Informazione Regolamentata n. 1565-56-2019	Data/Ora Ricezione 13 Novembre 2019 18:00:00	MTA - Star

Societa'	:	FILA
Identificativo Informazione Regolamentata	:	124690
Nome utilizzatore	:	FILASPANSS01 - De Rosa
Tipologia	:	REGEM
Data/Ora Ricezione	:	13 Novembre 2019 18:00:00
Data/Ora Inizio Diffusione presunta	:	13 Novembre 2019 18:00:01
Oggetto	:	F.I.L.A. S.p.A._Interim Financial Report at September 30, 2019

Testo del comunicato

Vedi allegato.

F.I.L.A. GROUP
INTERIM FINANCIAL REPORT
AS AT AND FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2019

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

Via XXV Aprile 5 Pero (MI)

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F.I.L.A. GROUP
DIRECTORS' REPORT
AT SEPTEMBER 30, 2019

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Corporate Bodies

Board of Directors

Chairman	Giovanni Gorno Tempini
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 CFA and Article 3 of the Self-Governance Code.
(**) Non-Executive Director.
(***) Lead Independent Director.

Control and Risks and Related Parties 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

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

The F.I.L.A. Group operates in the creativity tools market, producing colouring, design, modelling, writing and painting objects, such as pencils, crayons, modelling clay, chalk, oil colours, acrylics, watercolours, paints and paper for the fine arts, school and leisure.
The F.I.L.A. Group at September 30, 2019 operates through 21 production facilities and 35 subsidiaries across the globe and employs approx. 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 a minority stake in 2011, control was acquired in 2015 of the Indian company DOMS Industries Pvt Ltd. (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 February 3, 2016, F.I.L.A. S.p.A. acquired control of the Daler-Rowney Lukas Group, an illustrious brand producing and distributing materials and accessories on the arts and crafts market since 1783, with a direct presence in the United Kingdom, the Dominican Republic, Germany and the USA (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.

Financial Highlights

The financial highlights of the F.I.L.A. Group at September 30, 2019 are reported below.

Euro thousands	Q3 2019	% revenue	Q3 2018	% revenue	Change 2019-2018		*Normalisations* of which: IFRS 16 effect[3]	*Normalisations* of which: Non-recurring expense
Core business revenue	535,858	*100,0%*	437,481	*100,0%*	98,377	*22,5%*	-	-
Gross opearting profit [1]	90,244	*16,8%*	61,497	*14,1%*	28,747	*46,7%*	*9,606*	*(7,518)*
Operating profit	59,491	*11,1%*	42,617	*9,7%*	16,874	*39,6%*	*1,742*	*(7,518)*
Net financial expense	(21,088)	*-3,9%*	(19,321)	*-4,4%*	(1,767)	*-9,1%*	*(4,372)*	-
Total income taxes	(11,916)	*-2,2%*	(12,143)	*-2,8%*	227	*1,9%*	*676*	*1,523*
Profit attributable to the owners of Parent	25,178	*4,7%*	10,054	*2,3%*	15,124	*150,4%*	*(1,879)*	*(5,996)*
Earnings per share (€ cents)								
basic	*0,49*		*0,24*					
diluted	*0,48*		*0,24*					

NORMALISED - Euro thousands	Q3 2019	% revenue	Q3 2018	% revenue	Change 2019-2018	
Core Business Revenue	535,858	*100,0%*	431,163	*100,0%*	104,695	*24,3%*
Gross opearting profit [1]	88,156	*16,5%*	72,989	*16,9%*	15,167	*20,8%*
Operating profit	65,267	*12,2%*	54,109	*12,5%*	11,158	*20,6%*
Net financial expense	(16,716)	*-3,1%*	(17,944)	*-4,2%*	1,228	*6,8%*
Total income taxes	(14,115)	*-2,6%*	(13,455)	*-3,1%*	(660)	*-4,9%*
Profit attributable to the owners of the Paren	33,053	*6,2%*	21,611	*5,0%*	11,442	*52,9%*
Earnings per share (€ cents)						
basic	*0,65*		*0,55*			
diluted	*0,64*		*0,54*			

Euro thousands	Q3 2019	Q3 2018	Change 2019-2018
Cash flows from operating activities	25,014	(11,184)	36,198
Investments	14,068	14,918	(850)
% of revenue	*2,6%*	*3,4%*	

Euro thousands	September, 2019	December 31, 2018	Change 2019-2018	*of which: IFRS 16 effect(3)*
Net Invested Capital	940,918	791,579	149,339	*76,213*
Net Financial Debt[2]	(583,771)	(452,770)	(131,001)	*(78,206)*
Equity	(357,147)	(338,809)	(18,338)	*1,993*

[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 September 30, 2019 amount to Euro 4,201 thousand, of which Euro 536 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

[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 EBITDA normalisation in 9M 2019 amounted overall to -Euro 2.1 million and concerns the positive impact from the initial application of IFRS 16 for Euro 9.6 million, lower operating lease charges, partially offset by non-recurring charges of Euro 7.5 million, mainly relating to the Group reorganisation and the roll out of the new ERP.
- The overall normalisation of the "EBIT" was Euro 5.8 million. The positive effects from IFRS 16 on "EBITDA" were in fact offset by the increase of Euro 7.9 million of amortisation and depreciation in application of the standard.
  The total effect therefore relates for Euro 7.5 million to non-recurring charges and for -Euro 1.7 million to the initial application of IFRS 16.
- The normalisation of Net financial expense concerns the financial expense recognised against the initial application of IFRS 16 for a total of Euro 4.4 million;
- The normalisation of the 9M 2019 Group Result concerns the above-stated normalisations, net of the tax effect.

2018 Normalisations:

- The normalisation on 9M 2018 "EBITDA" concerns non-recurring charges of approx. Euro 11.5 million, principally concerning non-recurring consultancy for the M&A's in 2018;
- The adjustment to Net financial charges concerns fees and financial charges relating to the funding activities for the M&A's undertaken in the period;
- The normalisation of the 9M 2018 Group Result concerns the above-stated normalisations, net of the tax effect.

F.I.L.A Group Key Financial Highlights

The F.I.L.A. Group 9M 2019 Key Financial Highlights are reported below.

Normalised operating performance

The 9M 2019 F.I.L.A. Group results report an increased EBITDA of 20.8% over the same period of the previous year.

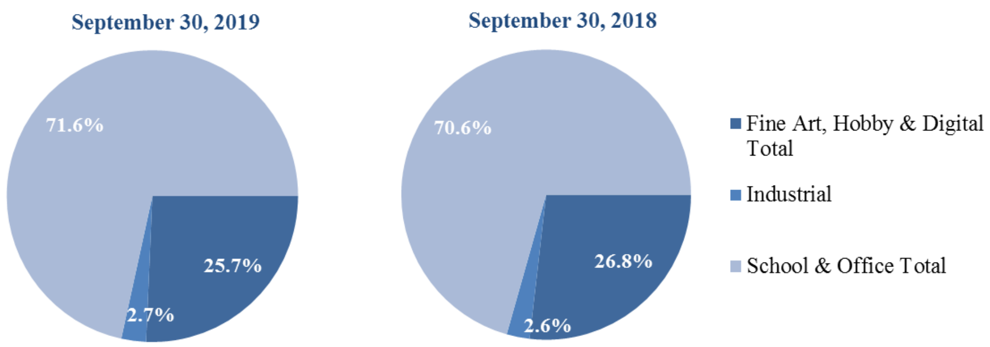
NORMALISED - Euro thousands	Q3 2019	% of revenue	Q3 2018	% of revenue	Change 2019-2018	
Core business revenue	535,858	100%	431,163	100%	104,695	24,3%
Other revenue and income	5,430		6,199		(769)	-12,4%
Total revenue	**541,287**		**437,362**		**103,925**	**23,8%**
Total operating costs	(453,131)	-84,6%	(364,373)	-84,5%	(88,758)	-24,4%
Gross operating profit	**88,156**	**16,5%**	**72,989**	**16,9%**	**15,167**	**20,8%**
Amortisation, depreciation and impairment losses	(22,889)	-4,3%	(18,880)	-4,4%	(4,009)	-21,2%
Operating profit	**65,267**	**12,2%**	**54,109**	**12,5%**	**11,158**	**20,6%**
Net financial expense	(16,716)	-3,1%	(17,944)	-4,2%	1,228	6,8%
Pre-tax profit	**48,551**	**9,1%**	**36,165**	**8,4%**	**12,386**	**34,2%**
Income taxes	(14,115)	-2,6%	(13,455)	-3,1%	(660)	-4,9%
Profit from continuing operations	**34,436**	**6,4%**	**22,710**	**5,3%**	**11,726**	**51,6%**
Profit for the period	**34,436**	**6,4%**	**22,710**	**5,3%**	**11,726**	**51,6%**
Profit for the period attributable to non-controlling interests	1,383	0,3%	1,099	0,3%	284	25,9%
Profit for the period attributable to the owners of the parent	**33,053**	**6,2%**	**21,611**	**5,0%**	**11,442**	**52,9%**

The main changes compared to 2018 are illustrated below.

"Core Operating Revenue" of Euro 535,858 thousand was up Euro 104,695 thousand on the same period of the previous year (+24.3%), of which Euro 87,022 thousand relating to the Pacon Group (acquired in June 2018 and defined as an M&A effect) and Euro 10,261 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 10,227 thousand(+19.7%, 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 2,816 thousand (+6.1%, mainly concerning the Mexican subsidiary) partially offset the revenue contraction in North America for Euro 3,915 thousand (-2.4% on the same period of the previous year), in Europe for Euro 1,058 thousand (-0.6% on the same period of the previous year, particularly in Italy), and in the Rest of the World for Euro 658 thousand (-24.1% on the same period of the previous year, principally in Australia).

In order to better illustrate F.I.L.A. Group developments, reference should be made to the table below highlighting revenue compared with the same period of the previous year by "Strategic Segments" in which the Group operates (the school and office strategic business segment, the arts and crafts strategic business segment and, to a residual extent, industrial products).



"Other revenue and income" of Euro 5,430 thousand fell by Euro 769 thousand, mainly due to lower exchange gains on commercial transactions.

9M 2019 "Core Operating Revenue" compared to 9M 2018, on a pro-forma basis considering the 9M 2018 revenue figures of the Pacon Group, increased 3.2% (0.3% net of the currency effect).

"Operating Costs" in the first nine months of 2019 of Euro 453,131 thousand increased Euro 88,758 thousand over the same period of 2018, mainly due to the M&A effect and increased overheads to support greater turnover.

The "EBITDA" of Euro 88,156 thousand increased by Euro 15,167 thousand on 9M 2018 (+20.8%), principally due to the M&A effect and the good Asian and Central-South American performances.

"EBITDA" for the period, compared with the same period of the previous year, on a pro-forma basis with the first 9 months of 2018 for the Pacon Group, increased 1.9% (-1.2% net of the currency effect).

Amortisation, depreciation and impairment losses rose by Euro 4,009 thousand, principally due to higher amortisation and depreciation resulting from investments and the M&A effect.

"Net financial expense" decreased by Euro 1,228 thousand, substantially due to the reduced negative currency impact on financial transactions, partially offset by higher borrowing costs related to the credit facility taken out to acquire the Pacon Group.

Normalised Group "Income taxes" amounted to Euro 14,115 thousand, increasing on the same period of the previous year due to the higher pre-tax profit.

Net of non-controlling interests, the Normalised Net Profit of the F.I.L.A. Group for 9M 2019 was Euro 33,053 thousand (Euro 21,611 thousand in the same period of the previous year).

Business seasonality

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

The F.I.L.A. Group primarily operates in the school and office strategic business segment and the arts and crafts strategic business segment. Historically, the school and office strategic business segment has reported greater sales in the second and third quarters of the year than in the first and fourth quarters of the year. This is mainly due to the fact that in the Group's main markets (i.e., North America, Mexico, India and Europe), schools reopen in the period from June to September. By contrast, the arts and crafts strategic business segment reports greater sales to some extent in the first, but especially in the fourth quarter, than in the second and third quarters, offsetting the seasonal nature of the school and office strategic business segment.

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.

Seasonality may become more significant when it is viewed in relation to working capital. In fact, in the school and office strategic business segment the Issuer has historically invested large quantities of financial resources to meet the enormous demand for products from July to September, while only receiving payments in November.

	2018				2019		
Euro thousands	**Q1 2018**	**H1 2018**	**Q3 2018**	**2018**	**Q1 2019**	**H1 2019**	**Q3 2019**
Core business revenue	**104,796**	**259,140**	**437,481**	**588,747**	**143,811**	**350,703**	**535,858**
% of entire year	*17.80%*	*44.02%*	*74.31%*	*100.00%*	*26.84%*	*65.45%*	*100.00%*
Gross operating profit	**15,511**	**34,548**	**61,497**	**73,510**	**18,490**	**59,938**	**90,244**
% of revenue	*14.80%*	*13.33%*	*14.06%*	*12.49%*	*12.86%*	*17.09%*	*16.84%*
% of entire year	*21.10%*	*47.00%*	*83.66%*	*100.00%*	*20.49%*	*66.42%*	*100.00%*
Normalised gross operating profit	**16,200**	**44,371**	**72,989**	**96,899**	**18,418**	**58,226**	**88,156**
% of revenue	*15.46%*	*17.12%*	*16.93%*	*16.46%*	*12.81%*	*16.60%*	*16.45%*
% of entire year	*16.72%*	*45.79%*	*75.33%*	*100,00%*	*20.89%*	*66.05%*	*100.00%*
Net financial debt	**(269,878)**	**(612,657)**	**(591,263)**	**(452,770)**	**(578,277)**	**(602,365)**	**(583,771)**

Statement of Financial Position

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

Euro thousands	September 2019	December 2018	Change 2019-2018
Intangible assets	449,843	441,907	7,936
Property, plant and equipment	178,758	104,472	74,286
Non-current financial assets	4,200	3,608	591
Net non-current assets	**632,801**	**549,987**	**82,814**
Net other non-current assets	**20,277**	**20,793**	**(516)**
Inventories	267,235	262,432	4,803
Trade receivables and other assets	208,840	151,617	57,223
Trade payables and other liabilities	(99,394)	(105,537)	6,143
Net other current assets (liabilities)	(2,447)	2,071	(4,518)
Net working capital	**374,235**	**310,583**	**63,652**
Provisions	**(86,395)**	**(89,784)**	**3,389**
Net invested capital	**940,918**	**791,579**	**149,339**
Equity	**(357,147)**	**(338,809)**	**(18,338)**
Net financial debt	**(583,771)**	**(452,770)**	**(131,001)**
Net sources of funds	**(940,918)**	**(791,579)**	**(149,339)**

The F.I.L.A. Group's "Net invested capital" of Euro 940,918 thousand at September 30, 2019 was composed of Net Fixed Assets of Euro 632,801 thousand (up by Euro 82,814 thousand on December 31, 2018), "Net Working Capital" of Euro 374,235 thousand (up by Euro 63,652 thousand on December 31, 2018) and "Other non-current assets/liabilities" of Euro 20,277 thousand (down by Euro 516 thousand on December 31, 2018), net of "Provisions" of Euro 86,395 thousand (Euro 89,784 thousand at December 31, 2018).

"Intangible Assets" rose Euro 7,936 thousand on December 31, 2018, mainly due to the positive currency effect of Euro 13,829 thousand and net investments of Euro 3,185 thousand, particularly concerning F.I.L.A. S.p.A for the development of the new Group ERP. As a partial offset, amortisation in the period amounts to Euro 10,825 thousand.

Property, plant and equipment rose by Euro 74,286 thousand compared to December 31, 2018. The movement is mainly due to the application of IFRS 16, which resulted in higher fixed assets of Euro 71,595 thousand, including depreciation of Euro 7,864 thousand. Net of this impact, the residual movement was Euro 2,691 thousand, due particularly to CAPEX of Euro 10,883 thousand, mainly at

DOMS Industries Pvt Ltd (India) for the development of production facilities, and residually at Canson SAS (France) and F.I.L.A. S.p.A.. During the period, positive currency effects of Euro 2,089 thousand were recorded and depreciation of Euro 11,065 thousand.

The increase in “Net Working Capital” of Euro 63,652 thousand relates to the following:

- “Inventories” - the movement of Euro 4,803 thousand is mainly due to the positive currency effects of Euro 7,689 thousand; a net reduction in inventories is therefore reported in North America, Italy and China, consistent with the stock optimisation in progress at the Group by management;
- “Trade and Other Receivables” - increasing Euro 57,223 thousand, principally due to the seasonality of F.I.L.A. Group business and concerning particularly F.I.L.A. S.p.A., Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico), Dixon Ticonderoga Co. (U.S.A.), FILA Iberia S.L (Spain) and Canson SAS (France), and benefitting also from positive currency effects of Euro 4,255 thousand;
- “Trade and Other Payables” - reducing Euro 6,143 thousand, mainly due to the parent, Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and Daler Rowney Ltd (United Kingdom), in addition to the Chinese subsidiaries, mainly as a result of lower purchases related to reduced stock levels.

The decrease in “Provisions” on December 31, 2018 of Euro 3,389 thousand principally concerns the:

- Decrease in “Provisions for Risks and Charges” of Euro 4,606 thousand, mainly due to the allocation of Euro 3,114 thousand to “Right-of-use Property, Plant and Equipment” on initial application of IFRS 16, in addition to the utilisations in the period.
- Reduction in “Deferred tax liabilities” of Euro 36 thousand;
- Increase in “Employee benefits” of Euro 1,252 thousand, mainly due to the actuarial gains recorded in the period by the French company Canson SAS;

The Equity of the F.I.L.A. Group, amounting to Euro 357,147 thousand, increased on December 31, 2018 by Euro 18,338 thousand. Net of the profit of Euro 26,486 thousand (of which Euro 1,308 thousand concerning non-controlling interests), the residual movement mainly concerned the decrease in the fair value hedge of derivatives (IRS) for Euro 13,602 thousand, the increase in the translation reserve of Euro 9,952 thousand, the distribution of dividends to non-controlling interests for Euro 4,257 thousand, in addition to charges related to the share capital increase, net of the tax effects, for Euro 725 thousand.

The F.I.L.A. Group "Net Financial Position" at September 30, 2019 was a net debt of Euro 583,771 thousand, increasing Euro 131,001 thousand on December 31, 2018. For greater details, reference should be made to the "Financial Overview" paragraph.

Financial overview

The overview of the 9M 2019 Group operating and financial performance is completed by the Group Net Financial Position and Statement of Cash Flows reported below.

The **Net Financial Position** at September 30, 2019 reports a debt of Euro 583,771 thousand.

	Euro thousands	Settembre 2019	Dicembre 2018	Variazione
A	Cash	179	129	50
B	Other cash equivalents	48,299	157,473	(109,174)
C	Securities held-for-trading	-	-	-
D	**Liquidity (A + B + C)**	**48,478**	**157,602**	**(109,124)**
E	**Current loan assets**	**301**	**352**	**(51)**
F	Current bank loans and borrowings	(85,197)	(75,617)	(9,580)
G	Current portion of non-current loans and borrowings	(28,724)	(10,412)	(18,312)
H	Other current loans and borrowings	(1,351)	(183)	(1,168)
I	**Current financial debt (F + G + H)**	**(115,272)**	**(86,212)**	**(29,060)**
J	**Net current financial debt (I + E+ D)**	**(66,493)**	**71,742**	**(138,236)**
K	Non-current bank loans and borrowings	(420,135)	(518,779)	98,644
L	Bonds issued	-	-	-
M	Other non-current loans and borrowings	(97,679)	(6,207)	(91,472)
N	**Non-current financial debt (K + L + M)**	**(517,814)**	**(524,986)**	**7,172**
O	**Net financial debt (J+N)**	**(584,307)**	**(453,244)**	**(131,064)**
P	**Loans issued to third parties**	**536**	**474**	**62**
Q	**Net financial debt (O + P) - F.I.L.A. Group**	**(583,771)**	**(452,770)**	**(131,001)**

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 536 thousand, mainly in relation to Omyacolor S.A and Pacon Corporation

2) "M - Other non-current loans and borrowings" include derivatives (IRS) of Euro 18,883 thousand.

Compared to December 31, 2018 (debt of Euro 452,770 thousand), the net debt increased Euro 131,001 thousand, as outlined below in the Statement of Cash Flows.

Euro thousands	**Q3 2019**	**Q3 2018**
Operating profit	59,491	42,617
Non-monetary adjustments	25,270	21,484
Addition for income taxes	(8,605)	(11,580)
Cash flows from operating activities before changes in net working capi	**76,156**	**52,521**
Change in net working capital	**(61,991)**	**(62,495)**
Change in inventories	3,068	(25,498)
Change in trade receivables and other assets	(53,465)	(34,175)
Change in trade payables and other liabilities	(8,256)	(94)
Change in net other current liabilities	(3,339)	(2,727)
Net cash flows used in operating activities	**14,165**	**(9,974)**
Investments in property, plant and equipment and intangible assets	(14,068)	(14,918)
Interest income/expense	80	(79)
Net increase in equity investments	(2,784)	(215,188)
Net cash flows used in investing activities	**(16,772)**	**(230,185)**
Change in equity	(4,257)	(3,879)
Financial expense	(17,735)	(19,582)
Net cash flows used in financing activities	**(21,993)**	**(23,461)**
Other changes	(35)	1,088
Total net cash flows	**(24,636)**	**(262,532)**
Exchange losses	(14,557)	(2,393)
IFRS 16 FTA impact	(13,602)	-
PFN alla data di acquisizione del Gruppo Canson (Var. Area Consolidamento)	(78,206)	-
Net financial debt from business combinations	-	(86,724)
Change in net financial debt	**(131,001)**	**(351,649)**

The net cash flows generated in the period from “Operating Activities” of Euro 14,165 thousand (absorption of operating cash at September 30, 2018 of Euro 9,974 thousand) concerns:

- generation of Euro 76,156 thousand (Euro 52,521 thousand at September 30, 2018) from “EBIT”, based on the difference of the “Value” and the “Costs of Cash Generation” and the remaining ordinary income components, excluding financial management;
- absorption of Euro 61,991 thousand (Euro 62,495 thousand in 9M 2018) from “Working Capital Management”, particularly concerning the increase in “Trade and Other Receivables”, principally due to business seasonality and the reduction in revenues.

“Investing activities” absorbed liquidity of Euro 16,772 thousand (Euro 230,185 thousand in 9M 2018), mainly due to the use of cash for Euro 14,068 thousand (Euro 14,918 thousand in 9M 2018) for tangible and intangible asset investment, particularly regarding DOMS Industries Pvt Ltd (India), Grupo F.I.L.A. – Dixon, S.A. de C.V. (Mexico), Pacon Corporation (U.S.A.) and F.I.L.A. S.p.A., in addition to the acquisition of the entire minority holding of the subsidiary FILA Hellas (Greece) for

Euro 2,784 thousand (Euro 215,188 thousand in 9M 2018, due to the acquisition of the Pacon Group on June 7, 2018).

Cash flows from "Financing Activities" absorbed liquidity of Euro 21,993 thousand (Euro 23,461 thousand in 9M 2018), entirely due to interest paid on loans and credit lines granted to Group companies, mainly F.I.L.A. S.p.A., Dixon Ticonderoga Company (U.S.A.) and Grupo F.I.L.A. – Dixon, S.A. de C.V. (Mexico).

Excluding the currency effect from the translation of the net financial positions in currencies other than the Euro (negative Euro 14,557 thousand), the adjustment to Mark-to-Market hedges of Euro 13,602 thousand and the increase in the net debt due to the application of IFRS 16 of Euro 78,206 thousand, Group net debt rose Euro -131,001 thousand (Euro -351,649 thousand at September 30, 2018).

Changes in net cash and cash equivalents are detailed below.

Euro thousands	**Q3 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	**26,764**	**146,831**
Cash and other cash equivalents	48,478	157,602
Current account overdrafts	(21,714)	(10,771)

Disclosure by operating segment

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.
In particular, the Company's business is divided into five business segments, each of which is composed of various geographical areas, i.e. (i) Europe, (ii) North America (USA and Canada), (iii) Central and South America, (iv) Asia and (v) the Rest of the World, which includes South Africa and Australia. Each of the five business segments designs, markets, purchases, manufactures and sells products under known consumer brands in demand amongst end users and used in schools, homes and workplaces. Product designs are adapted to end users' preferences in each geographical region.

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.

Business Segment Reporting of the F.I.L.A. Group aggregates companies by geographical segment 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.

Business Segments – Statement of Financial Position

The key statement of financial position figures for the F.I.L.A. Group by geographical segment, at September 30, 2019 and December 31, 2018, are reported below:

September 30, 2019 *Euro thousands*	Europe	North America	Central & South America	Asia	Rest of the world	Consolidation	F.I.L.A. Group
Intangible assets	120,831	266,094	3,511	59,396	87	(76)	449,843
Property, plant and equipment	67,391	42,304	27,399	41,431	235		178,758
Total intangible assets and property, plant and eq	**188,222**	**308,398**	**30,909**	**100,827**	**321**	**(76)**	**628,601**
of which: intragroup	*(76)*						
Inventories	92,581	109,187	38,197	28,838	2,649	(4,217)	267,235
Trade receivables and other assets	115,589	70,322	59,262	18,457	1,164	(55,954)	208,840
Trade payables and other liabilities	(75,251)	(40,489)	(18,377)	(17,559)	(2,670)	54,952	(99,394)
Net other current assets (liabilities)	86	(1,717)	370	(1,185)			(2,447)
Net working capital	**133,006**	**137,303**	**79,451**	**28,551**	**1,144**	**(5,219)**	**374,235**
of which: intragroup	*(13,477)*	*9,160*	*979*	*(4,390)*	*2,510*		
Net financial debt	**(221,805)**	**(285,415)**	**(62,183)**	**(12,309)**	**(2,197)**	**137**	**(583,771)**
of which: intragroup	*137*						

December 31, 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 equi	**171,491**	**277,124**	**10,691**	**86,909**	**241**	**(76)**	**546,38**
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	(62,86)	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	(490)	(676)			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*						

Business Segments – Income Statement

The "income statement" for the F.I.L.A. Group by geographical segment for 9M 2019 and 9M 2018 is reported below:

Q3 2019 *Euro thousands*	**Europe**	**North America**	**Central & South America**	**Asia**	**Rest of the world**	**Consolidation**	**F.I.L.A. Group**
Core business revenue	231,574	275,159	71,052	93,634	2,156	(137,718)	535,858
of which intragroup	*(64,228)*	*(21,129)*	*(22,523)*	*(29,687)*	*(151)*		
Gross operating profit (loss)	30,119	38,390	7,863	14,630	(780)	22	90,244
Net financial income (expense)	5,977	(3,732)	(6,267)	(599)	3	(16,470)	(21,088)
of which intragroup	*(12,026)*	*(4,566)*	*29*	*14*	*79*		
Profit (loss) for the period	20,869	18,823	(2,033)	6,157	(860)	(16,469)	26,486
Profit (loss) attributable to non-controlling interests	253			1,055			1,309
Profit (loss) attributable to the owners of the parent	20,616	18,823	(2,033)	5,102	(860)	(16,469)	25,178

Q3 2018 *Euro thousands*	**Europe**	**North America**	**Central & South America**	**Asia**	**Rest of the world**	**Consolidation**	**F.I.L.A. Group**
Core business revenue	217,656	186,551	70,672	83,051	2,813	(123,262)	437,481
of which intragroup	*(53,326)*	*(14,166)*	*(24,452)*	*(31,231)*	*(87)*		
Gross operating profit (loss)	17,811	28,192	4,024	10,162	(457)	1,765	61,497
Net financial income (expense)	(40,849)	(1,111)	(5,614)	(284)	(504)	29,041	(19,321)
of which intragroup	*31,431*	*(2,769)*	*255*	*-*	*124*		
Profit (loss) for the period	(36,268)	17,627	(3,094)	4,414	(1,082)	29,556	11,153
Profit (loss) attributable to non-controlling interests	157	-	-	999	(57)		1,099
Profit (loss) attributable to the owners of the parent	(36,425)	17,627	(3,094)	3,415	(1,025)	29,556	10,054

Business Segments – Other Information

The "other information", concerning tangible and intangible fixed asset investments of Group companies by geographical segment for September 30, 2019 and September 30, 2018 is reported below:

September 2019 *Euro thousands*	Europa	Nord America	Centro - Sud America	Asia	Resto del Mondo	Gruppo F.I.L.A.
Intangible assets	3,030	156	-	-	-	3,185
Property, plant and equipment	2,139	1,558	1,761	5,419	6	10,883
Right-of-use assets	19,130	30,227	21,556	12,404	158	83,475
Investimenti Netti	**24,298**	**31,940**	**23,318**	**17,823**	**164**	**97,544**

** Allocation for Entity Location*

September 2018 *Euro thousands*	Europa	Nord America	Centro - Sud America	Asia	Resto del Mondo	Gruppo F.I.L.A.
Intangible assets	3,798	51		72	3	3,924
Property, plant and equipment	3,609	1,205	1,981	4,177	23	10,995
Right-of-use assets	-	-	-	-	-	-
Investimenti Netti	**7,407**	**1,256**	**1,981**	**4,249**	**26**	**14,918**

** 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, F.I.L.A. S.p.A. signed an exclusive global distribution agreement with ARCHES®, the renowned French premium paper for artists brand.
- In June 2019, F.I.L.A. S.p.A.'s share capital altered as follows:
  - For Euro 63.2 million 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 the Extraordinary Shareholders' Meeting of Fila of October 11, 2018;
  - For Euro 7.5 thousand following the issue of 7,468 new shares in service of the "2017-2019 Performance Share Plan" for managers of the F.I.L.A. Group.
- In July 2019, F.I.L.A.'s share capital altered as follows:
  - For Euro 6.2 thousand following the issue of 7,411 new shares in service of the "2017-2019 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 as 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.
- On August 6, 2019, the Board of Directors of F.I.L.A. co-opted Mr. Giovanni Gorno Tempini as a non-executive director of F.I.L.A., in replacement of Mr. Gianni Mion; at the same meeting, Mr. Giovanni Gorno Tempini was also appointed Chairman of the Board of Directors of F.I.L.A.

Subsequent events

- In October 2019, the liquidation of the non-operative subsidiary in the United Kingdom FILALYRA GB Ltd concluded.
- On October 7, 2019, the US subsidiary Pacon Corporation sold the "Superior" brand business for a value of USD 10 million, as no longer considered strategic, through an "Assets Purchase Agreement" of tangible and intangible assets, in addition to inventory.
- In October 2019, corporate reorganisation operations were implemented in North America and in Europe. Specifically:
    - merger of Dixon Ticonderoga (U.S.A.) and Pacon Corporation (U.S.A.) – October 1, 2019;
    - merger of Canson SAS (France) and Omyacolor S.A. (France) – October 1, 2019.
- On October 30, 2019, F.I.L.A. S.p.A. and Ahlstrom-Munksjö Oyj and its French subsidiary, Ahlstrom-Munksjö Arches, signed a non-binding memorandum of understanding for the acquisition by F.I.L.A., or by a subsidiary wholly-owned by F.I.L.A., of the business unit specialised in fine art, in which the Ahlstrom-Munksjö Group operates through the ARCHES brand, producing premium paper used for labels, printing and the fine arts. The estimated value of the fine arts business unit, in the absence of cash or financial debt, is approx. Euro 44 million.

Outlook

The schools sector is expected to continue its recovery in the final quarter 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.

Treasury shares

The parent F.I.L.A. S.p.A. did not hold treasury shares at September 30, 2019.

II - Consolidated Financial Statements of the F.I.L.A. Group at September 30, 2019

Consolidated Financial Statements

Statement of Financial Position

Euro thousands	September 30, 2019	December 31, 2018
Assets	**1,192,039**	**1,155,0253**
Non-current assets	**653,660**	**571,307**
Intangible assets	449,843	441,907
Property, plant and equipment	178,758	104,472
Non-current financial assets	3,769	3,284
Equity-accounted investments	935	767
Other equity investments	31	31
Deferred tax assets	20,323	20,846
Current assets	**538,381**	**583,746**
Current financial assets	301	352
Current tax assets	13,527	11,743
Inventories	267,235	262,432
Trade receivables and other assets	208,840	151,617
Cash and cash equivalents	48,478	157,602

Liabilities and equity	**1,192,039**	**1,155,0253**
Equity	**357,147**	**338,809**
Share capital	46,876	46,799
Reserves	105,224	109,234
Retained earnings	153,616	148,939
Profit for the period/year	25,178	8,747
Equity attributable to the owners of the parent	**330,894**	**313,719**
Equity attributable to non-controlling interests	**26,253**	**25,090**
Non-current liabilities	**602,821**	**611,254**
Non-current financial liabilities	498,931	519,884
Financial instruments	18,883	5,102
Employee benefits	12,183	10,931
Provisions for risks and charges	1,198	3,668
Deferred tax liabilities	71,580	71,616
Other liabilities	46	53
Current liabilities	**232,073**	**204,990**
Current financial liabilities	115,272	86,212
Current provisions for risks and charges	1,433	3,569
Current tax liabilities	15,973	9,672
Trade payables and other liabilities	99,394	105,537

Statement of Comprehensive Income

Euro thousands	September 30, 2019	December 31, 2018
Revenue from sales and services	535,858	437,481
Other revenue and income	5,542	6,199
Total revenue	**541,400**	**443,680**
Raw materials, consumables, supplies and goods	(245,393)	(213,745)
Services and use of third party assets	(91,206)	(99,120)
Other costs	(5,496)	(8,540)
Change in raw materials, semi-finished products, work in progress and finished goods	(2,883)	25,780
Personnel expense	(106,178)	(86,558)
Amortisationand depreciation	(29,754)	(16,610)
Net impairment losses on trade receivables and other assets	(825)	(2,219)
Other net impairment losses	(174)	(51)
Total operating costs	**(481,909)**	**(401,063)**
Operating profit	**59,491**	**42,617**
Financial income	6,333	5,498
Financial expense	(27,561)	(24,902)
Share of profit of equity-accounted investments	140	83
Net financial expense	**(21,088)**	**(19,321)**
Pre-tax profit	**38,403**	**23,296**
Income taxes	(12,891)	(12,023)
Deferred taxes	975	(120)
Total taxes	**(11,916)**	**(12,143)**
Profit from continuing operations	**26,486**	**11,153**
Profit for the period	**26,486**	**11,153**
Attributable to:		
Non-controlling interests	**1,308**	**1,099**
Owners of the parent	**25,178**	**10,054**
Other comprehensive income (expense) which may be reclassified subsequently to profit or loss	**(3,650)**	**3,191**
Exchange gains recognised in equity	9,952	2,763
Fair value gains on hedging derivatives	(13,602)	428
Other comprehensive income which may not be reclassified subsequently to profit or loss	**(1,214)**	**699**
Actuarial gains (losses)	(666)	859
Taxes	177	(160)
Capital increase transaction costs	(1,006)	-
Taxes	281	-
Other comprehensive income (expense), net of tax effect	**(4,864)**	**3,890**
Comprehensive income	**21,622**	**15,043**
Attributable to:		
Non-controlling interests	**2,079**	**(932)**
Owners of the parent	**19,543**	**15,975**
Earnings per share:		
basic	*0,49*	*0,24*
diluted	*0,48*	*0,24*

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**	**1,600**	**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								25,178	25,178		1,308	1,308	26,486
Post-tax share capital increase costs			(725)						(725)				
Other changes	77		2,564	(488)	(14,542)	9,181			(3,208)	42		42	(3,166)
Gains/(losses) recognised directly in equity	**77**	**-**	**1,839**	**(488)**	**(14,542)**	**9,181**	**-**	**25,178**	**21,245**	**42**	**1,308**	**1,350**	**22,595**
Allocation of the 2018 profit		331			(331)		8,747	(8,747)	-	1,714	(1,714)	-	-
Dividends							(4,070)		(4,070)	(187)		(187)	(4,257)
September 30, 2019	**46,876**	**7,765**	**153,608**	**(3,741)**	**(39,065)**	**(13,343)**	**153,616**	**25,178**	**330,894**	**24,945**	**1,308**	**26,253**	**357,147**

Condensed Consolidated Statement of Cash Flows

Euro thousands	September 30, 2019	September 30, 2018
Operating profit	**26,486**	**11,153**
Non-monetary and other adjustments:	**66,816**	**56,464**
Amortisation and depreciation	21,890	16,610
Depreciation of right-of-use assets	7,864	-
Net impairment losses on intangible assets and property, plant and equipment	174	51
Impairment gains/losses on trade receivables and write-downs of inventories	640	1,937
Accruals for post-employment and other employees benefits	2,615	2,239
Accruals to/reversals of the provision for risks and charges	-	879
Exchange losses on foreign currency trade receivables and payables	678	3,516
Net gains on the sale of intangible assets and property, plant and equipment	(49)	(231)
Net financial expense	21,228	19,404
Net gains on equity investments	(140)	(83)
Taxes	11,917	12,143
Addition for:	**(6,298)**	**(16,306)**
Income taxes paid	(8,605)	(11,580)
Net unrealised exchange gains/losses on foreign currency assets and liabilities	2,707	(4,937)
Net realised exchange gains/losses on foreign currency assets and liabilities	(400)	211
Cash flows from operating activities before changes in net working capital	**87,005**	**51,311**
Changes in net working capital:	**(61,991)**	**(62,495)**
Change in inventories	3,068	(25,498)
Change in trade receivables and other assets	(53,465)	(34,175)
Change in trade payables and other liabilities	(8,256)	(94)
Change in other liabilities, net	(1,645)	(1,134)
Change in post-employment and other employee benefits	(1,694)	(1,593)
Net cash flows used in operating activities	**25,014**	**(11,184)**
Net increase in intangible assets	(3,185)	(3,924)
Net increase in property, plant and equipment	(10,883)	(10,994)
Net increase in equity investments measured at cost	(2,784)	(215,188)
Net increase/decrease in other financial assets	28	301
Interest collected	80	(79)
Net cash flows used in investing activities	**(16,744)**	**(229,884)**
Change in equity	(4,257)	(3,879)
Financial expense	(17,735)	(19,582)
Lease expense	(4,372)	-
Net increase/decrease in loans and borrowings and other financial liabilities	(98,508)	363,398
Net increase/decrease in lease liabilities	(5,288)	-
Net cash flows from (used in) financing activities	**(130,160)**	**339,937**
Exchange gains	9,952	2,763
Other non-monetary changes	(8,127)	(3,446)
Net cash flows for the period	**(120,066)**	**98,186**
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	**26,764**	**31,887**

1) *Cash and cash equivalents at September 30, 2019 totalled Euro 48,478 thousand; current account overdrafts amounted to Euro 21,714 thousand net of relative interest.*
2) *Cash and cash equivalents at September 30, 2018 totalled Euro 45,041 thousand; current account overdrafts amounted to Euro 13,154 thousand net of relative interest.*
3) *The cash flows are presented using the indirect method. In order to provide a more complete and accurate presentation of the individual cash flows, the effects from non-monetary operations 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	Q3 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	**26,764**	**146,831**
Cash and other cash equivalents	48,478	157,602
Current account overdrafts	(21,714)	(10,771)

Attachments

Attachment 1 - List of companies included in the consolidation and other equity investments

Company	State of residence of the company	IFRS 8 segment 1	Year of acquisition	% held directly (F.I.L.A. S.p.A.)	% held indirectly	% held by F.I.L.A. Group	Held by	Recognition	Non-controlling interests
Omyacolor S.A.	France	EU	2000	100,00%	0,00%	100,00%	FILA S.p.A.Johann Froescheis Lyra Bleistift-Fabri	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 AB2	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 SA2	Greece	EU	2013	100,00%	0,00%	100,00%	FILA S.p.A.	Line-by-line	0,00%
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 2 - Changes of 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 Leasing 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. 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 to 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 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**

Following initial application of IFRS 16, for leases previously classified as operating leases, the Group recognised a right-of-use asset and lease liabilities of respectively Euro 71,595 thousand and Euro 78,206 thousand at September 30, 2019.

In relation to leases recognised as per IFRS 16, in the first nine months of 2019 the Group recognised depreciation and interest instead of operating lease costs of respectively Euro 7,864 thousand and Euro 4,372 thousand. The Group in addition recognised the positive effect of Euro 9,606 thousand from the reversal of the operating lease charges of the Group in the first nine months 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

Euro thousands	September 30, 2019 as reported	IFRS Adjustment	September 30 2019 (no IFRS Adjustment)
Assets	**1,192,039**	**(72,271)**	**1,119,768**
Non-Current Assets	**653,600**	**(72,271)**	**81,389**
Intangible Assets	449,843		449,843
Property, Plant and Equipment	178,758	(71,595)	107,163
Non-Current Loan Assets	3,769		3,769
Equity Accounted Investments	935		935
Other Investments	31		31
Deferred Tax Assets	20,323	(676)	19,647
Current Assets	**538,381**	**-**	**538,381**
Current Loan Assets	301		301
Current Tax Assets	13,527		13,527
Inventories	267,235		267,235
Trade Receivables and Other Assets	208,840	-	208,840
Cash and Cash Equivalents	48,478		48,478
Liabilities and Equity	**1,192,039**	**(72,271)**	**1,119,768**
Equity	**357,147**	**1,993**	**359,140**
Share Capital	46,876		46,876
Reserves	105,224	39	105,263
Retained Earnings	153,616		153,616
Profit for the period/year	25,178	1,879	27,057
Equity Attributable to the Owners of the Parent	**330,894**	**1,918**	**332,812**
Equity Attributable to Non Controlling Interests	**26,253**	**75**	**26,328**
Non-Current Liabilities	**602,821**	**(74,264)**	**528,557**
Non-Current Loan and Borrowings	498,931	(78,206)	420,725
Financial Instruments	18,883		18,883
Employee Benefits	12,183		12,183
Provisions for Risks and Charges	1,198	3,114	4,312
Deferred Tax Liabilities	71,580		71,580
Other Liabilities	46	828	874
Current Liabilities	**232,073**	**-**	**232,073**
Current Loan and Borrowings	115,272		115,272
Provisions for Risks and Charges	1,433		1,433
Current Tax Liabilities	15,973		15,973
Trade Payables and Other Liabilities	99,394		99,394

Statement of Comprehensive Income

Euro thousands	September 30, 2019 as reported	IFRS Adjustment	September 30 2019 (no IFRS Adjustment)
Revenue from Sales and Service	535,858	-	535,858
Other Revenue and Income	5,542	-	5,542
Total Revenue	**541,400**	-	**541,400**
Raw Materials, Consumables Supplies and Goods	(245,393)	-	(245,393)
Services and use of Third Parties Assets	(91,206)	(9,606)	(100,812)
Other Operating Costs	(5,496)	-	(5,496)
Change in Raw Materials, Semi-Finished, Work-in-progress & Finished Prod.	(2,883)	-	(2,883)
Personnel expense	(106,178)	-	(106,178)
Amortisation	(29,754)	7,864	(21,890)
Impairment Losses on trade receivables	(825)		(825)
Impairment Losses	(174)	-	(174)
Total Operating Costs	**(481,909)**	**(1,742)**	**(483,651)**
Operating Profit	**59,491**	**(1,742)**	**57,749**
Financial Income	6,333	-	6,333
Financial Expense	(27,561)	4,372	(23,189)
Income/Expense from Equity - Accounted Investments	140	-	140
Net Financial Expense	**(21,088)**	**4,372**	**(16,716)**
Pre-Tax Profit	**38,403**	**2,630**	**41,033**
Income Taxes	(12,891)	-	(12,891)
Deferred Taxes	975	(676)	299
Income Taxes	**(11,916)**	**(676)**	**(12,592)**
Profit - Continuing Operations	**26,486**	**1,954**	**28,440**
Profit (loss) - Discontinued Operations	-	-	-
Profit for the Period	**26,486**	**1,954**	**28,440**
Attributable to:			
Non-controlling interests	**1,308**	**75**	**1,383**
Owners of the parent	**25,178**	**(73)**	**(1.355)**
Other Comprehensive Income (Expense) which may be reclassified subsequently to profit or loss	**(3,650)**	-	**(3,650)**
Translation Difference recorded in Equity	9,952	-	9,952
Adjustment Fair value of Hedges	(13,602)	-	(13,602)
Other Comprehensive Income (Expense) which may not be reclassified subsequently to profit or loss	**(1,214)**	-	**(1,214)**
Actuarial Losses for Employee Benefits recorded directly in Equity	(666)		(666)
Income Taxes on income and charges recorded directly in Equity	177		177
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	**(4,864)**	-	**(,005)**
Comprehensive Income	**21,622**	**1,954**	**23,576**
Attributable to:			
Non-controlling interests	**2,079**	**75**	**2,154**
Owners of the parent	**19,543**	**1,879**	**21,422**

Atypical and/or Unusual Transactions

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

The Board of Directors
THE CHAIRMAN
Mr. Giovanni Gorno Tempini

Declaration of the Executive Officer for Financial Reporting

Fabbrica Italiana Lapis ed Affini

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

November 13, 2019

Declaration of the Executive Officer – Interim Report (ref. Article 154-bis, paragraph 2)

The undersigned Stefano De Rosa, Executive Officer responsible for the preparation of the financial statements of F.I.L.A. S.p.A.,

declares

in accordance with paragraph 2 of Article 154bis of Legislative Decree No. 58 of February 24, 1998 that the accounting information contained in the present Interim Report at September 30, 2019 corresponds to the underlying accounting records.

The Executive Officer responsible
for the preparation of the financial statements
Stefano De Rosa

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

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Fine Comunicato n.1565-56	Numero di Pagine: 39