends: 0.50% per year.

The expected volatility is estimated according to the historic average price volatility of the shares over the three years since the grant date.

Fair value measurement

For measuring the fair value of an asset or a liability, the Group as far as possible refers to observable market data. The fair values are broken down into hierarchical levels based on the input data utilised for measurement, as outlined below.

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

Where the input data utilised to calculate the fair value of an asset or a liability may be classified to differing fair value hierarchy levels, the entire measurement is included in the lowest hierarchy level of the input which is significant for the entire measurement.
The Group records the transfers between the various fair value hierarchy levels at the end of the period in which the transfer took place.

Tax effect of the United Kingdom’s notice of departure from the EU

On March 29, 2017, the government of the United Kingdom, invoking Article 50 of the Lisbon treaty, announced to the European Council its intention to leave the EU. The United Kingdom and the EU initially have a period of two years to reach an agreement on the departure and their future relations: this deadline can be extended. The departure process, in addition to the relative timing and outcome of the negotiations and future agreements between the United Kingdom and the EU, are subject to significant degrees of uncertainty.

Company management have assessed the consequences of these uncertainties on the carrying amounts of the assets and liabilities stated in these condensed interim consolidated financial statements. Following this assessment, the Group has not identified any indicators of impairment regarding its English subsidiary at June 30, 2019.

Exchange rates adopted for translation

The exchange rates adopted for the translation of local currencies into Euro are as follows:

EXCHANGE RATES		
	Average Exchange Rates June 30, 2019	Fixed Exchange Rates June 30, 2019
Argentinean Peso	46.814	48.568
Canadian Dollar	1.507	1.489
Chilean Peso	763.130	773.850
Renminbi Yuan	7.667	7.819
Euro	1.000	1.000
Pound	0.874	0.897
Mexican Peso	21.654	21.820
US Dollar	1.130	1.138
Indonesian Rupiah	16,035.900	16,083.350
Swedish Krona	10.519	10.563
Turkish Lira	6.354	6.566
Brazilian Real	4.341	4.351
Indian Rupee	79.118	78.524
Russian Ruble	73.722	71.597
South Africa Rand	16.044	16.122
Polish Zloty	4.292	4.249
Australian Dollar	1.600	1.624
Swiss Franc	1.129	1.111
Shekel	4.089	4.061

Source: Banca d'Italia

Note 1 - Intangible assets

Intangible assets at June 30, 2019 amount to Euro 437,691 thousand (Euro 441,907 thousand at December 31, 2018) and are comprised for Euro 147,103 thousand of intangible assets with indefinite useful life – goodwill (“Note 1.B - Intangible Assets with indefinite useful life) and for Euro 290,588 thousand of intangible assets with definite useful life (“Note 1.D – Intangible Assets with definite useful life”).

Note 1.A - INTANGIBLE ASSETS

Euro thousands	Goodwill	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other	Assets under development	Total
Historical cost						
December 31, 2017	**77,208**	**190**	**107,862**	**48,603**	**2,007**	**235,870**
Increases	**69,463**	**9**	**35,645**	**138,298**	**1,352**	**244,767**
Investments	66,916	9	3,527	1,576	3,068	75,096
Transfers from assets under development	-	-	-	1,716	(1,716)	-
Change in consolidation scope	-	-	31,903	131,420	-	163,322
Exchange gains	2,547	-	215	3,587	-	6,349
Decreases	**(18)**	**-**	**(43)**	**(51)**	**-**	**(112)**
Disinvestments	-	-	(43)	(51)	-	(94)
Impairment losses	(18)	-	-	-	-	(18)
December 31, 2018	**146,653**	**199**	**143,464**	**186,851**	**3,359**	**480,526**
Increases	**450**	**-**	**628**	**3,788**	**(950)**	**3,917**
Investments	-	-	36	1,227	614	1,877
Transfers from assets under development	-	-	-	1,564	(1,564)	-
Exchange gains	450	-	592	997	-	2,039
Decreases	**-**	**-**	**(24)**	**(892)**	**-**	**(916)**
Other	-	-	(24)	(892)	-	(916)
June 30, 2019	**147,103**	**199**	**144,068**	**189,746**	**2,409**	**483,526**
Accumulated amortisation						
December 31, 2017	**-**	**(147)**	**(19,823)**	**(7,809)**		**(27,779)**
Increases	**-**	**(10)**	**(4,771)**	**(6,182)**		**(10,963)**
Investments	-	(10)	(4,543)	(6,182)		(10,735)
Exchange gains	-	-	(228)	-		(228)
Decreases	**-**	**-**	**29**	**94**		**123**
Disinvestments	-	-	29	44		73
Exchange losses	-	-	-	50		50
December 31, 2018	**-**	**(157)**	**(24,565)**	**(13,897)**	**-**	**(38,619)**
Increases	**-**	**(5)**	**(2,623)**	**(4,618)**		**(7,247)**
Investments	-	(5)	(2,458)	(4,678)		(7,141)
Exchange gains	-	-	(166)	(33)		(199)
Other	-	-	-	93		93
Decreases	**-**	**-**	**-**	**31**		**31**
Exchange losses	-	-	-	29		29
Other	-	-	-	2		2
June 30, 2019	**-**	**(162)**	**(27,188)**	**(18,484)**		**(45,835)**
Carrying amount at December 31, 2017	**77,208**	**43**	**88,039**	**40,794**	**2,007**	**208,091**
Carrying amount at December 31, 2018	**146,653**	**42**	**118,899**	**172,954**	**3,359**	**441,907**
Carrying amount at June 30, 2019	**147,103**	**37**	**116,880**	**171,262**	**2,409**	**437,691**
Change	**450**	**(5)**	**(2,019)**	**(1,692)**	**(950)**	**(4,216)**

Intangible assets with indefinite useful life

“Intangible assets with indefinite useful life” are comprised entirely of goodwill for a total amount of Euro 147,103 thousand (Euro 146,653 thousand at December 31, 2018).

With regards to the acquisition of the Pacon Group on June 7, 2018, the company in the first half of 2019 restated goodwill in the amount of Euro 66,916 thousand (Euro 70,993 thousand in the 2018

Annual Financial Report), on conclusion of the measurement of the assets/liabilities acquired within this acquisition, concluding within one year from the acquisition date in accordance with IFRS 3 - Business Combinations.
The change compared to the previous year mainly concerns the currency effects generated from the translation of financial statements in foreign currencies for an amount of Euro 450 thousand.
Goodwill is not amortised but subject to an impairment test at least annually and whenever facts or circumstances arise which indicate a loss in value.

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

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

NOTE 1.B - GOODWILL FOR CASH GENERATING UNITS

Euro thousands	June 30, 2019	December 31, 2018	Change	Goodwill Reallocation (A)	Exchange Rate Difference	Impairment Loss	Consolidation Area Change
DOMS Industries Pvt Ltd	33,278	33,276	2	-	2	-	-
Gruppo Canson -Omyacolor (4)	12,486	12,486	-	-	-	-	-
Gruppo Daler - Rowney Lukas (5)	1,647	1,647	-	-	-	-	-
Nord America(2)	93,458	93,023	435	-	435	-	-
Gruppo Dixon - Centro/Sud America(1)	1,916	1,903	13	-	13	-	-
Industria Maimeri S.p.A. (Italia)	1,695	1,695	-	-	-	-	-
St. Cuthberts Holding(6)	1,323	1,323	-	-	-	-	-
Gruppo Lyra(3)	1,217	1,217	-	-	-	-	-
FILA SA (Sud Africa)	83	83	-	-	-	-	-
Total	**147,103**	**146,653**	**450**	**-**	**450**	**-**	**-**

(A) - In 2019 CGUs of the F.I.L.A. Group were revised on the basis of the redetermination of the part that can be allocated to the Pacon Group.
(1) - Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico); F.I.L.A. Chile Ltda (Cile); FILA Argentina S.A. (Argentina).
(2) - Dixon Ticonderoga Company (U.S.A.); Dixon Ticonderoga Inc. (Canada); Canson Inc (U.S.A); Daler USA Ltd (U.S.A); Brideshore srl (Dominical Republic) as CGU North America; Eurholdham USA (Inc); Pacon Holding Company (U.S.A); Pacon Corporation (USA); Pacon Canadian Holding Co (U.S.A); Baywood Paper ULC (Canada); Castle Hill Crafts (UK); Creativity International (UK); Princeton Hong Kong (U.S.A).
(3) - Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG (Germany); FILA Nordic AB (Sweden); PT. Lyra Akrelux (Indonesia); Daler Rowney GmbH (Germany); Lukas-Nerchau GmbH (Germany); Nerchauer Malfarben GmbH (Germany);.
(4) - Canson SAS (France); Lodi 12 SAS (France); Canson Brasil I.P.E. LTDA (Brasil); Canson Australia PTY LTD (Australia); Canson Qingdao Ltd.(China); Fila Iberia (Spain); Fila Yixing (China) Canson Italy (Italy); Omyacolor (France).
(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); Lastmill Ltd (UK); Rowney & Company Pencils Ltd (UK); Rowney (Artists Brushes) Ltd (UK); Brideshore srl (Dominical Republic) as CGU Daler.
(6) - St. Cuthberts Holding (UK); St. Cuthberts Mill (UK)

No potential impairment of goodwill were reported at June 30, 2019 due to the strong results recorded in the first half of the year and on the basis of the medium-term outlook. Therefore, no specific impairment test on the account was carried out on the preparation of the condensed interim consolidated financial statements.

Intangible assets with definite useful lives

The changes at June 30, 2019 of "Intangible Assets with Definite Useful Life" are reported below.

Note 1.D - INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

Euro thousands	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**	**48,603**	**2,007**	**158,662**
Increases	**9**	**35,645**	**138,299**	**1,352**	**175,305**
Investments	9	3,527	1,576	3,068	8,180
Transfers from assets under development	-	-	1,716	(1,716)	-
Change in consolidation scope	-	31,903	131,420	-	163,323
Exchange gains	-	215	3,587	-	3,802
Decreases	**-**	**(43)**	**(51)**	**-**	**(93)**
Disinvestments	-	(43)	(51)	-	(94)
December 31, 2018	**199**	**143,464**	**186,851**	**3,359**	**333,873**
Increases	**-**	**628**	**3,788**	**(950)**	**3,465**
Investments	-	36	1,227	614	1,877
Transfers from assets under development	-	-	1,564	(1,564)	-
Exchange gains	-	592	997	-	1,588
Decreases	**-**	**(24)**	**(892)**	**-**	**(916)**
Other	-	(24)	(892)	-	(916)
June 30, 2019	**199**	**144,068**	**189,746**	**2,409**	**336,423**
Accumulated amortisation					
December 31, 2017	**(147)**	**(19,823)**	**(7,809)**	**-**	**(27,779)**
Increases	**(10)**	**(4,772)**	**(6,182)**		**(10,963)**
Investments	(10)	(4,543)	(6,182)		(10,735)
Exchange gains	-	(228)	-		(228)
Decreases	**-**	**29**	**94**		**123**
Disinvestments	-	29	44		73
Exchange losses	-	-	50		50
December 31, 2018	**(157)**	**(24,565)**	**(13,897)**		**(38,619)**
Increases	**(5)**	**(2,623)**	**(4,618)**		**(7,247)**
Amortisation	(5)	(2,458)	(4,678)		(7,141)
Exchange gains	-	(166)	(33)		(199)
Other	-	-	93		93
Decreases	**-**	**-**	**31**		**31**
Exchange losses	-	-	29		29
Other	-	-	2		2
June 30, 2019	**(162)**	**(27,188)**	**(18,484)**		**(45,835)**
Carrying amount at December 31, 2017	**43**	**88,039**	**40,794**	**2,007**	**130,883**
Carrying amount at December 31, 2018	**42**	**118,899**	**172,954**	**3,359**	**295,254**
Carrying amount at June 30, 2019	**37**	**116,880**	**171,262**	**2,409**	**290,588**
Change	**(5)**	**(2,019)**	**(1,692)**	**(950)**	**(4,667)**

"Industrial Patents and Intellectual Property Rights" amount to Euro 37 thousand at June 30, 2019 (Euro 42 thousand at December 31, 2018).

The average residual useful life of the "Industrial Patents and Intellectual Property Rights", recorded in the financial statements at June 30, 2019, is 5 years.

"Concessions, Licenses, Trademarks and Similar Rights" amount to Euro 116,880 thousand at June 30, 2019 (Euro 118,899 thousand at December 31, 2018).

The net carrying amount compared to December 31, 2018 decreased by Euro 2,019 thousand, mainly due to amortisation in the period of Euro 2,458 thousand, partially offset by positive currency translation differences of Euro 413 thousand. In addition, a significant amount of the amortisation relates to the "Business combinations" undertaken in 2018 and concerning the brands held by the Pacon Group (Euro 31,903 thousand) and with regards to that undertaken in 2016 and relating to the brands held by the English Group Daler Rowney (Euro 40,223 thousand) and by the Canson Group (Euro 32,400 thousand).

The other historic trademarks subject to amortisation refer principally to "*Lapimex*" held by F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and the brands "*Lyra*" held by Lyra KG (Germany) and *"DOMS" held* by DOMS Industries Pvt Ltd (India).

The average useful life of the "Concessions, Licenses, Trademarks and Similar Rights", recorded in the financial statements at June 30, 2019, is 30 years.

"Other Intangible Assets" amount to Euro 171,262 thousand at June 30, 2019 (Euro 172,954 thousand at December 31, 2018). The increase on the previous year of Euro 1,692 thousand is due mainly to the entry into use of assets in progress for a total of Euro 1,564 thousand. Investments in the period principally concerned the installation and roll out of the new ERP at some Group companies and amount to Euro 1,227 thousand. Amortisation was Euro 4,678 thousand and concerns in particular the value of the "Development Technology" recorded by the companies of the Daler-Rowney Lukas Group (Euro 30,532 thousand), the Canson Group (Euro 1,500 thousand) and St. Cuthberts (Euro 2,462 thousand), identified as strategic assets through the "Purchase Price Allocation" within the business combinations undertaken in 2016 and the value of the "Customer Relationship" determined by the "Purchase Price Allocation" as part of the business combination resulting in the acquisition of the Pacon Group.

The useful life of "Other Intangible Assets", recorded in the financial statements at June 30, 2019, is 13 years.

Assets under development totalled Euro 2,408 thousand and mainly relate to investments for the installation of the new ERP system.

Note 2 - Property, plant and equipment

"Property, Plant and Equipment" at June 30, 2019 amount to Euro 175,791 thousand (Euro 104,472 thousand at December 31, 2018), comprising Euro 104,897 thousand of Property, Plant and Equipment ("Note 2.A - Property, Plant and Equipment") and Euro 70,894 thousand of Right-of-Use assets ("Note 2.B - Right-of-Use assets").

Property, Plant and Equipment

The movements in the year are shown below:

Note 2.A - PROPERTY, PLANT AND EQUIPMENT

Euro thousands	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	**66**	**6,747**	**23,927**	**743**	**2,297**	**(2,984)**	**30,796**
Investments	66	427	7,806	651	910	7,016	16,876
Transfers from assets under construction	-	5,355	5,386	92	26	(10,859)	-
Change in consolidation scope	-	965	10,735	-	1.361	859	13,920
Decreases	**(400)**	**(665)**	**(2,604)**	**(1,352)**	**(493)**	**(12)**	**(5,526)**
Disinvestments	(205)	(625)	(3,244)	(487)	(520)	(58)	(5,139)
Reclassifications	-	-	624	(944)	-	-	(320)
Impairment losses	-	-	(19)	(2)	(32)	-	(53)
Exchange losses	(195)	(40)	35	81	59	46	(14)
December 31, 2018	**13,305**	**59,601**	**126,207**	**18,446**	**13,306**	**5,212**	**236,077**
Increases	**133**	**2,002**	**5,570**	**2,694**	**435**	**(66)**	**10,768**
Investments	79	1,752	2,827	354	231	992	6,235
Transfers from assets under construction	-	-	1,058	31	10	(1,099)	-
Exchange gains	54	250	720	23	107	41	1,195
Other	-	-	965	2,286	87	-	3,338
Decreases	**-**	**(34)**	**(673)**	**(2)**	**(1,599)**	**(966)**	**(3,274)**
Disinvestments	-	-	(664)	(2)	(114)	-	(780)
Impairment losses	-	(34)	(9)	-	(5)	-	(48)
Other	-	-	-	-	(1,480)	(966)	(2,446)
June 30, 2018	**13,438**	**61,569**	**131,104**	**21,138**	**12,142**	**4,180**	**243,571**
Accumulated depreciation							
December 31, 2017		**(29,965)**	**(66,286)**	**(17,024)**	**(9,177)**		**(122,452)**
Increases		**(2,182)**	**(8,926)**	**(791)**	**(1,311)**		**(13,210)**
Depreciation		(2,126)	(8,731)	(701)	(1,244)		(12,802)
Exchange gains		(56)	(195)	(90)	(67)		(408)
Decreases		**282**	**2,721**	**368**	**366**		**3,737**
Disinvestments		282	2,721	368	366		3,737
December 31, 2018		**(31,866)**	**(73,139)**	**(16,478)**	**(10,122)**		**(131,605)**
Increases		**(1,166)**	**(5,528)**	**(672)**	**(495)**		**(7,861)**
Depreciation		(1,098)	(5,230)	(473)	(422)		(7,222)
Exchange gains		(69)	(298)	(10)	(73)		(450)
Other		-	-	(189)	-		(189)
Decreases		**-**	**617**	**1**	**174**		**792**
Decreases		-	615	1	83		699
Disinvestments		-	2	-	91		93
June 30, 2018		**(33,032)**	**(78,049)**	**(17,149)**	**(10,443)**		**(138,674)**
Carrying amount at December 31, 2017	**13,639**	**23,554**	**38,598**	**2,031**	**2,325**	**8,208**	**88,355**
Carrying amount at December 31, 2018	**13,305**	**27,735**	**53,068**	**1,968**	**3,184**	**5,212**	**104,472**
Carrying amount at June 30, 2018	**13,438**	**28,537**	**53,055**	**3,989**	**1,699**	**4,180**	**104,897**
Change	**133**	**802**	**(13)**	**2,021**	**(1,485)**	**(1,032)**	**425**

"Land" at June 30, 2019 amounts to Euro 13,438 thousand (Euro 13,305 thousand at December 31, 2018) and includes the land relating to the buildings and production facilities owned by the company F.I.L.A. S.p.A. (Rufina Scopeti – Italy), by the subsidiary Lyra KG (Germany), by DOMS Industries Pvt Ltd (India), Daler Rowney Ltd (UK) and by Canson SAS (France). The increase in the period of Euro 133 thousand is due, in addition to the positive currency effects of Euro 54 thousand, to investments for Euro 79 thousand by the Indian subsidiary DOMS Industries Pvt Ltd which over recent years has executed a plan to acquire the lands close to the main production plant in order to extend the centralised storage and production site.

"Buildings" at June 30, 2019 amount to Euro 28,537 thousand (Euro 27,735 thousand at December 31, 2018) and principally concern the buildings of the Group production facilities. An increase of Euro 802 thousand is reported over December 31, 2018. Net investments amount to Euro 1,752 thousand, mainly by DOMS Industries PVT Ltd (Euro 1,561 thousand) and due to the centralised storage and production site extension plan.

No disposals were made in the period.

Depreciation of Euro 1,098 thousand particularly concerns Canson SAS (France), F.I.L.A. S.p.A., DOMS Industries Pvt Ltd (India) and Pacon Corporation (USA).

"Plant and Machinery" amount to Euro 53,055 thousand (Euro 53,068 thousand at December 31, 2018). A slight decrease of Euro 13 thousand compared to the previous year is reported. The main movements in this category concern net investments of Euro 2,778 thousand, mainly by DOMS Industries Pvt Ltd (India) for Euro 1,591 thousand, and by Pacon Corporation (USA) for Euro 393 thousand. In addition, assets under construction were capitalised for Euro 1,058 thousand. These increases were offset by depreciation in the period of Euro 5,230 thousand.

"Industrial and Commercial Equipment" amount to Euro 3,989 thousand at June 30, 2019 (Euro 1,968 thousand at December 31, 2018). The increase of Euro 2,021 thousand is mainly due to the reclassification by Pacon Corporation during the initial months of 2019.

"Other Assets" amount to Euro 1,699 thousand at June 30, 2019 (Euro 3,184 thousand at December 31, 2018) and include furniture and office equipment, EDP and motor vehicles. The decrease of Euro 1,485 thousand mainly concerns the reclassifications by Pacon Corporation during the first six months of 2019 applied to intangible assets and property, plant and equipment.

"Assets under construction" include internal constructions undertaken by the individual companies of the Group which are not yet operational. The decrease in the net carrying amount at June 30, 2019 was Euro 1,032 thousand, mainly due to the capitalisations in the period, which principally concerned plant and machinery of the parent F.I.L.A. S.p.A. for the entry into service of a new production line at the Rufina facility (Italy).

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

Right-of-Use assets

The movements in the period are shown below:

Nota 2.B RIGHT-OF-USE ASSETS							
Euro thousands	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
Historical cost							
December 31, 2018	-	-	-	-	-	-	-
Initial recognition	-	71,612	759	193	2,593	-	**75,157**
Increases (investments)	-	295	-	-	504	-	**799**
June 30, 2019	-	**71,907**	**759**	**193**	**3,097**	-	**75,956**
Accumulated depreciation							
December 31, 2018	-	-	-	-	-	-	-
Initial recognition	-	(731)	(41)	(6)	(93)	-	**(871)**
Depreciation	-	(3,490)	(208)	(32)	(499)	-	**(4,230)**
Decreases		**39**	**1**	**1**	**2**		**43**
Disinvestments	-	39	1	1	2	-	**43**
June 30, 2019		**(4,187)**	**(248)**	**(37)**	**(590)**		**(5,063)**
Carrying amount at December 31, 2018	-	-	-	-	-	-	-
Carrying amount at June 30, 2019	-	**67,719**	**511**	**156**	**2,507**	-	**70,894**
Change	-	**67,719**	**511**	**156**	**2,507**	-	**70,894**

The Group adopted IFRS 16 Leases from January 1, 2019 and recognised in the statement of financial position the right-of-use assets and the lease liabilities, with the exception of short-term contracts (less than 12 months) or low value leases (less than Euro 5 thousand), for which the Group applied the recognition and measurement exemptions under IFRS 16.

The historic cost of "Buildings" at June 30, 2019 was Euro 71,907 thousand, mainly concerning the buildings of the Pacon Group for Euro 17,848 thousand, the subsidiary Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for Euro 15,604 thousand and the D&R Group for Euro 13,194.

Accumulated depreciation on "Buildings" at June 30, 2019 was Euro 4,187 thousand.

The historic cost of "Plant and Machinery" at June 30, 2019 was Euro 759 thousand and mainly concerns the subsidiary Canson Brasil I.P.E. LTDA (Brazil) for Euro 591 thousand. Accumulated depreciation on "Plant and Machinery" at June 30, 2019 was Euro 248 thousand.

The historic cost of "Industrial and Commercial Equipment" at June 30, 2019 was Euro 193 thousand and mainly concerned the subsidiaries Industria Maimeri S.p.A. (Italy) for Euro 64 thousand, FILA

Dixon Stationery (Kunshan) Co. Ltd. (China) for Euro 71 thousand and Daler Rowney Ltd (United Kingdom) for Euro 51 thousand.

Accumulated depreciation on "Industrial and Commercial Equipment" at June 30, 2019 was Euro 37 thousand.

The historic cost of "Other Assets" at June 30 was Euro 3,097 thousand and mainly related to the parent F.I.L.A. S.p.A. (Italy) for Euro 696 thousand and the subsidiaries Canson SAS (France) and Canson Brasil I.P.E. LTDA (Brazil), respectively for Euro 612 thousand and Euro 463 thousand. Accumulated depreciation on "Other Assets" at June 30, 2019 was Euro 590 thousand.

Note 3 – Financial assets

"Financial assets" amount to Euro 3,930 thousand at June 30, 2019 (Euro 3,636 thousand at December 31, 2018).

Note 3.A - FINANCIAL ASSETS

Euro thousands		Loans and Receivables	Other financial assets	Total
December 31, 2018		**752**	**2,884**	**3,636**
	non-current portion	474	2,810	3,284
	current portion	278	74	352
June 30, 2019		**782**	**3,147**	**3,930**
	non-current portion	500	3,124	3,624
	current portion	282	24	306
Change		**29**	**264**	**293**
	non-current portion	26	314	340
	current portion	3	(50)	(47)

Loans and Receivables

These amount to Euro 782 thousand and concern receivables of a financial nature claimed from third parties and recognized by F.I.L.A. S.p.A. for Euro 282 thousand, Pacon Corporation (U.S.A.) for Euro 494 thousand and Omyacolor SA for Euro 6 thousand.

Other financial assets

"Other Financial Assets" totalled Euro 3,147 thousand (Euro 2,884 thousand at December 31, 2018), increasing Euro 264 thousand. They principally concern the deposits required for guarantee purposes on goods and service supply contracts of the various Group companies, including in particular Canson SAS (Euro 817 thousand), DOMS Industries Pvt Ltd (Euro 1,009 thousand) and Grupo F.I.L.A.-

Dixon, S.A. de C.V. (Euro 316 thousand). In relation to the amount of Euro 452 thousand recorded by Dixon Ticonderoga Company (U.S.A.), the account concerns assets underlying indemnity plans.

"Loans and Receivables" and "Other financial assets" are stated at amortized cost in accordance with IFRS 9.

Note 4 - Equity-accounted investees

Note 4.A EQUITY-ACCOUNTED INVESTMENTS

Euro thousands	**Inv. in Associates**
December 31, 2017	**782**
Increases	**15**
Increase in investments	15
Decreases	**(30)**
Exchange losses	(30)
December 31, 2018	**767**
Increases	**101**
Exchange gains	12
Increase in investments	89
Decreases	**0**
June 30, 2019	**868**
Change	**101**

The Equity-accounted investees amount to Euro 868 thousand (Euro 767 thousand at December 31, 2018).

The increase in the period relates to the investments in associated companies held by DOMS Industries Pvt Ltd (India). At June 30, 2019, the "Carrying amount" of the investments was adjusted in line with the share of Equity held in the associated companies. The investment in Pioneer Stationary Pvt Ltd (India) increased by Euro 137 thousand, partially offset by the reduction in the investment held in Uniwrite Pens Plastics Pvt Ltd for an amount of Euro 48 thousand.

Note 5 - Other investments

Other Investments, amounting to Euro 31 thousand, relate to the Company's investment of Euro 28 thousand in Maimeri S.p.A., corresponding to 1% of the share capital, and in the consortiums Conai, Energia Elettrica Zona Mugello and Energia Elettrica Milano at June 30, 2019. The recognition value reflects the fair value of the investments.

Note 6 – Deferred Tax Assets

"Deferred Tax Assets" amount to Euro 20,531 thousand at June 30, 2019 (Euro 20,846 thousand at December 31, 2018).

The changes in "Deferred Tax Assets" are illustrated in the table below with indication of the opening balance, changes during the year and the closing balance at June 30, 2019.

Note 6.A - CHANGES IN DEFERRED TAX ASSETS

Euro thousands	
December 31, 2017	**15,660**
Increase	5,238
Utilisation	(3,331)
Exchange gains	230
Increase recognised in equity	2,757
Change in consolidation scope	292
December 31, 2018	**20,846**
Increase	2,272
Utilisation	(3,010)
Exchange gains	107
Increase recognised in equity	315
June 30, 2019	**20,531**
Change	**(315)**

The account at June 30, 2019 mainly includes deferred tax assets calculated on "Intangible Assets and Property, plant and equipment", "Taxed provision for Risks and Charges" "Prior year tax losses" and "Inventories".

With regards to the change recognised to equity of Euro 315 thousand, Euro 281 thousand concerns the tax effect on the charges related to the share capital increase recognised at equity and the tax effect concerning the actuarial gain/loss recognised to the pension provisions of various Group companies and amounting to Euro 34 thousand.

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

Note 7 - Current Tax Assets

At June 30, 2019, tax assets relating to income tax amounted overall to Euro 10,573 thousand (Euro 11,743 thousand at December 31, 2018) and refer principally to the Parent F.I.L.A. S.p.A. for Euro 2,889 thousand, Dixon Ticonderoga Co. (U.S.A.) for Euro 2,923 thousand and DOMS Industries Pvt Ltd (India) for Euro 2,169 thousand.

Note 8 - Inventories

Inventories at June 30, 2019 amount to Euro 280,556 thousand (Euro 262,432 thousand at December 31, 2018).

Note 8.A - INVENTORIES

Euro thousands	Raw materials, consumables and supplies	Work in progress and semi-finished products	Finished goods	Total
December 31, 2018	**64,715**	**28,464**	**169,253**	**262,432**
June 30, 2019	**70,443**	**31,698**	**178,415**	**280,556**
Change	**5,728**	**3,235**	**9,162**	**18,124**

The account increased by Euro 18,124 thousand, due both to the business seasonality of the schools' campaign and the supply chain reorganisation. The increase particularly concerned the US subsidiary Pacon Corporation, the Mexican Grupo F.I.L.A.-Dixon, S.A. de C.V. and Canson SAS (France).

Inventories are presented net of the inventory obsolescence provision relating to raw materials (Euro 1,083 thousand), work-in-progress (Euro 356 thousand) and finished products (Euro 4,217 thousand). The provisions refer to obsolete or slow-moving materials for which it is not considered possible to recover their value through sale.

Note 8.B- CHANGE IN THE ALLOWANCE FOR INVENTORY WRITE-DOWN

Euro thousands	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	250	200	2.085	2,535
Utilisations	(127)	(71)	(2,615)	(2,813)
Release	(248)	(98)	(340)	(686)
Change in consolidation scope	-	-	2,610	2,610
Exchange gains (losses)	(3)	(2)	24	19
December 31, 2018	**1,450**	**357**	**4,711**	**6,518**
Accruals	139	41	435	613
Utilisations	(175)	(18)	(897)	(1,089)
Release	(328)	(24)	(36)	(387)
Exchange gains (losses)	(3)	(0)	4	1
June 30, 2019	**1,083**	**356**	**4,217**	**5,655**
Change	**(367)**	**(1)**	**(494)**	**(863)**

The inventory obsolescence provision at June 30, 2019 decreased by Euro 863 thousand, mainly due to the utilisation of the provision for Euro 1,089 thousand, of which Euro 542 thousand concerning the US subsidiary Dixon Ticonderoga Company (U.S.A.), for Euro 293 thousand Canson SAS (France) and Euro 115 thousand concerning the Parent F.I.L.A. S.p.A.

Note 9 – Trade receivables and Other Assets

Trade receivables and other assets amount to Euro 230,459 thousand (Euro 151,617 thousand at December 31, 2018).

Note 9.A - TRADE RECEIVABLES AND OTHER ASSETS

Euro thousands	June 30, 2019	December 31, 2018	Change
Trade receivables	214,207	135,549	78,658
Tax assets	3,283	4,521	(1,238)
Other	8,131	6,466	1,666
Prepayments and accrued income	4,837	5,081	(244)
Total	**230,459**	**151,617**	**78,842**

Trade receivables increased on December 31, 2018 by Euro 78,842 thousand, which, net of the positive exchange rate effects for Euro 1,791 thousand, is mainly due to Dixon Ticonderoga Company (U.S.A.), F.I.L.A. S.p.A., Pacon Corporation (U.S.A.) and Grupo F.I.L.A.-Dixon,–S.A. de C.V. (Mexico). This is in line with business seasonality and receivables are at their highest during the middle months of the year as revenue is principally generated during the “Schools’ campaign”.

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

Note 9.B - CHANGES IN THE LOSS ALLOWANCE

Euro thousands	
December 31, 2017	**5,262**
Provisions	1,660
Utilisations	(834)
Release	(857)
Change in consolidation scope	18
Exchange gains	52
Other variations	2,060
December 31, 2018	**7,361**
Provisions	771
Utilisations	(1,667)
Release	(154)
Change in consolidation scope	
Exchange gains	38
Other variations	
June 30, 2019	**6,351**
Change	**(1,010)**

The Group measures the loss allowance at an amount reflecting the lifetime expected credit losses of the asset. In order to establish whether the credit risk concerning a financial asset has increased significantly after initial recognition in order to assess expected losses on assets, the Group considers reasonable and demonstrable information which is pertinent and available without excessive cost or burden. Quantitative and qualitative information and analysis, based on historic Group experience, to value the asset - in addition to information indicative of expected developments - is included. The allowance was utilised for Euro 1,667 thousand, mainly regarding the US subsidiary Dixon Ticonderoga Company.

"*Tax Assets*" totalled Euro 3,283 thousand (Euro 4,521 thousand at December 31, 2018) and include VAT assets (Euro 2,084 thousand) and other tax assets for local taxes other than direct income taxes (Euro 1,199 thousand).

"Other Assets" amount to Euro 8,131 thousand (Euro 6,466 thousand at December 31, 2018) and mainly concern amounts due from employees (Euro 287 thousand), social security institutions (Euro 33 thousand) and advances paid to suppliers (Euro 2,705 thousand), principally concerning the Indian and Chinese subsidiaries.

The carrying amount of "Other assets" represents the fair value at the reporting date.

All of the above assets are due within 12 months.

Note 10 - Cash and Cash Equivalents

“Cash and Cash Equivalents” at June 30, 2019 amount to Euro 32,644 thousand (Euro 157,602 thousand at December 31, 2018).

Note 10 - CASH AND CASH EQUIVALENTS			
Euro thousands	Bank and post office deposits	Cash in hand and other cash equivalents	Total
December 31, 2018	**157,473**	**129**	**157,602**
June 30, 2019	**32,488**	**156**	**32,644**
Change	**(124,985)**	**26**	**(124,957)**

“Bank and postal deposits” consist of the temporary liquid funds generated within the treasury management and mainly relating to ordinary current accounts of F.I.L.A. S.p.A. for Euro 2,699 thousand and current accounts of the subsidiaries for Euro 29,790 thousand, in particular: the companies of the Canson Group (Euro 3,280 thousand), F.I.L.A.-Dixon S.A. de C.V. (Euro 2,524 thousand), FILA Dixon Stationery (Kunshan) Co. Ltd (Euro 1,574 thousand), FILA Hellas S.A (Euro 1,190 thousand), Dixon Ticonderoga Company (Euro 1,291 thousand), the German subsidiary Lyra KG (Euro 1,061 thousand) and the Pacon Group companies (Euro 7,191 thousand).

“Cash in hand and other cash equivalents” amount to Euro 156 thousand, of which Euro 7 thousand relates to the Parent F.I.L.A. S.p.A and Euro 149 thousand to the various subsidiaries.

The carrying amount approximates the fair value at the reporting date.

Bank and postal deposits are remunerated at rates indexed to inter-bank rates such as Libor and Euribor.

There are no bank and postal deposits subject to restrictions.

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

Note 11 - Net Financial Debt

The “Net Financial Debt” at June 30, 2019 was Euro 602,365 thousand, increasing Euro 149,595 thousand on December 31, 2018.

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

	Euro thousands	June 30, 2019	December 31, 2018	Change
A	Cash	156	129	27
B	Other cash equivalents	32,488	157,473	(124,985)
C	Securities held-for-trading	-	-	-
D	**Liquidity (A + B + C)**	**32,644**	**157,602**	**(124,958)**
E	**Current loan assets**	**306**	**352**	**(47)**
F	Current bank loans and borrowings	(113,203)	(75,617)	(37,586)
G	Current portion of non-current loans and borrowings	(19,542)	(10,412)	(9,130)
H	Other current loans and borrowings	(1,376)	(183)	(1,193)
I	**Current financial debt (F + G + H)**	**(134,121)**	**(86,212)**	**(47,909)**
J	**Net current financial debt (I + E+ D)**	**(101,171)**	**71,742**	**(172,914)**
K	Non-current bank loans and borrowings	(409,531)	(518,779)	109,248
L	Bonds issued	-	-	-
M	Other non-current loans and borrowings	(92,164)	(6,207)	(85,957)
N	**Non-current financial debt (K + L + M)**	**(501,695)**	**(524,986)**	**23,291**
O	**Net financial debt (J+N)**	**(602,866)**	**(453,244)**	**(149,623)**
P	**Loans issued to third parties**	**501**	**474**	**27**
Q	**Net financial debt (O + P) - F.I.L.A. Group**	**(602,365)**	**(452,770)**	**(149,595)**

Note:

1) The net financial debt calculated at point “O” complies with Consob Communication DEM/6064293 of July 28, 2006, which excludes non-current loan assets.The net financial debt of the F.I.L.A. Group differs from the above communication by Euro 501 thousand, mainly in relation to Omyacolor S.A and Pacon Corporation

2) At June 30, 2019, there were no transactions with related parties which impacted the net financial debt.

3) "M - Other non-current loans and borrowings" include derivatives (IRS) of Euro 15,781 Euro thousand.

Note 12 - Share Capital and Equity

Share Capital

The subscribed and paid-up share capital at June 30, 2019 of the Parent F.I.L.A. S.p.A., fully paid-in, comprises 50,933,917 shares, as follows:

- 42,852,061 ordinary shares, without nominal value;
- 8,081,856 class B shares, without nominal value, which attribute 3 votes exercisable at the Shareholders' Meeting (ordinary and extraordinary) of F.I.L.A. S.p.A..

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

	No. of shares	% of share capital	Euro	Listing
Ordinary shares	42,852,061	84.14%	39,434,113	MTA - STAR Segment
Class B shares (multiple votes)	8,081,856	15.86%	7,436,029	Unquoted Shares

According to the available information, published by Consob and updated at June 30, 2019, the main shareholders of the Parent were:

Shareholder	Ordinary shares	%
Pencil S.p.A.	13,694,564	31.96%
Venice European Investment Capital S.p.A.	3,875,832	9.1%
Sponsor	361,291	0.84%
Market investors	24,920,374	58.1%
Total	**42,852,061**	

Shareholder	Ordinary shares	Class B shares	Total	Voting rights
Pencil S.p.A.	13,694,564	8,081,856	21,776,420	56.54%
Venice European Investment Capital S.p.A.	3,875,832		3,875,832	5.78%
Space Holding Srl	361,291		361,291	0.54%
Market investors	24,920,374		24,920,374	37.14%
Total	**42,852,061**	**8,081,856**	**50,933,917**	

Each ordinary share attributes voting rights without limitations.

Each class B share attributes three votes, in accordance with Article 127-*sexies* of Legislative Decree No. 58/1998.

Legal Reserve

At June 30, 2019, this account amounted to Euro 7,765 thousand. The movement of Euro 331 thousand as per the Shareholders' Meeting motion of April 18, 2019, is reported, which allocated 5% of the profits to the legal reserve in accordance with Article 2430 of the Civil Code.

Share premium reserve

The reserve amounts to Euro 153,622 thousand at June 30, 2019 (Euro 151,769 thousand at December 31, 2018).

The increase of Euro 1,853 thousand stems from a decrease of Euro 725 thousand to Accessory charges, net of the relative tax effect of Euro 281 thousand, recognised to equity as related to the share capital increase by the parent F.I.L.A. S.p.A. in 2018 and an increase of Euro 2,578 thousand.

We highlight in addition the restriction on the distribution of a portion of the share premium reserve related to the revaluation of the investment held in the company DOMS Industries Pvt Ltd (Euro 15,052 thousand), in accordance with Article 6, paragraph 1, letter a) of Legislative Decree No. 38 of February 28, 2015, following the purchase of the majority interest.

Sponsor Warrants

At June 30, 2019, no sponsor warrants had been exercised.

Actuarial gains/(losses)

Following the application of IAS 19, the equity reserve is negative for Euro 3,240 thousand, increasing Euro 13 thousand in the period limited to the share of the F.I.L.A. Group.

Other Reserves

At June 30, 2019, this account included:

- The IRS fair value reserve on contracts undertaken by Dixon Ticonderoga Company, F.I.L.A. S.p.A. and Canson SAS at June 30, 2019 was negative for Euro 15,759 thousand, recording a decrease of Euro 10,657 thousand compared to December 31, 2018.
  This change relates for Euro 90 thousand to the fair value adjustment of the derivative of Canson SAS, for Euro 3,408 thousand to the fair value adjustment of the derivative of F.I.L.A. S.p.A. and for Euro 7,159 thousand to the fair value adjustment of the derivative of the US subsidiary Dixon Ticonderoga Company (U.S.A.);
- "Share Based Premium" reserve totalling Euro 2,474 thousand and decreasing Euro 358 thousand due to the release of Euro 1,040 thousand in relation to the medium/long-term incentive plan concluded in advance during the period and an increase of Euro 682 thousand

against the new medium/long-term incentive plan in favour of F.I.L.A. Group management from April 18, 2019. The accounting treatment applied is in line with the accounting standards which establish that for equity share based payments, the fair value at the vesting date of the share options granted to employees is recorded under personnel expenses, with a corresponding increase in Shareholders' equity within the account "Other reserves and retained earnings", over the period in which the employees will obtain the unconditional right to the incentives. The amount recorded as cost is adjusted to reflect the effective number of incentives (options) for which the conditions have matured and the achievement of "non-market" conditions, in order that the final cost recorded is based on the number of incentives which will mature. Similarly, in the initial estimate of the fair value of the options assigned, consideration is taken of the non-maturation conditions. The changes to market value subsequent to the grant date shall not produce any financial statement effect.

Translation reserve

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

The changes in the "Translation Reserve" concerning only the Group Equity for H1 2019:

TRANSLATION RESERVE	
Euro thousands	
December 31, 2018	**(22,524)**
Changes	
Difference between the average rate for the period and the closing rate	1,798
Difference between the historical rate and the closing rate	96
June 30, 2019	**(20,630)**
Change	**1,894**

Retained earnings

The reserve totalled Euro 153,616 thousand and increased by Euro 4,677 thousand on the previous year principally due to:

- The distribution of dividends to F.I.L.A. S.p.A.'s shareholders for Euro 4,070 thousand, as per the Shareholders' resolution of April 18, 2019;
- The profit of Euro 8,747 thousand for the year 2018;

Equity attributable to non-controlling interests

Equity attributable to non-controlling interests increased Euro 1,344 thousand, principally due to:

- Non-controlling interest profit of Euro 1,074 thousand;
- Distribution of dividends to non-controlling interests of Euro 192 thousand;
- Exchange rate losses of Euro 348 thousand;
- Share capital increase of Euro 21 thousand by minorities of the South African subsidiary FILA SA.

Basic and diluted earnings per share

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

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

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

The table below illustrates the reconciliation between the equity of the Parent F.I.L.A. S.p.A. and the consolidated equity and the reconciliation between the result of the Parent F.I.L.A. S.p.A. and the consolidated result:

Reconciliation between the Parent's and Group's equity at June 30, 2019

Euro thousands

F.I.L.A. S.p.A.	**268,380**
Effect of elimination of Intragroup margins and consolidation entries	(3,362)
Consolidation effect Omyacolor S.A. (France)	6,682
Consolidation effect FILA Art and Craft (Israel)	15
Consolidation effect Dixon Ticonderoga Group	50,145
Consolidation effect Lyra Group	(11)
Consolidation effect FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey)	(2,052)
Consolidation effect FILA Stationary O.O.O. (Russia)	(507)
Consolidation effect FILA Hellas (Greece)	2,008
Consolidation effect Industria Maimeri S.p.A. (Italy)	(860)
Consolidation effect FILA SA (South Africa)	(1,013)
Consolidation effect Fila Polska Sp. Z.o.o (Poland)	891
Consolidation effect DOMS Industries Pvt Ltd (India)	23,582
Consolidation effect Daler-Rowney Lukas Group	(17,754)
Consolidation effect St Cuthberts Holding (UK)	1.081
Consolidation effect FILA Iberia S.L. (Spain)	7,077
Consolidation effect Canson Group	12,699
Consolidation effect FILA Art Product AG (Switzerland)	48
Consolidation effect Pacon Group	(3,734)
Total	**343,315**
"Non-controlling interests" consolidation effect	26,434
Group	**316,881**

Reconciliation at June 30, 2019 between Parent Result and F.I.L.A. Group Result

Euro thousands

F.I.L.A. S.p.A. Profit	**11,138**
Profit of Subsidiaries of the Parent	**21,428**
Elimination of the effects of transactions between consolidated companies:	
Dividends	(14,459)
Net Inventory Profit Margins	(903)
Adjustments to Group accounting policies:	
Stock Option Plan	(4)
Adoption - IFRS 9	(60)
Consolidation Daler Rowney Lukas Group - reversal write-down of investments in the separate financial statements of Daler Rowney Ltd	962
Consolidation F.I.L.A. S.p.A. - reversal write-down of investments in the separate financial statements of F.I.L.A. S.p.A.	(59)
Total Profit	**18,042**
Non-controlling interests	1,074
F.I.L.A. Group Profit	**16,968**

Note 13 - Financial Liabilities

The balance at June 30, 2019 amounts to Euro 620,034 thousand (Euro 606,096 thousand at December 31, 2018), of which Euro 485,914 thousand non-current and Euro 134,120 thousand current. The account refers to both non-current and current portions of the loans granted by banking institutions, other lenders, bank overdrafts and the liabilities from the adoption by the Group of the new standard IFRS 16, which entered into force on January 1, 2019.

The breakdown at June 30, 2019 is illustrated below.

Note 13.A - FINANCIAL LIABILITIES: Third parties

Euro thousands	Bank loans and borrowings		Other loans and borrowings		Bank overdrafts		Lease liabilities		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
December 31, 2018	**599,463**	**(5,506)**	**1,329**	**(41)**	**10,771**	**80**	**-**	**-**	**606,096**
non-current portion	526,352	(7,573)	1,133	(28)	-	-	-	-	519,884
current portion	73,111	2.067	196	(13)	10,771	80	-	-	86,211
June 30, 2019	**528,244**	**(5,511)**	**1,451**	**(65)**	**19,491**	**51**	**76,373**	**-**	**620,034**
non-current portion	416,673	(7,142)	624	(52)	-	-	75,811	-	485,914
current portion	111,571	1,631	827	(13)	19,491	51	562	-	134,120
Change	**(71,219)**	**(4)**	**122**	**(24)**	**8,720**	**(29)**	**76,373**	**-**	**13,939**
non-current portion	(109,679)	431	(509)	(24)	-	-	75,811	-	(33,970)
current portion	38,460	(436)	631	(1)	8,720	(29)	562	-	47,908

Bank Loans and Borrowings

With reference to bank loans and borrowings, the total exposure of the Group amounts to Euro 522,733 thousand (Euro 593,957 thousand at December 31, 2018), of which Euro 113,202 thousand as current (Euro 75,178 at December 31, 2018) and Euro 409,531 thousand as non-current (Euro 518,779 thousand at December 31, 2018).

The decrease of Euro 71,223 mainly concerns the partial repayment of Euro 100 million on January 11, 2019 of credit lines (medium/long-term Euro 125 million 5-year Bullet repayment line) subscribed by F.I.L.A. S.p.A. and Dixon Ticonderoga Company (U.S.A.) on June 4, 2018. The structured loan in question was agreed by the two companies with a bank syndicate consisting of UniCredit S.p.A. as global coordinator, Banca IMI S.P.A., Mediobanca Banca di Credito Finanziario S.p.A., Banca Nazionale del Lavoro and Banco BPM S.p.A. as mandated lead arrangers and UniCredit Bank AG as security agent in support of the acquisition of the company Pacon Holding Company, parent of the Pacon Group. In addition, part of the loan issued to F.I.L.A. S.p.A. was utilized to repay the previous loan undertaken in 2016 (in support of M&A's regarding the acquisition of the Daler-Rowney Lukas Group, the Canson Group and of St. Cuthberts Holding) and was subsequently increased in the initial months of 2018 with a further extension of Euro 30,000 thousand. On contracting a new Senior Facility Agreement on June 4, 2018, the existing loan was settled for a total amount of Euro 220,276 thousand.

The amounts of each facility at period end are detailed below:

Note 13.C - BANK LOANS AND BORROWINGS: BREAKDOWN

Euro thousands	Principal F.I.L.A. S.p.A.	Principal Dixon Ticonderoga Company (U.S.A.)	Total
Facility A	75,000	75,000	150,000
Facility B	90,000	155,000	245,000
Facility C	25,000	-	25,000
Total	**190,000**	**230,000**	**420,000**

The Facility A line (Euro 150,000 thousand) stipulates a repayment plan consisting of 8 half-yearly instalments, of which the initial two instalments were classified to short-term as due on December 4, 2019 and June 4, 2020, while the two Facility B lines (Euro 245,000 thousand) and the Facility C line (Euro 25,000 thousand) are Bullet loans, with single repayments respectively on June 4, 2024 and June 4, 2023.

The Revolving Credit Facility stipulates the issue of short-term tranches of 1, 3 or 6 months, for a maximum amount of Euro 50,000 thousand and currently unutilised.

The repayment plans by Facility are outlined below:

Note 13.D - BANK LOANS AND BORROWINGS: REPAYMENT PLAN

Euro thousands	Facility	Principal F.I.L.A. S.p.A.	Principal Dixon Ticonderoga Company (U.S.A.)	Total
December 4, 2019	Facility A	3,750	3,750	7,500
June 4, 2020	Facility A	3,750	3,750	7,500
December 4, 2020	Facility A	5,625	5,625	11,250
June 4, 2021	Facility A	5,625	5,625	11,250
December 6, 2021	Facility A	7,500	7,500	15,000
June 6, 2022	Facility A	7,500	7,500	15,000
December 5, 2022	Facility A	11,250	11,250	22,500
June 2, 2023	Facility A	30,000	30,000	60,000
Totale - Facility A		**75,000**	**75,000**	**150,000**
Bullet Loan - June 4, 2024	Facility B	90,000	155,000	245,000
Totale - Facility B		**90,000**	**155,000**	**245,000**
Bullet Loan - June 4, 2023	Facility C	25,000	-	25,000
Totale - Facility C		**25,000**	**-**	**25,000**

The loan was initially recognised at fair value, including directly associated transaction costs. The initial carrying amount was subsequently adjusted to account for redemptions in principal, any impairment losses and amortisation of the difference between the redemption value and initial carrying amount. Amortisation is made on the basis of the internal effective interest rate represented by the rate equal to, at the moment of initial recognition, the present value of expected cash flows and the initial carrying amount (amortised cost method). The effect in H1 2019 of the amortised cost method is Euro 145 thousand of interest (of which Euro 465 thousand concerning F.I.L.A. S.p.A. and Euro 320 thousand concerning Dixon Ticonderoga U.S.A.).

Net of the above loan amounting at June 30, 2019 to Euro 404,169 thousand, the residual value of non-current financial liabilities amounts to Euro 5,365 thousand and principally relates to the non-current portion of the loans granted to:

- DOMS Industries Pvt Ltd (India) by HDFC Bank for Euro 493 thousand;
- Canson SAS (France) by Intesa Sanpaolo S.p.A. for Euro 4,872 thousand.

The current portion of bank loans and borrowing amounts to Euro 113,202 thousand, increasing Euro 38,025 thousand on 2018 and principally concerns the non-current portion of the above-mentioned loan of Euro 13,974 thousand, in addition to the greater use of the credit lines granted to Group

companies. This relates to the seasonality of business activities which concentrate funding requirements in the middle of the year, against an improvement in cash flow at the end of the year.
The main exposure of the Group companies to credit institutions concerns:

- Credit Line issued by Unicredit S.p.A., Intesa Sanpaolo and Bank of the West, with a total exposure at June 30, 2019 of Euro 40,143 thousand of the US subsidiary Dixon Ticonderoga Company. The current portion of the structured loan of Euro 12,678 thousand was also classified as short-term. The total exposure is higher by Euro 6,453 thousand compared to December 2018 and including negative currency effects of Euro 177 thousand;

- Credit Lines granted by Banamex S.A., Grupo Financiero BBVA Bancomer S.A., Banco Santander S.A., Banco Sabadell S.A. and Scotiabank Inverlat S.A. to Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for a total of Euro 48,573 thousand. During the period the total amount increased by Euro 21,713 thousand, of which Euro 827 thousand due to the negative exchange rate effect;

- Credit Lines issued to Lyra KG (Germany) by Commerzbank and Unicredit for Euro 6,647 thousand. The current debt of the German company also comprises the current portion of loans issued by Hypo Real Estate for Euro 147 thousand. The company's total financial exposure increased Euro 1,447 thousand on 2018.

- Credit line granted in favour of Fila Dixon Stationery (Kunshan) Co., Ltd. (China) by Intesa Sanpaolo S.p.A. and UniCredit S.p.A. for Euro 475 thousand, increasing on December 2018 for Euro 260 thousand;

- The current portion of the loan and the credit lines granted to DOMS Industries Pvt Ltd (India) by HDFC Bank for Euro 3,679 thousand; the exposure increased Euro 1,192 thousand on December 2018;

- The current portion of the loan contracted by Canson SAS for Euro 844 thousand;

- Credit line in favour of Canson Brasil I.P.E. LTDA BNP for a total of Euro 487 thousand (Euro 447 thousand at December 31, 2018);

- The current portion of the loans of Euro 367 thousand granted to Industria Maimeri by Banca Popolare di Milano, BPER and Creval. The exposure decreased by Euro 730 thousand on the previous year.

- The current portion of the loans granted to Omyacolor S.A. (France) for Euro 2,700 thousand.

Covenants

The F.I.L.A. Group, against the debt undertaken with leading credit institutions (UniCredit S.p.A., Banca IMI S.P.A., Mediobanca Banca di Credito Finanziario S.p.A., Banca Nazionale del Lavoro, Banco BPM S.p.A. and UniCredit Bank AG) is subject to commitments and covenants.

Covenants are verified half-yearly and annually. In particular, the covenants on the loan contracts concern: Net Financial Debt (NFD), gross operating profit (loss) (EBITDA) and Net Financial Charges (NFC), calculated on the basis of the F.I.L.A. Group's half-year and annual consolidated financial statements prepared in accordance with the IFRS.
The criteria for the calculation of the NFD and the EBITDA are established by the relative loan contract.

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

Leverage Ratio at June 2019: NFD / EBITDA < 5.50

As required by Consob Communication No. DEM/6064293 of 28/07/2006, we report that the impact of non-compliance with the covenants as established by the underlying contracts essentially concerns the possibility that the lending banks may revoke the loan contract and/or declare forfeiture of the repayment conditions upon all or part of the loans.
At June 30, 2019, the FILA Group had complied with the above "covenants".

Financial Liabilities - Other Lenders

"Financial Liabilities – Other Lenders" at June 30, 2019 totalled Euro 1,386 thousand (Euro 1,288 thousand at December 31, 2018), with the current portion totalling Euro 814 thousand (Euro 183 thousand at December 31, 2018).

Financial Liabilities - Bank Overdrafts

"Bank Overdrafts" amounted to Euro 19,542 thousand (Euro 10,851 thousand at December 31, 2018) and concern the overdrafts principally of F.I.L.A. S.p.A. (Euro 8,676 thousand), Industria Maimeri S.p.A. (Euro 6,479 thousand), Canson SAS (Euro 2,000 thousand) and Fila Stationary O.O.O. (Euro 2,183 thousand).

The changes on December 2018 mainly relates to F.I.L.A. S.p.A. against the utilisation of Euro 5,661 thousand.

IFRS 16

"Financial Liabilities" at June 30, 2019 include the effects from the adoption by the Group of "IFRS 16" from January 1, 2019, which resulted at June 30, 2019 in an increase of Euro 76,373 thousand, of which Euro 75,811 thousand non-current and Euro 562 thousand current.

The carrying amount of financial liabilities represents their "Fair Value" at the reporting date. Fair value is divided into the following hierarchical levels:

- Level 1: listed prices (not adjusted) on active markets for identical assets or liabilities;
- Level 2: input data other than listed prices (included in Level 1) which are observable for assets or liabilities, both directly (as in the case of prices) and indirectly (as derived from prices);
- Level 3: input data concerning assets or liabilities which are not based on observable market data.

The carrying amount and the fair value, included in the relative fair value hierarchy, of financial liabilities at June 30, 2019 and December 31, 2018 are presented below. In the current period, it is not necessary to state the fair value of lease liabilities.

Euro thousands	June 30, 2019	Measurement model	Level 1	Level 2	Level 3
Financial Liabilities					
Bank Loans and Borrowings	522,733	*Amortised cost*			
Other Loans and Borrowigs	1,386	*Amortised cost*			
Bank overdrafts	19,542	*Amortised cost*			
Financial Instruments	15,781	*Fair value*			15,781
Trade Payables and Other Liabilities	117,377	*Amortised cost*			
Total Financial Liabilities	**676,819**		**-**	**-**	**15,781**

Euro thousands	June 30, 2019	Measurement model	Level 1	Level 2	Level 3
Financial Liabilities					
Bank Loans and Borrowings	593,957	*Amortised cost*			
Other Loans and Borrowigs	1,288	*Amortised cost*			
Bank overdrafts	10,851	*Amortised cost*			
Financial Instruments	5,102	*Fair value*			5,102
Trade Payables and Other Liabilities	105,537	*Amortised cost*			
Total Financial Liabilities	**716,735**		**-**	**-**	**5,102**

Note 14 - Employee Benefits

The F.I.L.A. Group companies guarantee post-employment benefits for employees, both directly and through contributions to external funds.

The means for accruing these benefits varies according to the legal, fiscal and economic conditions of each Country in which the Group operates. These benefits are based on remuneration and years of employee service.

The benefits recognised to employees of the Parent F.I.L.A. S.p.A. concern salary-based Post-Employment Benefits, governed by Italian legislation and in particular Article 2120 of the Italian Civil Code. The amount of these benefits is in line with the contractually-established compensation agreed between the parties on hiring.

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

In the case of defined contribution plans, the Group companies pay the contributions to public or private insurance institutions based on legal or contractual obligations, or on a voluntary basis. With the payment of contributions, the companies fulfil all of their obligations. The cost is accrued based on employment rendered and is recorded under personnel expenses.

The defined benefit plans may be unfunded, or they may be partially or fully funded by the contributions paid by the company, and sometimes by its employees to a company or fund, legally separate from the company which provides the benefits to the employees. The plans provide for a fixed contribution by the employees and a variable contribution by the employer, necessary to at least satisfy the funding requirements established by law and regulation in the individual countries.

Finally, the Group recognises to employees other long-term benefits, generally issued on the reaching of a fixed number of years of service or in the case of invalidity. In this instance, the value of the obligation recognised to the financial statements reflects the probability that the payment will be issued and the duration for which payment will be made. These plans are calculated on an actuarial basis, utilising the "projected unit credit" method.

The amounts at June 30, 2019 were as follows:

Note 14.A - ITALIAN POST-EMPLOYMENT BENEFITS AND OTHER EMPLOYEE BENEFITS

Euro thousands	Post-employment benefits (Italy)	Other employee benefits	Total
December 31, 2017	**2,391**	**6,345**	**8,736**
Benefits paid	(840)	(1,860)	(2,700)
Interest cost	30	144	174
Service cost	602	2,141	2,743
Actuarial losses	37	1,893	1,930
Exchange losses	-	48	48
31 Dicembre 2018	**2,220**	**8,711**	**10,931**
Benefits paid	(491)	(688)	(1,179)
Interest cost	12	82	94
Service cost	362	1,117	1,479
Actuarial gains/losses	108	(77)	31
Exchange losses	-	25	25
June 30, 2019	**2,211**	**9,170**	**11,381**
Change	**(9)**	**459**	**450**

The "Actuarial Losses" totalled Euro 31 thousand, recognised net of the fiscal effect directly to equity.

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

EMPLOYEE BENEFIT PLANS

1. Employee benefit obligations	June 30, 2019	December 31, 2018
Present value of obligations funded by plan assets	2,211	2,220
	2,211	**2,220**
Present Value of Obligations Covered by plan assets	11,795	11,682
Fair value of plan assets relating to the obligations	(2,625)	(2,971)
	9,170	**8,711**
Total	**11,381**	**10,931**

The financial assets at June 30, 2019 invested by the F.I.L.A. Group to cover financial liabilities arising from "Employee Benefits" amount to Euro 2,625 thousand (Euro 2,971 thousand at December 31, 2018) and mainly relate to Dixon Ticonderoga Company (Euro 1,720 thousand) and F.I.L.A.-Dixon, S.A. de C.V. (Euro 905 thousand). The financial investments have an average yield of 5% on invested capital (equally broken down between investments in the "Ticket PFG" fund and investments in guaranteed investment contracts). The "structure" of financial investments at June 30, 2019 did not change on the previous year.

The table below highlights the net cost of employee benefit components recognised in profit or loss:

2. Cost recognised in profit or loss	June 30, 2019	December 31, 2018
Service cost	1,479	2,743
Interest cost	94	174
Cost recognised in profit or loss	**1,574**	**2,917**

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

3. Main actuarial ssumptions at reporting date (average values)	June 30, 2019	December 31, 2018
Annual technical discount rate	3.2%	3.5%
Increase in cost of living index	3.9%	4.0%
Future salary increase	3.3%	2.83%
Future pension increase	2.9%	2.7%

Note 15 - Provision for risks and charges

"Provision for Risks and Charges" at June 30, 2019 amounts to Euro 2,633 thousand (Euro 7,237 thousand at December 31, 2018), of which Euro 1,204 thousand (Euro 3,668 thousand at December 31, 2018) concerning the non-current portion and Euro 1,429 thousand (Euro 3,569 thousand at December 31, 2018) concerning the current portion.

Note 15.A - PROVISIONS FOR RISKS AND CHARGES

Euro thousands	Provisions for tax disputes	Provisions for legal disputes	Pension and similar provisions	Restructuring provisions	Other provisions	Total
December 31, 2018	**9**	**289**	**710**	**2,222**	**4,007**	**7,237**
non-current portion	-	-	673	-	2,995	3,668
current portion	9	289	37	2,222	1,012	3,569
June 30, 2019	**-**	**309**	**740**	**1,042**	**543**	**2,633**
non-current portion	-	-	731	294	179	1,204
current portion	-	309	9	748	363	1,429
Change	**(9)**	**20**	**30**	**(1,179)**	**(3,464)**	**(4,604)**
non-current portion	-	-	58	294	(2,816)	(2,463)
current portion	(9)	20	(28)	(1,474)	(648)	(2,140)

The changes in the account "Provision for Risks and Charges" at June 30, 2019 are as follows:

Note 15.B PROVISIONS FOR RISKS AND CHARGES: CHANGES

Euro thousands	Provisions for tax disputes	Provisions for legal disputes	Pension and similar provisions	Restructuring provisions	Other provisions	Total
December 31, 2017	**159**	**213**	**794**	**1,957**	**1,889**	**5,012**
Utilisations	-	-	(182)	(1,012)	(186)	(1,380)
Accruals	-	87	48	1,510	3,120	4,765
Release	(150)	-	-	(238)	(834)	(1,222)
Discounting	-	-	50	-	-	50
Exchange gains/losses	-	(11)	-	5	18	12
December 31, 2018	**9**	**289**	**710**	**2,222**	**4,007**	**7,237**
Utilisations	-	-	-	(1,188)	(560)	(1,749)
Accruals	-	18	20	858	53	949
Release	(9)	-	(28)	(851)	(2,962)	(3,850)
Discounting	-	-	38	-	-	38
Exchange losses	-	3	-	2	4	9
June 30, 2019	**-**	**310**	**740**	**1,042**	**542**	**2,633**
Change	**(9)**	**21**	**30**	**(1,179)**	**(3,465)**	**(4,604)**

Provisions for Tax Disputes

This provision represents the best estimate by management of the liabilities relating to previous tax assessments of F.I.L.A. S.p.A., with an amount of Euro 9 thousand released in 2019 for the conclusion of the assessment made by the public tax departments, concerning financial year 2015 and relating to direct and indirect taxes.

Provisions for Legal Disputes

The provision concerns accruals made in relation to:

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

The provision remains substantially unchanged compared to the previous year.

Pensions and similar provisions

The account includes the agents' leaving indemnity provision at June 30, 2019 of the parent F.I.L.A. S.p.A. and of the subsidiaries Industria Maimeri S.p.A. and Canson Italia S.r.l.. The actuarial loss for H1 2019 was Euro 38 thousand. The actuarial changes in the year, net of the tax effect, are recognised directly to equity.

Restructuring Provisions

For the integration and reorganisation of the Group structure following the corporate operations of recent years, a number of companies established provisions for risks and charges concerning personnel mobility plans for a total of Euro 858 thousand. The plans particularly involve the reorganisation plan for the North American strategic area launched in 2019 with a utilisation of Euro 562 thousand. In accordance with the structural reorganisation plans drawn up by the parent, Euro 514 thousand was utilised in concluding the reorganisation plan involving the German subsidiary Lukas-Nerchau GmbH.

Other Provisions

The total provision amounts to Euro 542 thousand and reduced Euro 3,465 thousand, mainly due to:

- Release for Euro 2,962 thousand concerning the reclassification as a direct reduction of the relative assets in application of the new IFRS 16.

- Accruals for Euro 53 thousand by Dixon Ticonderoga Company (U.S.A.) concerning the environmental reclamation activities relating to actions undertaken in the US in the period prior to acquisition by F.I.L.A. S.p.A.. Reclamation times and estimates will be revised by management until completion. No further disposal and environmental reclamation costs are expected following the reorganisation process involving the F.I.L.A. Group sites.

- Utilisations of provisions for Euro 560 thousand, mainly concerning F.I.L.A. S.p.A. for the liabilities deriving from application of the medium/long-term variable remuneration plan for company senior executives.

Note 16 - Deferred Tax Liabilities

“Deferred Tax Liabilities” amount to Euro 69,982 thousand at June 30, 2019 (Euro 71,616 thousand at December 31, 2018).

Note 16.A CHANGES IN DEFERRED TAX LIABILITIES

Euro thousands	
December 31, 2017	**39,241**
Increase	472
Utilisation	(799)
Exchange losses	663
Decrease recognised in equity	(58)
Change in consolidation scope	32,097
December 31, 2018	**71,616**
Decrease	(384)
Utilisation	(1,680)
Exchange losses	377
Increase recognised in equity	52
June 30, 2019	**69,982**
Change	**(1,634)**

The change on the previous year is principally due to the utilisation of deferred taxes accrued on the higher value of intangible assets and property, plant and equipment recorded through the “Purchase Price Allocation” on the companies acquired during the preceding years (in particular the Canson Group, the Daler-Rowney Lukas Group, Pacon Corporation and DOMS Industries PVT Ltd). Against the gradual amortisation and depreciation of the assets so calculated, the company gradually releases the relative deferred taxes.

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

Note 17 - Financial Instruments

"Financial Instruments" amount to Euro 15,781 thousand at June 30, 2019 (Euro 5,102 thousand at December 31, 2018) and concern the fair value of the derivatives on the loan (hedged instrument) issued in favour of Dixon Ticonderoga Company (U.S.A.), F.I.L.A. S.p.A. and Canson SAS (France) in 2017. The financial instrument (Interest Rate Swap) classified as a hedge, present characteristics in line with those of the hedged instrument, such as the same maturity and the same repayment plan broken down into quarterly instalments with interest in arrears, in addition to a variable interest rate indexed to the Euribor at 3 months.
The movement of Euro 10,657 thousand relates to the adjustment of the instruments to fair value and for Euro 22 thousand positive currency differences.

The accounting treatment adopted for the hedging instruments, based on IAS 39, is based on hedge accounting and in particular that concerning "cash flow hedges" and involving the recognition of a financial asset or liability and an equity reserve.

Nota 18 - Current Tax Liabilities

"Current tax liabilities" total Euro 12,526 thousand at June 30, 2019 (Euro 9,672 thousand at December 31, 2018), relating mainly to Dixon Ticonderoga Company (Euro 1,293 thousand), the Indian company DOMS Industries Pvt Ltd (Euro 2,985 thousand) and Pacon Corporation (Euro 4,336 thousand).

Note 19 - Trade payables and Other Liabilities

“Trade payables and Other Liabilities” at June 30, 2019 amount to Euro 117,377 thousand (Euro 105,537 thousand at December 31, 2018). The breakdown of “Trade payables and Other Liabilities” of the F.I.L.A. Group is reported below:

Note 19.A TRADE PAYABLES AND OTHER LIABILITIES

Euro thousands	June 30, 2019	December 31, 2018	Change
Trade payables	85,353	75,297	10,056
Tax liabilities	9,228	9,053	175
Other	22,225	19,949	2,276
Accrued expenses and deferred income	571	1,238	(668)
Total	**117,377**	**105,537**	**11,840**

The increase in “Trade payables” (Euro 10,056 thousand) is due to business seasonality, with procurement concentrated in the initial months of the year in support of production and supplies for peak sales concentrated in the middle months of the year.
The carrying amount of trade payables at the reporting date approximates their “fair value”.
The trade payables reported above are due within 12 months.

“Tax Liabilities” to third parties amounts to Euro 9,228 thousand at June 30, 2019 (Euro 9,053 thousand at December 31, 2018), of which Euro 7,451 thousand VAT liabilities and Euro 1,777 thousand concerning other taxes. The VAT liability principally concerns the Mexican subsidiary (Euro 3,716 thousand).

“Other” amounts to Euro 22,225 thousand at June 30, 2019 and principally include:

- Employee salary payables of Euro 13,089 thousand (Euro 11,022 thousand at December 31, 2018);
- Social security contributions to be paid of Euro 4,862 thousand (Euro 4,594 thousand at December 31, 2018);
- Payables for agent commissions of Euro 723 thousand (Euro 181 thousand at December 31, 2018);
- The residual liabilities of Euro 3,550 thousand principally concern advances to clients (Euro 4,152 thousand at December 31, 2018).

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

With reference to the other non-current payables, the balance at June 30, 2019 amounted to Euro 44 thousand and refers to deposits paid by clients to guarantee long-term supply contracts of the Indian company DOMS Industries Pvt Ltd (India).

Note 20 - Revenue from sales and services

Revenue from sales and services in H1 2019 amounted to Euro 350,703 thousand (Euro 259,140 thousand in H1 2018).

Note 20.A - REVENUE FROM SALES AND SERVICES

Euro thousands	First Half of 2019	First Half of 2018	Change
Revenue from sales and services	374,824	273,704	101,120
Adjustments to sales	(24,121)	(14,563)	(9,557)
Returns on sales	(6,685)	(8,799)	2,113
Discounts, allowances and bonuses	(17,435)	(5,765)	(11,671)
Total	**350,703**	**259,140**	**91,563**

Revenue from sales and services of Euro 350,703 thousand increased by Euro 91,563 thousand on the previous year.

The increase mainly concerns the change in the consolidation scope, with revenue generated by the Pacon Group in H1 2019 of Euro 104,388 thousand (Euro 16,302 thousand in H1 2018).

For further details, reference should be made to the “Normalised operating performance” and “Disclosure by operating segment” paragraphs of the Directors’ Report.

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

H1 2019 *Euro thousands*	**Europe**	**North America**	**Central & South America**	**Asia**	**Rest of the world**	**F.I.L.A. Group**
Fine Art, Hobby & Digital	31,581	45,567	10,912	2,807	716	91,583
Industrial	5,411	3,133	794	61	1	9,399
School & Office	56,821	118,436	36,139	37,703	621	249,720
Core Business Revenue	**93,812**	**167,136**	**47,845**	**40,571**	**1,338**	**350,703**

H1 2018 *Euro thousands*	**Europe**	**North America**	**Central & South America**	**Asia**	**Rest of the world**	**F.I.L.A. Group**
Fine Art, Hobby & Digital	39,047	28,483	2,556	2,263	1,418	73,767
Industrial	4,384	3,343	763	130	1	8,620
School & Office	68,776	52,404	24,348	30,620	604	176,753
Core Business Revenue	**112,206**	**84,230**	**27,667**	**33,013**	**2,023**	**259,140**

Note 20.B - REVENUE FROM SALES AND SERVICES

Euro thousands	**First Half of 2019**	**First Half of 2018**	**Change**
Europe	113,522	112,206	1,316
North America	166,316	84,230	82,086
Central - South America	28,135	27,667	468
Asia	41,391	33,013	8,378
Other	1,338	2,023	(686)
Total	**350,703**	**259,140**	**91,563**

Note 21 – Other Revenue and Income

The account other income relates to ordinary operations and does not include the sale of goods and provision of services, in addition to realised and unrealised exchange gains on commercial operations.

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

"Other Revenue and Income" in H1 2019 amounted to Euro 3,688 thousand (Euro 4,951 thousand in H1 2018).

Note 21 – OTHER REVENUE AND INCOME			
Euro thousands	First Half of 2019	First Half of 2018	Change
Gains on sales of property, plant and equipment	36	256	(220)
Unrealised exchange gains on commercial transactions	1,476	1,957	(481)
Realised exchange gains on commercial transactions	1,179	1,663	(484)
Other	997	1,075	(78)
Total	**3,688**	**4,951**	**(1,263)**

"Other Revenue and Income" in H1 2019 of Euro 997 thousand principally includes income from the sale of production waste by Group companies and an insurance payment received by Daler Rowney Ltd (UK).

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

The account "Raw materials, supplies, consumables and goods" includes all purchases of raw materials, semi-processed products, transport for purchases, goods and consumables for operating activities. These amount to Euro 174,400 thousand (Euro 130,607 thousand in H1 2018).
The breakdown is provided below:

Note 22 - RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS			
Euro thousands	First Half of 2019	First Half of 2018	Change
Raw materials, consumables, supplies and goods	(152,319)	(110,547)	(41,772)
Transport costs	(6,531)	(6,075)	(455)
Packaging	(5,580)	(5,083)	(498)
Import charges and customs duties	(3,004)	(2,905)	(99)
Other purchase costs	(7,072)	(5,670)	(1,403)
Materials for maintenance	(526)	(464)	(62)
Adjustments to purchases	632	137	495
Returns on purchases	*578*	*16*	*561*
Discounts, allowances and bonuses	*54*	*120*	*(66)*
Total	**(174,400)**	**(130,607)**	**(43,794)**

The increase in "Costs for Raw Materials, Supplies, Consumables and Goods" in H1 2019 was Euro 43,794 thousand. The increase mainly concerns the consolidation for the entire first half of 2019 of the Pacon Group.

The increase in inventories in H1 2019 totalled Euro 16,349 thousand, of which:

- increase of "Raw Materials, Supplies, Consumables and Goods" for Euro 5,054 thousand (decrease of Euro 1,947 thousand in H1 2018);
- increase in "Contract Work in Progress and Semi-Finished products" of Euro 3,030 thousand (increase of Euro 3,540 thousand in H1 2018);
- increase in "Finished Products" of Euro 8,265 thousand (increase of Euro 25,542 thousand in H1 2018).

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

Note 23 - Service Costs and Use of Third-Party Assets

"Service Costs and Use of Third-Party Assets" amounted in H1 2019 to Euro 61,206 thousand (Euro 65,836 thousand in H1 2018).

Services costs are broken down as follows:

Note 23 - SERVICES AND USE OF THIRD PARTY ASSETS

Euro thousands	First Half of 2019	First Half of 2018	Change
Sundry services	(4,530)	(3,433)	(1,097)
Transport	(15,841)	(10,760)	(5,081)
Warehousing	(934)	(862)	(73)
Maintenance	(6,145)	(5,109)	(1,036)
Utilities	(5,190)	(4,038)	(1,152)
Consulting	(5,288)	(12,447)	7,159
Directors' and statutory auditors' fees	(2,252)	(2,309)	58
Advertising, promotions, shows and fairs	(3,794)	(3,587)	(207)
Cleaning	(642)	(405)	(237)
Bank charges	(507)	(450)	(57)
Agents	(4,133)	(3,634)	(499)
Sales representatives	(2,803)	(2,630)	(174)
Sales commissions	(2,124)	(6,166)	4,042
Insurance	(1,262)	(924)	(338)
Other service costs	(3,036)	(2,420)	(616)
Rent	(2,346)	(6,373)	4,027
Royalties and patents	(378)	(288)	(90)
Total	**(61,206)**	**(65,836)**	**4,630**

"Service Costs and Use of Third-party Assets" decreased by Euro 4,630 thousand compared to first half of 2018. This change mainly relates to lower consultancy costs incurred by the Parent F.I.L.A. S.p.A for M&A's and the share capital increase in 2018, in addition to the change in "Operating Leases" compared to H1 2018, mainly regarding the adoption of IFRS 16.

At the same time, "Transport" costs increased, almost exclusively due to the consolidation for the entire first half of 2019 of the Pacon Group.

Note 24 – Other Costs

These totalled in H1 2019 Euro 3,829 thousand (Euro 5,949 thousand in H1 2018).

The account principally includes realised and unrealised exchange rate losses on commercial transactions. For further details on currency differences, reference should be made to "Note 31 - Foreign currency transactions".

"Other costs" are broken down as follows:

Note 24 – OTHER COSTS

Euro thousands	First Half of 2019	First Half of 2018	Change
Unrealised exchange losses on commercial transactions	(1,327)	(3,193)	1,866
Realised exchange losses on commercial transactions	(1,756)	(2,464)	708
Other	(746)	(293)	(453)
Total	**(3,829)**	**(5,949)**	**2,120**

The increase in "Other operating charges" in H1 2019 of Euro 453 thousand was mainly due to costs incurred by Dixon Ticonderoga Company (U.S.A.) and the parent F.I.L.A. S.p.A., primarily relating to tax charges other than income taxes, such as municipal taxes on property.

Note 25 – Personnel Expenses

"Personnel Expenses" include all costs and expenses incurred for employees.

They amounted to Euro 71,367 thousand in H1 2019 (Euro 54,286 thousand in H1 2018).

These costs are broken down as follows:

Note 25 – PERSONNEL EXPENSE			
Euro thousands	**First Half of 2019**	**First Half of 2018**	**Change**
Wages and salaries	(55,195)	(40,730)	(14,465)
Social security charges	(12,351)	(9,271)	(3,080)
Employee benefits	(1,117)	(1,112)	(5)
Post-employment benefits	(362)	(213)	(149)
Other personnel expenses	(2,341)	(2,960)	619
Total	**(71,367)**	**(54,286)**	**(17,081)**

"Personnel expenses" increased Euro 17,081 thousand over H1 2018. This is mainly due to the consolidation for the entire first half of 2019 of the Pacon Group (Euro 18,426 thousand in H1 2019) and to increased personnel expense at the Indian and Mexican production sites, and also at the subsidiary (Pacon Corporation (U.S.A.).

The following table reports the breakdown of the F.I.L.A. Group workforce at June 30, 2019 and December 31, 2018 by region.

	Europe	North America	Central - South America	Asia	Rest of the World	Total
December 31, 2018	**1,076**	**705**	**1,860**	**5,886**	**33**	**9,560**
June 30, 2019	**1,118**	**700**	**1,919**	**6,260**	**28**	**10,025**
Change	**42**	**(5)**	**59**	**374**	**(5)**	**465**

The increase on December 31, 2018 was 465 and mainly concerned the expanded workforce at the Indian company.

Note 26 – Amortisation and Depreciation

"Amortisation & Depreciation" in H1 2019 amounted to Euro 19,465 thousand (Euro 9,468 thousand in H1 2018). The breakdown for H1 2019 and H1 2018 was as follows:

Note 26 – AMORTISATION AND DEPRECIATION			
Euro thousands	**First Half of 2019**	**First Half of 2018**	**Change**
Depreciation	(7,222)	(5,712)	(1,510)
Amortisation	(7,141)	(3,757)	(3,385)
Depreciaiton of right-of-use assets	(5,101)	-	(5,101)
Total	**(19,465)**	**(9,468)**	**(9,996)**

The increase in "Amortisation and Depreciation" compared to H1 2018 was mainly due to the application of IFRS 16, which resulted in depreciation of Right-of-Use assets of Euro 5,101 thousand, and to the consolidation for the entire first half of the year of the Pacon Group (Euro 4,358 thousand in H1 2019).

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

Note 27 – Net impairment Losses on Trade Receivables and Other Assets

Total net "Impairment losses on Trade Receivables and Other Assets" amounted to Euro 733 thousand in H1 2019 (Euro 1,582 thousand in H1 2018).

Nota 27 - NET IMPAIRMENT LOSSES ON TRADE RECEIVABLES AND OTHER ASSETS			
Euro thousands	**First Half of 2019**	**First Half of 2018**	**Change**
Net impairment losses on trade receivables and other assets	(733)	(1,582)	851
Total	**(733)**	**(1,582)**	**851**

The reduction in "Impairment losses on Trade Receivables and Other Receivables" is mainly due to the US subsidiary Dixon Ticonderoga.

Nota 28 – Other net impairment losses

Total "Other net Impairment losses on Other Assets" in H1 2019 amount to Euro 48 thousand (Euro 7 thousand in H1 2018).

Note 28 – OTHER NET IMPAIRMENT LOSSES			
Euro thousands	**First Half of 2019**	**First Half of 2018**	**Change**
Net impairment losses on Property, Plant and Equipment	(48)	(7)	(41)
Total	**(48)**	**(7)**	**(41)**

The reduction in in this caption is mainly due to the US subsidiary Dixon Ticonderoga Company (U.S.A.).

Note 29 – Financial income

The account in H1 2019 amounted to Euro 2,986 thousand (Euro 4,151 thousand in H1 2018).

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

Note 29 - FINANCIAL INCOME			
Euro thousands	**First Half of 2019**	**First Half of 2018**	**Change**
Interest on bank deposits	82	55	27
Gains on non-current financial assets	-	6	(6)
Other financial income	336	29	307
Unrealised exchange gains on financial transactions	2,260	1,757	503
Realised exchange gains on financial transactions	308	2,305	(1,997)
Total	**2,986**	**4,151**	**(1,167)**

The main change of Euro 1,997 thousand is due to "Realised exchange rate gains on financial transactions".

Note 30 – Financial Expense

The account in H1 2019 amounted to Euro 18,311 thousand (Euro 14,120 thousand in H1 2018).

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

Note 30 - FINANCIAL EXPENSE			
Euro thousands	First Half of 2019	First Half of 2018	Change
Interest on current account overdrafts	(87)	(84)	(3)
Interest on bank loans and borrowings	(12,464)	(5,712)	(6,752)
Interest on other loans and borrowings	(27)	(25)	(2)
Other financial expense	(1,421)	(4,141)	2,720
Unrealised exchange losses on financial transactions	(1,273)	(3,683)	2,410
Realised exchange losses on financial transactions	(105)	(476)	371
Lease interest expense	(2,934)	-	(2,934)
Total	**(18,311)**	**(14,120)**	**(4,192)**

The change in "Financial expense" in H1 2019 of Euro 4,192 thousand, net of currency differences, relates both to increased "Interest on bank loans and borrowings" incurred by the parent F.I.L.A. S.p.A. and by the US subsidiary Dixon Ticonderoga Co. (U.S.A.) relating to the new structured loan to support the operation of the US Group Pacon in 2018 and the "Lease Interest expense" concerning the initial application of IFRS 16.

Note 31 – Foreign Currency Transactions

Exchange rate differences on financial and commercial transactions in foreign currencies in H1 2019 are reported below.

Note 31 - FOREIGN CURRENCY TRANSACTIONS			
Euro thousands	First Half of 2019	First Half of 2018	Change
Net unrealised exchange gains on commercial transactions	1,476	1,957	(481)
Net realised exchange gains on commercial transactions	1,179	1,663	(484)
Net unrealised exchange losses on commercial transactions	(1,327)	(3,193)	1,867
Net realised exchange losses on commercial transactions	(1,756)	(2,464)	708
Net exchange losses on commercial transactions	**(428)**	**(2,037)**	**1,609**
Net unrealised exchange gains on financial transactions	2,260	1,757	503
Net realised exchange gains on financial transactions	308	2,305	(1,998)
Net unrealised exchange losses on financial transactions	(1,273)	(3,683)	2,409
Net realised exchange losses on financial transactions	(105)	(476)	371
Net exchange gains (losses) on financial transactions	**1,189**	**(96)**	**1,285**
Net exchange gains (losses)	**761**	**(2,133)**	**2,894**

Exchange rate differences in 2019 principally arose from the movement of local currencies (principally due to the strengthening of the US Dollar and the South American currencies) against the Euro, in addition to the movement in the period of assets and liabilities in foreign currencies, following commercial and financial transactions.

Note 32 – Income/Expense from Equity-Accounted Investees

“Income/Expense from Equity-Accounted Investees” reports net income of Euro 89 thousand due to the adjustment of the investments in associated companies held by DOMS Industries Pvt Ltd (India), consolidated under the Equity method.

Note 33 – Income taxes

They amount to Euro 6,414 thousand in H1 2019 (Euro 7,599 thousand in the first half of 2018) and concern current taxes for Euro 7,740 thousand (Euro 7,245 thousand in H1 2018) and net deferred tax income of Euro 1,326 thousand (expense of Euro 354 thousand in H1 2018).

Note 33.A – Current Income Taxes

Note 33.A - INCOME TAXES

Euro thousands	First Half of 2019	First Half of 2018	Change
Italy	(190)	(299)	110
Abroad	(7,550)	(6,946)	(603)
Total	**(7,740)**	**(7,245)**	**(493)**

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

The breakdown of current foreign taxes is presented below:

Note 33.A.1 - FOREIGN INCOME TAXES

Euro thousands	First Half of 2019	First Half of 2018	Change
OMYACOLOR S.A. (France)	(45)	(700)	655
FILA Hispania S.L. (Spain) *	-	(239)	239
DOMS Industries Pvt Ltd (India)	(1,152)	(1,084)	(67)
FILA Stationery O.O.O.(Russia)	(54)	18	(72)
Fila Hellas SA (Greece)	(129)	(115)	(14)
Fila Polska Sp. Z.o.o (Poland)	(58)	(60)	1
Fila Iberia S. L. (Spain)	(614)	(371)	(244)
Fila Art and Craft Ltd (Israel)	(2)	-	(2)
Canson Brasil I.P.E. LTDA (Brasil)	-	51	(51)
Canson SAS (France)	(427)	(140)	(287)
Canson Inc. (U.S.A.) *	-	(1)	1
Dixon Ticonderoga Company (U.S.A.)	(1,671)	(1,968)	297
Beijing F.I.L.A.-Dixon Stationery Company Ltd (China)	(156)	-	(156)
Dixon Ticonderoga Inc. (Canada)	(33)	(138)	105
Grupo F.I.L.A.-Dixon, S.A. de C.V.(Mexico)	-	(198)	198
F.I.L.A. Chile Ltda (Chile)	(30)	(28)	(2)
FILA Argentina S.A. (Argentina)	(37)	-	(37)
FILA Dixon Stationery (Kunshan) Co., Ltd. (China)	(572)	(286)	(286)
FILA Dixon Art & Craft Yixing Co. Ltd (China)	(72)	1	(73)
Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG (Germany)	(73)	(58)	(15)
St.Cuthberts Mill Limited Paper (UK)	-	(90)	90
Lyra Bleistift-Fabrik Verwaltungs GmbH (Germany)	(1)	(1)	1
F.I.L.A. Nordic AB (Sweden)	(45)	-	(45)
PT. Lyra Akrelux (Indonesia)	(40)	(30)	(10)
FILA Benelux SA (Belgium)	(99)	(214)	114
Daler Rowney Group Ltd (Jersey - UK) *	-	(7)	7
Daler Rowney Ltd (UK)	(122)	(130)	8
Daler Rowney USA Ltd (USA) *	-	(613)	613
Brideshore srl (Dominican Republic)	(41)	-	(41)
Pacon Corporation (USA)	(1,594)	(441)	(1,153)
Baywood Paper ULC (Canada)	(298)	(37)	(261)
Princeton Hong Kong	(23)	-	(23)
Creativity International (UK)	(,159)	(67)	(93)
Total	**(7,550)**	**(6,946)**	**(603)**

** Company dissolved during the period*

Nota 33.B – Deferred Tax Income & Expense

The breakdown is provided below:

Note 33.B - DEFERRED TAXES			
Euro thousands	**First Half of 2019**	**First Half of 2018**	**Change**
Change in deferred tax assets	2,064	775	1,288
Change in deferred tax liabilities	(1,193)	(1,129)	(64)
Change in deferred tax assets on right-of-use assets	455	-	455
Total	**1,326**	**(354)**	**1,680**

Attachments

Attachment 1 - Transactions with Related Parties Transactions with Related Parties

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

In accordance with Consob Communication No. 6064293 of July 28, 2006, the following table outlines the commercial and financial transactions with related parties for the first half of 2019:

F.I.L.A. GROUP RELATED PARTIES - 2019													
		June 30, 2019						First Half of 2019					
		Statement of financial position						Statement of comprehensive income					
Euro thousand		ASSETS			LIABILITIES			REVENUE			COSTS		
Company	Nature	P.P. & E. and Intangible Assets	Trade Receivables	Cash and cash equivalents	Loans and Borrowings (Banks)	Loans and Borrowings (Other)	Trade Payables	Revenue from sales	Other Revenue (Services)	Financial Income	Operating Costs (Products)	Operating Costs (Services)	Financial Expense
Nuova Alpa Collanti S.r.l.	Trade Supplier	-	-	-	-	-	685	-	-	-	743	-	-
Arda S.p.A.	Trade Supplier	-	-	-	-	-	312	-	-	-	324	-	-
Studio Legale Salonia e Associati	Legal Advisor	-	-	-	-	-	97	-	-	-	-	153	-
Studio Zucchetti	Tax Advisor	-	-	-	-	-	-	-	-	-	-	-	-
Pynturas y Texturizados S.A. de C.V.	Trade and services supplier	-	-	-	-	-	-	-	-	-	68	9	-
HR Trustee	Services supplier	-	-	-	-	-	-	-	-	-	-	5	-
Total		**-**	**-**	**-**	**-**	**-**	**1,095**	**-**	**-**	**-**	**1,135**	**167**	**-**

F.I.L.A. GROUP RELATED PARTIES - 2018													
		December 31, 2018						First Half of 2018					
		Statement of financial position						Statement of comprehensive income					
Euro thousand		ASSETS			LIABILITIES			REVENUE			COSTS		
Company	Nature	P.P. & E. and Intangible Assets	Trade Receivables	Cash and cash equivalents	Loans and Borrowings (Banks)	Loans and Borrowings (Other)	Trade Payables	Revenue from sales	Other Revenue (Services)	Financial Income	Operating Costs (Products)	Operating Costs (Services)	Financial Expense
Nuova Alpa Collanti S.r.l.	Trade Supplier	-	-	-	-	-	446	-	-	-	1,251	0.4	-
Arda S.p.A.	Trade Supplier	-	-	-	-	-	284	-	-	-	84	-	-
Studio Legale Salonia e Associati	Legal Advisor	-	-	-	-	-	150	-	-	-	-	170	-
Studio Zucchetti	Tax Advisor	-	-	-	-	-	-	-	-	-	-	129	-
Pynturas y Texturizados S.A. de C.V.	Trade and services supplier	-	-	-	-	-	-	-	-	-	103	9	-
HR Trustee	Services supplier	-	-	-	-	-	-	-	-	-	-	7	-
Total		**-**	**-**	**-**	**-**	**-**	**880**	**-**	**-**	**-**	**1,439**	**316**	**-**

Studio Legale Salonia e Associati

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

Nuova Alpa Collanti S.r.l.

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

Studio Zucchetti

Studio Zucchetti, a partner of which was a related party to the controlling shareholder until June 25, 2018 and a member of the Board of Directors of F.I.L.A. S.p.A. until April 27, 2018, principally provides tax and administrative consultancy.

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

Pinturas y Texturizados S.A. de C.V., a shareholder of which is related to the management of a F.I.L.A. Group company, is a company specialised in the production and sale of paint, coating paints and anti-corrosion products.

HR Trustee

HR Trustee, a shareholder of which is related to the management of a F.I.L.A. Group company, is a United Kingdom based company specialised in the provision of professional pension plan services.

ARDA S.p.A.

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

F.I.L.A. Group transactions with related parties refer to normal transactions and are regulated at market conditions, i.e. the conditions that would be applied between two independent parties, and are undertaken in the interests of the Group.

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

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

Company	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
Omyacolor S.A.	France	EU	2000	94,94%	5,06%	100,00%	FILA S.p.A. Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG Lyra Bleistift-Fabrik Verwaltungs GmbH	Line-by-line	0,00%
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	Line-by-line	0,00%
Lyra Bleistift-Fabrik Verwaltungs GmbH	Germany	EU	2008	0,00%	100,00%	100,00%	Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG	Line-by-line	0,00%
F.I.L.A. Nordic AB[2]	Sweden	EU	2008	0,00%	50,00%	50,00%	Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG	Line-by-line	50,00%
FILA Stationary and Office Equipment Industry Ltd. Co.	Turkey	EU	2011	100,00%	0,00%	100,00%	FILA S.p.A.	Line-by-line	0,00%
Fila Stationary O.O.O.	Russia	EU	2013	90,00%	0,00%	90,00%	FILA S.p.A.	Line-by-line	10,00%
Industria Maimeri S.p.A.	Italy	EU	2014	51,00%	0,00%	51,00%	FILA S.p.A.	Line-by-line	49,00%
Fila Hellas SA[2]	Greece	EU	2013	50,00%	0,00%	50,00%	FILA S.p.A.	Line-by-line	50,00%
Fila Polska Sp. Z.o.o	Poland	EU	2015	51,00%	0,00%	51,00%	FILA S.p.A.	Line-by-line	49,00%
Dixon Ticonderoga Company	U.S.A.	NA	2005	100,00%	0,00%	100,00%	FILA S.p.A.	Line-by-line	0,00%
Dixon Ticonderoga Inc.	Canada	NA	2005	0,00%	100,00%	100,00%	Dixon Ticonderoga Company	Line-by-line	0,00%
Grupo F.I.L.A.-Dixon, S.A. de C.V.	Mexico	CSA	2005	0,00%	100,00%	100,00%	Dixon Ticonderoga Inc. Dixon Ticonderoga Company	Line-by-line	0,00%
F.I.L.A. Chile Ltda	Chile	CSA	2000	0,79%	99,21%	100,00%	Dixon Ticonderoga Company FILA S.p.A.	Line-by-line	0,00%
FILA Argentina S.A.	Argentina	CSA	2000	0,00%	100,00%	100,00%	F.I.L.A. Chile Ltda Dixon Ticonderoga Company	Line-by-line	0,00%
Beijing F.I.L.A.-Dixon Stationery Company Ltd.	China	AS	2005	0,00%	100,00%	100,00%	Dixon Ticonderoga Company	Line-by-line	0,00%
Xinjiang F.I.L.A.-Dixon Plantation Company Ltd.	China	AS	2008	0,00%	100,00%	100,00%	Beijing F.I.L.A.-Dixon Stationery Company Ltd.	Line-by-line	0,00%
PT. Lyra Akrelux	Indonesia	AS	2008	0,00%	52,00%	52,00%	Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG	Line-by-line	48,00%
FILA Dixon Stationery (Kunshan) Co., Ltd.	China	AS	2013	0,00%	100,00%	100,00%	Beijing F.I.L.A.-Dixon Stationery Company Ltd.	Line-by-line	0,00%
FILA SA PTY LTD	South Africa	RM	2014	99,43%	0,00%	99,43%	FILA S.p.A.	Line-by-line	0,57%
Canson Art & Craft Yixing Co., Ltd.	China	AS	2015	0,00%	100,00%	100,00%	Beijing F.I.L.A.-Dixon Stationery Company Ltd.	Line-by-line	0,00%
DOMS Industries Pvt Ltd	India	AS	2015	51,00%	0,00%	51,00%	FILA S.p.A.	Line-by-line	49,00%
Renoir Topco Ltd	UK	EU	2016	100,00%	0,00%	100,00%	FILA S.p.A.	Line-by-line	0,00%
Renoir Midco Ltd	UK	EU	2016	0,00%	100,00%	100,00%	Renoir Topco Ltd	Line-by-line	0,00%
Renoir Bidco Ltd	UK	EU	2016	0,00%	100,00%	100,00%	Renoir Midco Ltd	Line-by-line	0,00%
FILA Benelux SA	Belgium	EU	2016	0,00%	100,00%	100,00%	Renoir Bidco Ltd Daler Rowney Ltd Daler Board Company Ltd	Line-by-line	0,00%
Daler Rowney Ltd	UK	EU	2016	0,00%	100,00%	100,00%	Renoir Bidco Ltd	Line-by-line	0,00%
Daler Rowney GmbH	Germany	EU	2016	0,00%	100,00%	100,00%	Daler Rowney Ltd	Line-by-line	0,00%
Lukas-Nerchau GmbH	Germany	EU	2016	0,00%	100,00%	100,00%	Daler Rowney GmbH	Line-by-line	0,00%
Nerchauer Malfarben GmbH	Germany	EU	2016	0,00%	100,00%	100,00%	Daler Rowney GmbH	Line-by-line	0,00%
Brideshore srl	Dominican Rep.	CSA	2016	0,00%	100,00%	100,00%	Daler Rowney Ltd	Line-by-line	0,00%
St. Cuthberts Holding Limited	UK	EU	2016	100,00%	0,00%	100,00%	FILA S.p.A.	Line-by-line	0,00%
St. Cuthberts Mill Limited	UK	EU	2016	0,00%	100,00%	100,00%	St. Cuthberts Holding Limited	Line-by-line	0,00%
Fila Iberia S. L.	Spain	EU	2016	96,77%	0,00%	96,77%	F.I.L.A. Hispania S.L.	Line-by-line	3,23%
Canson SAS	France	EU	2016	100,00%	0,00%	100,00%	FILA S.p.A.	Line-by-line	0,00%
Canson Brasil I.P.E. LTDA	Brasil	CSA	2016	0,19%	99,81%	100,00%	Canson SAS FILA S.p.A.	Line-by-line	0,00%
Lodi 12 SAS	France	EU	2016	100,00%	0,00%	100,00%	FILA S.p.A.	Line-by-line	0,00%
Canson Australia PTY LTD	Australia	RM	2016	0,00%	100,00%	100,00%	Lodi 12 SAS	Line-by-line	0,00%
Canson Qingdao Ltd.	China	AS	2016	0,00%	100,00%	100,00%	Lodi 12 SAS	Line-by-line	0,00%
Canson Italy S.r.l.	Italy	EU	2016	0,00%	100,00%	100,00%	Lodi 12 SAS	Line-by-line	0,00%
FILA Art Products AG	Switzerland	EU	2017	52,00%	0,00%	52,00%	FILA S.p.A.	Line-by-line	48,00%
FILA Art and Craft Ltd	Israele	AS	2018	51,00%	0,00%	51,00%	FILA S.p.A.	Line-by-line	49,00%
Pacon Holding Company	U.S.A.	NA	2018	0,00%	100,00%	100,00%	Dixon Ticonderoga Company	Line-by-line	0,00%
Pacon Corporation	U.S.A.	NA	2018	0,00%	100,00%	100,00%	Pacon Holding Company	Line-by-line	0,00%
Pacon Canadian Holding Co	U.S.A.	NA	2018	0,00%	100,00%	100,00%	Pacon Corporation	Line-by-line	0,00%
Baywood Paper ULC	Canada	NA	2018	0,00%	100,00%	100,00%	Pacon Canadian Holding Co	Line-by-line	0,00%
Castle Hill Crafts	UK	EU	2018	0,00%	100,00%	100,00%	Pacon Corporation	Line-by-line	0,00%
Crativity International	UK	EU	2018	0,00%	100,00%	100,00%	Castle Hill Crafts	Line-by-line	0,00%
Princeton Hong Kong	Hong Kong	AS	2018	0,00%	100,00%	100,00%	Pacon Corporation	Line-by-line	0,00%
Pioneer Stationery Pvt Ltd.	India	AS	2015	0,00%	51,00%	51,00%	DOMS Industries Pvt Ltd	Equity Method	49,00%
Uniwrite Pens and Plastics Pvt Ltd	Inida	AS	2016	0,00%	60,00%	60,00%	DOMS Industries Pvt Ltd	Equity Method	40,00%

*1 - **EU** - Europe; **NA** - North America; **CSA** - Central South America; **AS** - Asia; **RM** - Rest of the World*
2 - Although not holding more than 50% of the share capital considered a subsidiary under IFRS 10

Attachment 3 - Changes to accounting standards

IFRS 16 impact on Consolidated Financial Statements

The standard, published by the IASB in January 2016 and endorsed by the European Commission in October 2017, replaces IAS 17, proposing substantial changes to the accounting treatment of leasing agreements in the lessee's financial statements, which must recognize the assets and liabilities deriving from contracts, without distinction between operating and financial leases, in the statement of financial position. The new standard provides a new definition of leases and introduces a criterion based on control (Right-of-Use) of an asset to distinguish leasing contracts from service contracts, identifying essential differences: the identification of the asset, the right of replacement of the asset, the right to obtain substantially all the economic benefits from the use of the asset and the right to use the asset underlying the contract. All contracts that qualify as leases – except for contracts governing low value assets and leases with a contractual term of 12 months or less – must be recognized in the statement of financial position as a Right-of-Use asset with a balancing entry to financial liabilities. This standard does not contain significant amendments for lessors.

Upon initial application it is possible to use the full retrospective method (restating the comparative information) or the modified retrospective method (with cumulative effect from the adoption of IFRS 16 recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, without restating the comparative information).

The Group applied IFRS 16 Leases from January 1, 2019 using the modified retrospective approach, on the basis of which the cumulative effect from initial application is recognised in retained earnings at January 1, 2019. Therefore, the 2018 figures were not restated i.e. they were presented as per IAS 17 and the relative interpretations. The changes to the accounting standards are outlined below.

The Group recognised a financial liability equal to the present value of the residual future payments at the transition date, discounted according to the incremental borrowing rate (IBR) and has elected to take the value of the financial liability as the amount of the right-of-use asset.

The Group previously established at the commencement of the contract whether it has or contains a lease as per IFRIC 4. As per IFRS 16, in the presence of a lease, the Group assesses whether the contract is a lease or contains a lease according to the new definition of leasing. The standard indicates that a contract is, or contains, a lease where in exchange for consideration, it transfers the right to control the use of an identified asset for a period of time.

The Group has many assets under lease, such as buildings, production machinery and IT equipment. As lessee, previously the Group classified leases as operating or finance leases, assessing whether the lease transfers substantially all risks and benefits related to ownership. According to IFRS 16, the Group recognises in the statement of financial position the right-of-use assets and the lease liabilities. The Group elected not to apply the IFRS 16 recognition and measurement measures to contracts considered short-term or low value leases. Therefore, the Group recognises payments due relating to prior leases as costs on a straight-line basis over the lease duration.

At the commencement of the contract or at the re-assessment date of a contract which contains a leasing component, the Group assigns the consideration of the contract to each leasing and non-leasing component according to the relative standalone price. In the absence of significant non-leasing components, the Group decided not to separate the leasing components, recognising them as a single component.

The Group presents the right-of-use assets which do not satisfy the definition of property investments in the account "property, plant and equipment", the same account used to present the underlying assets of the same type which it holds.

The Group presents lease liabilities in the financial liabilities account in the condensed statement of financial position.

At the commencement date of the lease, the Group records the right-of-use asset and the lease liability. Right-of-use assets are initially valued at cost, and subsequently at cost net of amortisation and cumulative impairments, while adjusted to reflect lease liability revaluations.

The Group measures the lease liabilities at the present value of payments due for leases not settled at the commencement date, discounting them according to the Incremental Borrowing Rate (IBR). The lease liability is subsequently increased by the interest maturing on this liability and reduced for payments due on the lease and is revalued in the case of changes to future payments on leasing deriving from a change in the index or rate or where the Group changes its assessment on the exercise or otherwise of a purchase, renewal or termination option.

The Group estimated the lease duration of some contracts in which it acts as lessee and which have renewal options. The Group assessment upon the existence or otherwise of a reasonable certainty of exercising the option influences the estimate of the lease duration, impacting the amount of the lease liabilities and the right-of-use assets recognised.

A reconciliation follows between commitments for operating leases at December 31, 2018 and leases emerging at January 1, 2019 applying IFRS 16.

Euro thousands	**January 1, 2019**
Commitments resulting of operating leases at December 31, 2018	91,648
Lease extension options (net of short term and low value leases and discounting effect)	(11,894)
Financial liabilities from first adoption of IFRS 16	**79,754**
Liabilities of financial leasing at December 31, 2018	2,063
Total liabilities of leasing at January 1, 2019	**81,817**

On initial application of IFRS 16 to leases previously classified as operating leases, the Group recognised a right-of-use asset and lease liabilities of respectively Euro 70,894 thousand and Euro 76,373 thousand at June 30, 2019.

In relation to leases recognised as per IFRS 16, in the first six months of 2019 the Group recognised depreciation and interest instead of operating lease costs of respectively Euro 5,101 thousand and Euro 2,934 thousand. The Group in addition recognised the positive effect of Euro 6,315 thousand from the reversal of the operating lease charges of the Group in the first half of 2019.

The statement of financial position and the statement of comprehensive income with an indication of the effects of the application of IFRS 16 are presented below.

Statement of Financial Position

valori in migliaia di Euro	30 Giugno 2019 come riportato	Rettifiche IFRS	30 Giugno 2019 senza rettifiche IFRS
Attività	**1.193.074**	**(71.349)**	**1.121.725**
Attività Non Correnti	**638.536**	**(71.349)**	**567.187**
Attività Immateriali	437.691		437.691
Immobili, Impianti e Macchinari	175.791	(70.894)	104.897
Attività Finanziarie Non Correnti	3.624		3.624
Partecipazioni Valutate al Patrimonio Netto	868		868
Altre Partecipazioni	31		31
Attività per Imposte Anticipate	20.531	(455)	20.076
Attività Correnti	**554.538**	**-**	**554.538**
Attività Finanziarie Correnti	306		306
Attività per Imposte Correnti	10.573		10.573
Rimanenze	280.556		280.556
Crediti Commerciali ed Altri Crediti	230.459	-	230.459
Disponibilità Liquide e Mezzi Equivalenti	32.644		32.644
Passività e Patrimonio Netto	**1.193.074**	**(71.349)**	**1.121.725**
Patrimonio Netto	**343.315**	**1.265**	**344.580**
Capitale Sociale	46.870		46.870
Riserve	99.427	-	99.427
Utili Riportati a Nuovo	153.616		153.616
Utili dell'Esercizio	16.968	1.237	18.205
Patrimonio Netto di Gruppo	**316.881**	**1.237**	**318.118**
Patrimonio Netto di Terzi	**26.434**	**28**	**26.462**
Passività Non Correnti	**584.306**	**(72.052)**	**512.254**
Passività Finanziarie Non Correnti	485.914	(75.811)	410.103
Strumenti Finanziari	15.781		15.781
Benefici a Dipendenti	11.381		11.381
Fondi per Rischi ed Oneri	1.204	2.979	4.183
Passività per Imposte Differite	69.982		69.982
Altri Debiti	44	780	824
Passività Correnti	**265.452**	**(562)**	**264.891**
Passività Finanziarie Correnti	134.120	(562)	133.558
Fondi per Rischi ed Oneri Correnti	1.429		1.429
Passività per Imposte Correnti	12.526		12.526
Debiti Commerciali e Altri Debiti	117.377		117.377

Statement of Comprehensive Income

Euro thousands	First Half of 2019 as reported	IFRS Adjustment	First Half of 2019 (no IFRS Adjustment)
Revenue from Sales and Service	350,703	-	350,703
Other Revenue and Income	3,688	-	3,688
Total Revenue	**354,391**	**-**	**354,391**
Raw Materials, Consumables Supplies and Goods	(174,400)	-	(174,400)
Services and use of Third Parties Assets	(61,206)	(6,315)	(67,521)
Other Operating Costs	(3,829)	-	(3,829)
Change in Raw Materials, Semi-Finished, Work-in-progress & Finished Prod.	16,349	-	16,349
Personnel expense	(71,367)	-	(71,367)
Amortisation	(19,465)	5,101	(14,364)
Impairment Losses on trade receivables	(733)		(733)
Impairment Losses	(48)	-	(48)
Total Operating Costs	**(314,699)**	**(1,214)**	**(315,913)**
Operating Profit	**39,692**	**(1,214)**	**38,478**
Financial Income	2,986	-	2,986
Financial Expense	(18,311)	2,934	(15,377)
Income/Expense from Equity - Accounted Investments	89	-	89
Net Financial Expense	**(15,236)**	**2,934**	**(12,302)**
Pre-Tax Profit	**24,456**	**1,720**	**26,175**
Income Taxes	(7,740)	-	(7,740)
Deferred Taxes	1,326	(455)	871
Income Taxes	**(6,414)**	**(,455)**	**(6,868)**
Profit - Continuing Operations	**18,042**	**1,265**	**19,308**
Profit (loss) - Discontinued Operations	**-**	**-**	**-**
Profit for the Period	**18,042**	**1,265**	**19,308**
Attributable to:			
Non-controlling interests	**1,074**	**28**	**1,102**
Owners of the parent	**16,968**	**1,237**	**18,205**
Other Comprehensive Income (Expense) which may be reclassified subsequently to profit or loss	**(8.415)**	**-**	**(8.415)**
Translation Difference recorded in Equity	2,242	-	2,242
Adjustment Fair value of Hedges	(10,657)	-	(10,657)
Other Comprehensive Income (Expense) which may not be reclassified subsequently to profit or loss	**(723)**	**-**	**(723)**
Actuarial Losses for Employee Benefits recorded directly in Equity	(69)		(69)
Income Taxes on income and charges recorded directly in Equity	71		71
Transaction Costs on Share Capital Increase	(1,006)	-	(1,006)
Income Taxes on income and charges recorded directly in Equity	281	-	281
Other Comprehensive Income (Expense) - Net of tax effect	**(9,138)**	**-**	**(9,138)**
Comprehensive Income	**8,904**	**1,265**	**10,169**
Attributable to:			
Non-controlling interests	**1,434**	**28**	**1,462**
Owners of the parent	**7,470**	**1,237**	**8,707**

Atypical and/or Unusual Transactions

In accordance with Consob Communication of July 28, 2006, it is noted that, during H1 2019, the F.I.L.A. Group did not undertake any atypical and/or unusual operations as defined by this communication, whereby atypical and/or unusual operations refer to transactions which for size/importance, nature of the counterparties, nature of the transaction, method in determining the transfer price or time period (close to the period-end) may give rise to doubts in relation to: the correctness/completeness of the information in the financial statements, conflicts of interest, the safeguarding of the company's assets and the protection of non-controlling shareholders.

The Board of Directors
THE CHAIRMAN
Gianni Mion

Statement of the Manager in Charge and Corporate Bodies

Fabbrica Italiana Lapis ed Affini

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

August 6th, 2019

Statement of the Manager in Charge of Financial Reporting and Corporate Boards - F.I.L.A. S.p.A. Half-Year Report (ref. Article 154-bis, paragraph 5)

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

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

of the administrative and accounting procedures for the preparation of the F.I.L.A. S.p.A. 2019 Half-Year Report.

The assessment of the adequacy of the administrative-accounting procedures for the preparation of F.I.L.A. S.p.A. Half-Year Report at June 30, 2019 is based on a process defined by F.I.L.A. S.p.A. in accordance with the Internal Control - Integrated Framework model defined by the Committee of the Sponsoring Organisations of the Treadway Commission, a benchmark framework generally accepted at international level.

It is also declared that:

1. F.I.L.A. S.p.A. Half-Year Report at June 30, 2019:
   - is drawn up in conformity with the applicable international accounting standards recognised by the European Union in conformity with Regulation (CE) No. 1606/2002 of the European Parliament and the Commission of July 19, 2002;
   - correspond to the underlying accounting records and books;
   - give a true and fair view of the financial position and performance of the issuer and of the other companies in the consolidation scope.
2. The Directors Report at June 30, 2019 includes a reliable analysis of the significant events in the first six months of the year and their impact on the condensed Interim Directors financial statements, with a description of the principal risks and uncertainties for the remaining six months. The Report also includes a reliable analysis of the information on significant related party transactions.

The Chief Executive Officer

Massimo Candela

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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Independent Auditors' Report

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

Report on review of condensed interim consolidated financial statements

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

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the F.I.L.A. Group, comprising the statement of financial position as at 30 June 2019, the statements of comprehensive income, changes in equity and cash flows for the six months then ended and notes thereto. The directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

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

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

Ancona Aosta Bari Bergamo
Bologna Bolzano Brescia
Catania Como Firenze Genova
Lecce Milano Napoli Novara
Padova Palermo Parma Perugia
Pescara Roma Torino Treviso
Trieste Varese Verona

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Capitale sociale
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20124 Milano MI ITALIA

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the F.I.L.A Group as at and for the six months ended 30 June 2019 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 7 August 2019

KPMG S.p.A.

(signed on the original)

Angelo Pascali
Director of Audit