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

F.I.L.A. GROUP
2019 ANNUAL REPORT

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

Via XXV Aprile 5 Pero (MI)

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I - General information

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 Consolidated Finance Act and Article 3 of the Code of Conduct.
(**) Non-Executive Director.
(***) Lead Independent Director.

Control, 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

Independent Auditors KPMG S.p.A.

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

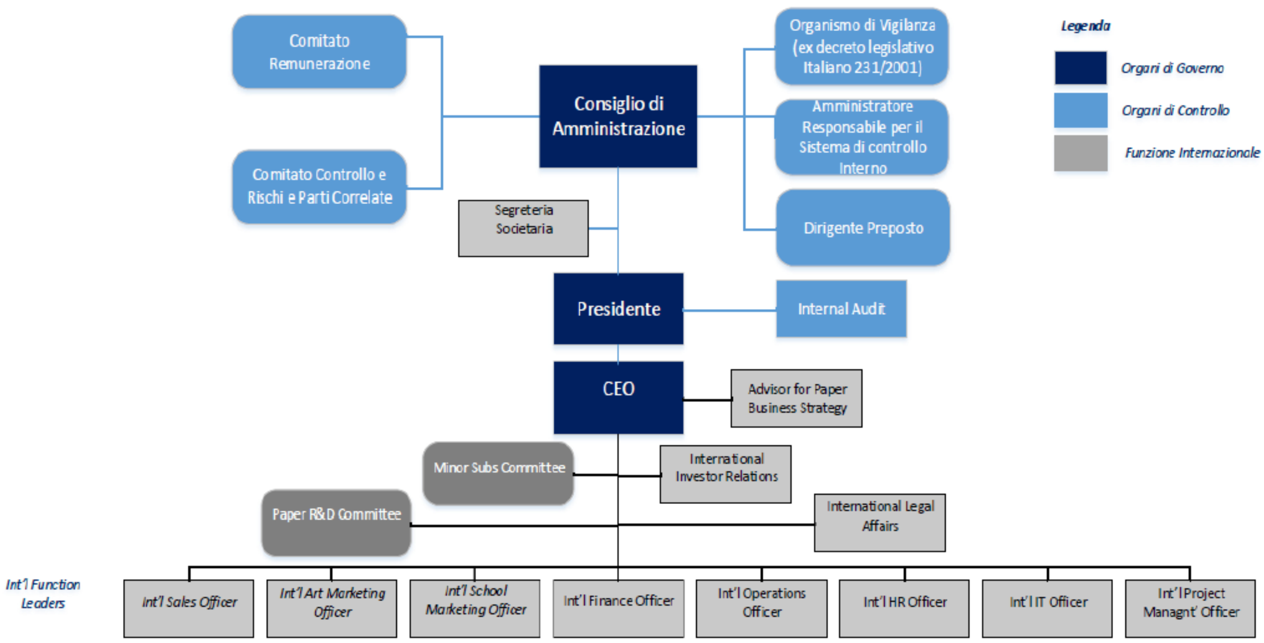
The F.I.L.A. Group operates in the creativity tools market, producing colouring, design, modelling, writing and painting objects, such as pencils, crayons, modelling clay, chalk, oil colours, acrylics, watercolours, paints and paper for the fine arts, school and leisure.
The F.I.L.A. Group at December 31, 2019 operates through 21 production facilities and 35 subsidiaries across the globe and employs over 10,000 people, 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 Marchesi Antinori, F.I.L.A. S.p.A. (hereafter also the "Company") 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 fine arts. 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&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, 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.

Organisational structure

The F.I.L.A. S.p.A. organisational structure is reported below:



DIRECTORS' REPORT

II - Directors' Report

Economic overview

In 2019 robust growth continued in India and China in the BRICS area. There were signs of a moderate recovery in North America and Central and South America, with the exception of Argentina. Growth remained essentially weak in the European area.

Among the F.I.L.A. Group's markets, there was particularly strong growth in Asia, above all in India, and in Central and South America, in particular in Mexico. The American market - although performing well - saw revenue decline, mainly due to destocking by certain major customers as a result of the economic uncertainty created by the introduction of customs duties with China.

The European market however experienced weak growth, additionally impacted by the launch of the European logistics hub in the first quarter, with revenue slowing at the start of the year due to the necessary set-up operations.

Management devoted considerable attention to the plan to implement the Group's new SAP Enterprise Resource Planning (ERP) software, which is still in progress, to the start-up of the new central European warehouse in France, and to the corporate reorganisation in North America and in France.

In relation to the Brexit impact, management is constantly monitoring the situation to assess any future implications.

The inflation and GDP figures for the main countries in which the F.I.L.A. Group companies operate are reported below:

		December 31, 2019		December 31, 2018	
	Country	**Inflation**	**GDP**	**Inflation**	**GDP**
Euro zone	Italy	0.61%	0.46%	1.34%	1.00%
	Spain	0.70%	1.86%	1.86%	2.57%
	Portugal	0.34%	1.98%	1.32%	2.15%
	Greece	0.17%	2.29%	0.77%	2.14%
	France	1.11%	1.42%	2.15%	1.61%
	Turkey	15.18%	0.47%	16.79%	3.28%
	Germany	1.45%	0.64%	1.87%	1.57%
	Poland	2.31%	4.06%	1.94%	5.22%
	Sweden	1.78%	1.72%	2.05%	2.47%
North America	U.S.A.	1.81%	2.07%	2.48%	2.89%
	Canada	1.95%	1.65%	2.32%	2.12%
Latin America	Mexico	3.64%	(0.22%)	4.85%	2.21%
	Chile	2.56%	2.82%	2.46%	4.15%
	Argentina	53.55%	(1.10%)	32.09%	(2.83%)
BRICs	China	2.9%	6.00%	2.00%	6.55%
	India	7.66%	4.66%	4.50%	7.54%
	Brasil	3.73	1.17%	3.78%	1.16%
	Russia	4.47%	1.63%	2.93%	1.63%
Others	South Africa	4.12%	0.21%	4.53%	0.73%
	Australia	1.61%	1.74%	1.96%	3.06%

Source: OECD, Junary 2020

Financial Highlights

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

Euro thousands	2019	% revenue	2018	% revenue	Change 2019 - 2018		Normalizations: of which: IFRS 16 FTA effects [3]	Normalizations: of which: Non-Recurring expenses
Revenue from sales and services	682,686	100%	588,747	100%	93,939	16.00%		(4,674)
Gross operating profit [1]	105,923	15.5%	73,510	12.5%	32,413	44.1%	12,954	(17,864)
Operating profit	60,048	8.8%	49,024	8.3%	11,024	22.5%	2,431	(20,800)
Net financial expense	(30,279)	-4.4%	(26,419)	-4.5%	(3,860)	-14,6%	(5,883)	332
Total taxes	(3,663)	-0.5%	(12,144)	-2,1%	8,481	69.8%	884	3,758
F.I.L.A. Group Profit attributable to the owners of the Parent	24,000	3.5%	8,747	1.5%	15,253	174.4%	(2,423)	(16,710)
Earnings per share (€ cents)								
basic	*0.47*		*0.20*					
diluted	*0.46*		*0.19*					

NORMALISED - Euro thousands	2019	% revenue	2018	% revenue	Change 2019 - 2018	
Revenue	687,360	100,0%	588,747	100,0%	98,613	16.7%
Gross operating profit [1]	110,834	16.1%	95,844	16.3%	(14,990)	15.6%
Operating profit	78,417	11.4%	71,377	12.1%	7040	9.9%
Net financial expense	(24,728)	-3.6%	(25,652)	-4.4%	924	3.6%
Total taxes	(8,305)	-1.2%	(16,289)	-2.8%	7,984	49%
F.I.L.A. Group Net Profits attributable to the owners of the Parent	43,133	6.3%	27,576	4.7%	15,557	56.4%
Earnings per share (€ cents)						
basic	*0.85*		*0.62*			
diluted	*0.84*		*0.59*			

Euro thousands	2019	2018	Change 2019 - 2018
Cash flows from operating activities	113,350	49,741	63,564
Investments	(19,010)	(23,370)	4,360
% revenue	*2.8%*	*4.7%*	

Euro thousands	2019	2018	Change 2019 - 2018	of which: effetti IFRS16 FTA effects [3]
Net capital employed	855,501	791,579	63,922	85,080
Net Financial debt [4]	(498,150)	(452,770)	(45,380)	(87,770)
Equity	(357,351)	(338,809)	(18,542)	2,690

[1] The Gross Operating Profit (EBITDA) corresponds to the operating result before amortisation and depreciation and impairment losses;

[2] Indicator of the net financial position, calculated as the aggregate of the current and non-current financial debt, net of cash and cash equivalents and current financial assets and loans provided to third parties classified as non-current assets. 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 December 31, 2019 amount to Euro 2,713 thousand, of which Euro 1,070 thousand included in the calculation of the net financial position; therefore the F.I.L.A. Group financial indicator does not equate, for this amount, with the net financial position as defined in the above-mentioned Consob communication. For further details, see paragraph 'Financial Overview" of the Report

[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

[4] Please refer to the "Note 1 - Intangible assets" for more information about the effects related the first consolidation of Pacon Group

2019 Normalisations:

- For revenue from sales and services, the adjustment mainly concerns the disputes arising with customers during the North African and European reorganisation, the introduction of the new SAP system and the launch of the new central European warehouse, which impacted revenue for approx. Euro 4.7 million.
- The adjustment to the 2019 gross operating profit relates to non-recurring operating expense of approx. Euro 17.9 million, principally for Group reorganisation plans and particularly in North America and Europe, and lower service costs of Euro 13.0 million on the initial application of IFRS

16;

- The adjustment to the operating profit, compared to EBITDA, concerns higher amortisation and depreciation of €10.5 million following the initial application of IFRS 16, and for Euro 2.9 million for the impairment losses on Goodwill from the sale of the "Superior" business:
- The adjustment to Net financial expense concerns higher interest of Euro 5.9 million following the initial application of IFRS 16;
- The adjustment to the 2019 Profit attributable to the owners of the Parent concerns the above adjustments, net of the tax effect.

2018 Normalisations:

- The adjustment to the 2018 gross operating profit concerns non-recurring expense of Euro 22.3 million, principally concerning consultancy for M&As in 2018 and reorganisation costs;
- The adjustment to operating profit (totalling Euro 22.4 million) relates to the above effects;
- The adjustment to Net financial expense concerns fees and financial expense relating to the funding activities for the M&As undertaken in the reporting period;
- The adjustment to the 2018 Profit attributable to the owners of the Parent concerns the above adjustments, net of the tax effect.

In order to permit a more accurate assessment of the F.I.L.A. Group's financial performance and financial position, some alternative performance measures are presented alongside the conventional financial measures pursuant to the IFRS. Such alternative performance measures are not to be considered replacements for the IFRS-compliant measures.

The alternative performance measures used are illustrated below:

Gross operating profit or EBITDA: this is calculated as profit for the reporting period, excluding the following components: (i) income taxes for the reporting period, (ii) depreciation, amortisation and impairment losses, (iii) financial income and expense, and (iv) profit or loss from discontinued operations. The F.I.L.A. Group uses this measure as an internal management target and in external presentations (for analysts and investors), as it is useful in measuring the overall operating performance of the F.I.L.A. Group and of F.I.L.A. S.p.A.

The table below presents a reconciliation of the 2019 profit for the year with the gross operating profit:

Euro thousands	2019	2018
Profit attributable to non-controlling interests	2,105	1,714
Profit/(loss) attributable to the owners of the parent	24,000	8,747
Profit for the year	**26,105**	**10,461**
Income taxes	**3,663**	**12,144**
Current taxes	*10,827*	*14,378*
Deferred taxes	*(7,164)*	*(2,234)*
Amortisation, depreciation and impairment losses	**45,876**	**24,486**
Financial items	**30,279**	**26,418**
Financial income	*(3,971)*	*(7,878)*
Financial expenses	*34,437*	*34,311*
Share of losses of equity-accounted investees	*(187)*	*(15)*
Gross operating profit	**105,923**	**73,510**

The Group defines adjusted gross operating profit as the gross operating profit before: (i) non-recurring expense and (ii) the application of IFRS 16.

The following is a reconciliation between gross operating profit and adjusted gross operating profit:

Euro thousands	2019	2018
Gross operating profit	**105,923**	**73,510**
Non-recurring expense	17,864	22,334
IFRS 16 effect	(12,954)	-
Adjusted gross operating profit	**110,834**	**95,844**

Operating profit: this is calculated as the profit for the reporting period, excluding the following components: (i) income taxes for the reporting period, (ii) financial income and expense, and (iii) profit from discontinued operations.

Euro thousands	2019	2018
Operating profit	**60,048**	**49,024**
Non-recurring expense	17,864	22,334
Impairment losses on Intangible assets	2,936	18
IFRS 16 effect	(2,431)	-
Operating profit	**78,417**	**71,376**

The Group defines adjusted operating profit as the operating profit before: (i) non-recurring expense and (ii) the application of IFRS 16.

Net financial position (or net financial debt): this is a valid measure of the F.I.L.A. Group's financial structure. It is calculated as the aggregate of the current and non-current financial debt net of cash and cash equivalents and of current and non-current financial assets relating to derivative instruments. The net financial position as per CONSOB Communication DEM/6064293 of July 28, 2006 excludes non-current financial assets. Non-current financial assets amount to Euro 1,070 thousand at December 31, 2019 and to Euro 474 thousand at December 31, 2018. Accordingly, the F.I.L.A. Group financial indicator at December 31, 2019 and December 31, 2018 differs by those amounts from the net financial position as defined in the above-mentioned Consob communication.

F.I.L.A. Group's Financial Highlights

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

Normalised financial performance

The F.I.L.A. Group's 2019 gross operating profit rose by 15.6% on the previous year.

NORMALISED - Euro thousands	2019	*% revenue from sales and services**	2018	*% revenue from sales and services**	Change 2019 - 2018	
Revenue from sales and services	687,360	*100%*	588,747	*100%*	98,613	*16.7%*
Other revenue and income	6,544		8,607		(2,063)	*-24.0%*
Total revenue	**693,904**		**597,354**		**96,550**	***16.2%***
Total operating expense	(583,070)	*-84.8%*	(501,510)	*-85.2%*	(81,559)	*-16.3%*
Gross operating profit	**110,834**	***16.1%***	**95,844**	***16.3%***	**14,991**	***15.6%***
Amortisation, depreciation and impairment losses	(32,417)	*-4.7%*	(24,467)	*-4.2%*	(7,950)	*-32.5%*
Operating profit	**78,417**	***11.4%***	**71,377**	***12.1%***	**7,040**	***9.9%***
Net financial expense	(24,728)	*-3.6%*	(25,652)	*-4.4%*	924	*3.6%*
Pre-tax profit	**53,689**	***7.8%***	**45,725**	***7.8%***	**7,964**	***17.4%***
Total income taxes	(8,305)	*-1,2%*	(16,289)	*-2.8%*	7,984	*49%*
Net Profit for the year	**45,384**	***6.6%***	**29,435**	***5%***	**15,948**	***54.2%***
Non-controlling interest	2,250	*0.3%*	1,858	*0.3%*	391	*21.2%*
F.I.L.A. Group Profit attributable to the owners of the Parent	**43,133**	***6.3%***	**27,576**	***4.7%***	**15,557**	***56.4%***

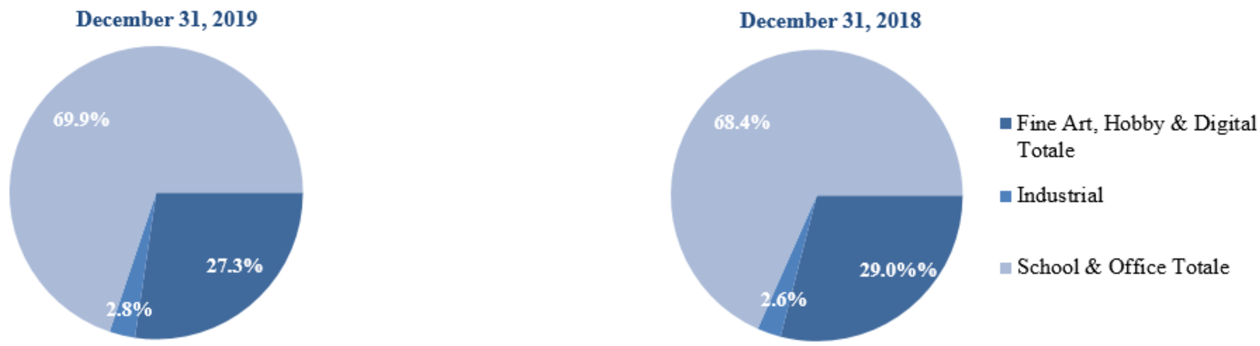
** Revenue from sales and services*

The main changes compared to 2019 are illustrated below.

Revenue from sales and services of Euro 687,360 thousand was up Euro 98,613 thousand on 2018 (+16.7%), of which Euro 87,792 thousand relating to the Pacon Group (acquired in June 2018 and defined as an M&A effect), net of the effect of the sale of the "Superior" brand business (in October 2019) and for Euro 21,923 thousand regarding the positive currency effects (principally US Dollars and Mexican Pesos, and Indian Rupee).

Net of these effects, the increase in revenue from the Asian geographical segment of Euro 15,180 thousand (+21.1%, 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 1,886 thousand (+2.8%, mainly concerning the Mexican and Argentinian subsidiaries) partially offset the revenue contraction in North America of Euro 22,873 thousand (-9.7% on the previous year), in Europe of Euro 4,503 thousand (-2.1% on the previous year, particularly in Italy and France), and in the Rest of the World of Euro 791 thousand (-20.5% on the previous year, principally in Australia).

In order to better illustrate F.I.L.A. Group revenue, the table below highlights revenue by the Group's strategic segment compared with the previous year (the school and office strategic business segment, the fine arts strategic business segment and, to a residual extent, industrial products):



Other income of Euro 6,544 thousand fell by Euro 2,063 thousand on the previous year, mainly due to lower exchange gains on commercial transactions.

Revenue in 2019 compared to the previous year, on a pro-forma basis considering H1 2018 for the Pacon Group, increased 1.3% (-1.1% net of the currency effect and the sale of the "Superior" business).

Operating expense in 2019 of Euro 583,070 thousand increased Euro 81,599 thousand on 2018, mainly due to the M&A effect. Raw material prices in addition rose - particularly for pulp, packaging and cedar wood - alongside higher transport costs (in particular in the U.S.A.) and overheads (in India and Mexico to support business growth).
The gross operating profit of Euro 110,834 thousand increased by Euro 14,991 thousand on 2018 (+15.6%), principally due to the M&A effect and the good Asian and Central-South American performances.

The gross operating profit, compared with the previous year, on a pro-forma basis considering H1 2018 for the Pacon Group, increased 0.4% (-1.7% net of the currency effect and the sale of the "Superior" business).

Amortisation, depreciation and impairment losses rose by Euro 7,950 thousand, principally due to higher amortisation and depreciation resulting from investments and the M&A effect.

Net financial expense decreased by Euro 924 thousand, substantially due to the reduced negative currency impact on financial transactions, partially offset by higher borrowing costs related to the loan taken out in 2018 to acquire the Pacon Group.

Normalised Income taxes totalled Euro 8,305 thousand, significantly decreasing on the previous year, mainly due to the release of deferred tax liabilities on the US subsidiary due to a reduction in the federal tax rate following the mergers in 2019 between the various US companies.

Net of the profit attributable to non-controlling interests, the F.I.L.A. Group normalised profit in 2019 was Euro 43,133 thousand compared to Euro 27,576 thousand in 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 fine arts 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 fine arts 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, partially 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.

The key figures for 2019 and 2018 are reported below:

	2018				2019			
Euro thousands	First 3 mth. 2018	First 6 mth. 2018	First 9 mth. 2018	FY 2018	First 3 mth. 2019	First 6 mth. 2019	First 9 mth. 2019	FY 2019
Reve nue from sales and services	**104,796**	**259,140**	**437,481**	**588,747**	**143,811**	**350,703**	**535,858**	**682,686**
Full year portion	17,80%	44,02%	74,31%	100,00%	21.07%	51.37%	78.49%	100,00%
Gross operating profit	**15,511**	**34,548**	**61,497**	**73,510**	**18,490**	**59,938**	**90,244**	**105,923**
% revenue from sales and services	14,80%	13,33%	14,06%	12.50%	12.86%	17.09%	16.84%	15.50%
Full year portion	21,10%	47,00%	83,66%	100,00%	17.47%	56.64%	85.28%	100,00%
Adjusted gross operating profit	**16,200**	**44,371**	**72,989**	**95,844**	**18,418**	**58,226**	**88,157**	**110,834**
% revenue from sales and services	15,46%	17,21%	16.68%	16.30%	12.81%	16.60%	16.45%	16.10%
Full year portion	16,72%	45.79%	75.32%	100,00%	16.65%	52.63%	79.68%	100,00%
Net Financial Debt	**(269,879)**	**(612,657)**	**(591,263)**	**(452,770)**	**(578,278)**	**(602,365)**	**(583,771)**	**(498,150)**

Statement of Financial Position

The F.I.L.A. Group's financial highlights at December 31, 2019 are as follows.

Euro thousands	December 31, 2019	December 31, 2018	Change 2019 - 2018
Intangible assets	430,609	442,598	(11,989)
Property, plant & equipment	186,013	104,472	81,541
Financial assets	3,691	3,608	83
Net non-current assets	**620,313**	**550,678**	**69,635**
Other Assets/Non-Current Liabilities	**18,347**	**20,501**	**(2,154)**
Inventories	258,409	262,432	(4,023)
Trade receivables and other assets	141,339	151,617	(10,278)
Trade payables and other liabilities	(108,670)	(105,537)	(3,133)
Other current assets and liabilities	3,800	2,071	1,729
Net working capital	**294,879**	**310,583**	**(15,704)**
Provisions	**(78,039)**	**(90,183)**	**12,144**
Net invested capital	**855,501**	**791,579**	**63,922**
Equity	**(357,351)**	**(338,809)**	**(18,542)**
Net financial debt	**(498,150)**	**(452,770)**	**(45,380)**
Net funding sources	**(855,501)**	**(791,579)**	**(63,922)**

The F.I.L.A. Group's net invested capital of Euro 855,501 thousand at December 31, 2019 was composed of net non-current assets of Euro 620,313 thousand (up by Euro 69,635 thousand on December 31, 2018), net working capital of Euro 294,879 thousand (down by Euro 15,704 thousand on December 31, 2018) and other non-current assets/liabilities of Euro 18,347 thousand (down by Euro 2,154 thousand on December 31, 2018), net of provisions of Euro 78,039 thousand (Euro 90,183 thousand at December 31, 2018).

Intangible assets decreased Euro 11,989 thousand compared to December 31, 2018, due mainly to amortisation in the year of Euro 10,735 thousand, the effects of the sale of the "Superior" business by the US subsidiary, recording a decrease in "Concessions, Licenses, Trademarks and Similar Rights" and "Other Intangible Assets" for Euro 6,729 thousand, in addition to "Goodwill" of Euro 2,926 thousand, partially offset by investments made of Euro 8,180 thousand, mainly by F.I.L.A. S.p.A. for the roll-out of the SAP system, and positive currency differences in the year.

Property, plant and equipment rose by Euro 81,541 thousand compared to December 31, 2018. This increase is mainly due to the initial application of IFRS 16 for Euro 80,374 thousand. Net investments in the year amounted to Euro 16,877 thousand and were principally undertaken by DOMS Industries Pvt Ltd (India), Canson SAS (France), F.I.L.A.-Dixon, S.A. de C.V. (Mexico), Dixon Ticonderoga Company (U.S.A.) and F.I.L.A. S.p.A., to extend and develop local production and logistical sites. The overall increase was mainly offset by depreciation of Euro 15,429 thousand.

Non-current financial assets increased by Euro 83 thousand compared to December 31, 2018 and mainly concerned loans.

The decrease in net working capital of Euro 15,704 thousand relates to the following:

- Inventories - decreasing Euro 4,023 thousand, mainly due to the net reduction in stock at the F.I.L.A. Group of approx. Euro 5,806 thousand, particularly in North America and Italy, in line with the stock restructuring pursued by Group management, in addition to the impact from the sale of the "Superior" business for Euro 2,205 thousand during the year by the US subsidiary, a contraction which was significantly offset by positive currency effects of approx. Euro 3,880 thousand;
- Trade receivables and other assets - decreasing Euro 10,278 thousand due to improved collection, mainly in the Americas region, and lower turnover, mainly on the basis of management's strategic decisions both on sales with improved margins and better collection times, in addition to the sale of the "Superior" business, offset by positive currency effects of approx. Euro 3,207 thousand;
- Trade payables and other liabilities - increasing Euro 3,133 thousand, mainly due to the parent, Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) and Daler Rowney Ltd (United Kingdom), principally as a result of lower purchases related to reduced stock levels and amplified by negative currency effects of approx. Euro 1,605 thousand.

The decrease in Provisions on December 31, 2018 of Euro 12,144 thousand principally concerns:

- Decrease in deferred tax liabilities of Euro 8,852 thousand, principally due to the tax effect concerning intangible assets, recognised during the PPA of the Pacon Group acquired in 2018, sold with the "Superior" business, the adjustment to the tax rate in the United States, in addition to utilisations of the year;
- Decrease in provisions for risks and charges of Euro 4,161 thousand, mainly due to the allocation of Euro 3,042 thousand to "Right-of-use assets" on initial application of IFRS 16, in addition to the utilisations of the year;
- Increase in employee benefits of Euro 869 thousand, mainly due to the actuarial losses recorded in the year by the companies Daler Rowney Ltd (United Kingdom) and Canson SAS (France).

Equity attributable to owners of the parents of the F.I.L.A. Group, amounting to Euro 357,351 thousand, increased on December 31, 2018 by Euro 18,542 thousand. Net of the profit of Euro 26,105 thousand (of which Euro 2,105 thousand attributable to non-controlling interests), the residual movement mainly concerned the increase in the translation reserve of Euro 6,338 thousand and of the actuarial reserve of Euro 1,074 thousand, offset by the decrease in the hedging reserve (IRS) for Euro 8,402 thousand and the distribution of dividends to non-controlling interests for Euro 4,262

- thousand.

F.I.L.A. Group's net financial debt at December 31, 2019 was Euro 498,150 thousand, increasing Euro 45,380 thousand on December 31, 2018. For greater details, reference should be made to the "Financial Overview" section.

Financial overview

The Group's net financial debt at December 31, 2019 and cash flows for the year then ended are summarised in the following to complete the discussion about its financial position and financial performance.

The **Net Financial Debt** at December 31, 2019 was Euro 498,150 thousand.

	Euro thousands	December 31, 2019	December 31, 2018	Change 2019 - 2018
A	Cash	135	129	6
B	Other cash equivalents	100,057	157,472	(57,415)
C	Securities held for trading	-	-	-
D	**Liquidity (A + B + C)**	**100,192**	**157,601**	**(57,409)**
E	**Current loan assets**	**169**	**352**	**(183)**
F	Current bank loans and borrowings	(79,511)	(75,617)	(3,894)
G	Current portion of non-current debt	(15,008)	(10,412)	(4,596)
H	Other current loans and borrowings	(8,187)	(184)	(8,003)
I	**Current financial debt (F + G + H)**	**(102,706)**	**(86,212)**	**(16,494)**
J	**Net current financial debt (I + E+ D)**	**(2,355)**	**71,741**	**(74,096)**
K	Non-current bank loans and borrowings	(402,546)	(518,779)	116,233
L	Bonds issued	-	-	-
M	Other non-current loans and borrowings	(94,328)	(6,208)	(88,120)
N	**Non-current financial debt (K + L + M)**	**(496,874)**	**(524,987)**	**28,112**
O	**Net financial debt (J+N)**	**(499,219)**	**(453,246)**	**(45,984)**
P	**Loans issued to third parties**	**1,070**	**474**	**596**
Q	**Net financial debt (O + P) - F.I.L.A. Group**	**(498,150)**	**(452,770)**	**(45,380)**

Compared to December 31, 2018 (debt of Euro 452,770 thousand), net financial debt increased Euro 45,380 thousand, as outlined below in the Statement of Cash Flows.

Euro thousands	December 31, 2019	December 31, 2018
Operating profit	60,048	49,024
Adjustments for non-cash items	38,222	30,031
Income taxes	(12,659)	(16,866)
Cash Flows from Operating Activities Before Changes in NWC	**85,611**	**62,189**
Change in NWC	**15,306**	**(11,605)**
Change in inventories	6,021	(19,779)
Change in trade receivables and other assets	11,609	24,855
Change in trade payables and other liabilities	1,349	(12,662)
Change in other current assets/liabilities	(3,672)	(4,019)
Net cash flows from operating activities	**100,917**	**50,584**
Investments in property, plant and equipment and Intangible assets	(19,010)	(23,370)
Interest income	-	870
Equity investments	(2,784)	(214,961)
Net cash flows used in investing activities	**(21,794)**	**(237,466)**
Change in equity	(4,261)	97,712
Interest expense	(23,821)	(26,023)
Net cash flows from (used in) financing activities	**(28,082)**	**71,689**
Other changes	(186)	588
Total net cash flows	**50,856**	**(115,781)**
Effect of exchange losses	(6,030)	(4,531)
Mark to mark hedging adj	(8,469)	(6,121)
NFD change due to IFRS16 FTA	(87,770)	-
NFD from M&A transactions (change in consolidation scope)	6,033	(86,724)
Change in net financial debt	**(45,380)**	**(213,157)**

The net cash flows generated by operating activities of Euro 100,917 thousand (compared to Euro 50,584 thousand in 2018) are due to:

- Inflows of Euro 85,611 thousand (Euro 62,189 thousand in 2018) from operating profit, calculated as the difference of operating costs and revenue plus other operating items, excluding financial items;
- Outflows of Euro 15,306 thousand (Euro 11,605 thousand in 2018) attributable to working capital movements, primarily related to the increases in inventories and trade payables and other liabilities, partially offset by the decrease in trade receivables and other assets.

Investing activities used net cash flows of Euro 21,794 thousand (Euro 237,466 thousand in 2018), mainly due to the use of cash for Euro 19,010 thousand (Euro 23,370 thousand in 2018) for investments in property, plant and equipment and intangible assets, particularly regarding DOMS Industries Pvt Ltd (India), Canson SAS (France), F.I.L.A.-Dixon, S.A. de C.V. (Mexico), Dixon Ticonderoga Company (U.S.A.) and F.I.L.A. S.p.A., in addition to the acquisition of the entire non-controlling interest of the subsidiary FILA Hellas (Greece) for Euro 2,784 thousand (Euro 214,961 thousand in 2018, due to the acquisition of the Pacon Group on June 7, 2018).

Financing activities used net cash flows of Euro 28,082 thousand (cash flows of Euro 71,689 thousand generated in 2019, mainly for the subscription to the share capital increase of F.I.L.A. S.p.A. of Euro 99,960 thousand), 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) and the distribution of dividends to F.I.L.A. Group shareholders.

Excluding the exchange losses from the translation of the net financial positions in currencies other than the Euro (negative Euro 6,030 thousand), the Mark-to-Market hedging adjustments of Euro 8,470 thousand and the negative impact of the initial application of IFRS 16 of Euro 87,770 thousand and the change generated by corporate transactions of Euro 6,033 thousand, mainly due to the sale of the "Superior" business and the recognition of the non-controlling interest in the Greek subsidiary Fila Hellas, the change in the Group's net financial debt is Euro 45,380 thousand (Euro 213,157 thousand at December 31, 2018).

Changes in net cash and cash equivalents are detailed below.

Euro thousands	December 31, 2019	December 31, 2018
Opening Cash and Cash Equivalents	**146,831**	**20,425**
Cash and cash equivalents	157,602	38,558
Current account overdrafts	(10,771)	(18,133)
Closing Cash and Cash Equivalents	**85,579**	**146,831**
Cash and cash equivalents	100,191	157,602
Current account overdrafts	(14,612)	(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.
In particular, the Group'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 region on the basis of the *"entity location"*.

For disclosure on the association between the geographical segments and F.I.L.A. group companies, reference should be made to the attachments to this report in the "List of companies included in the consolidation scope and other equity investments" section.
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 broken down by geographical segment at December 31, 2019 and December 31, 2018, are reported below:

December 31, 2019 *Euro thousands*	Europe	North America	Central & South America	Asia	Rest of the World	Consolidation	F.I.L.A. Group
Intangible assets	106,092	236,959	1,517	24,904	-	61,137	430,609
Property, plant & equipment	67,576	49,328	26,028	42,839	242	-	186,013
Total non-current assets	**173,668**	**286,287**	**27,545**	**67,743**	**242**	**61,137**	**616,622**
of which Intercompany	*(76)*						
Inventories	88,746	104,253	36,068	29,814	2,548	(3,020)	258,409
Trade receivables and other assets	74,994	40,992	55,098	15,420	1,463	(46,628)	141,339
Trade payables and other liabilities	(71,699)	(34,421)	(22,923)	(21,434)	(3,179)	44,986	(108,670)
Other current assets and liabilities	1,465	2,700	153	(518)	-	-	3,800
Net working capital	**93,506**	**113,524**	**68,396**	**23,282**	**832**	**(4,662)**	**294,878**
of which Intercompany	*(10,153)*	*1,906*	*3,169*	*(2,340)*	*2,756*		
Net financial debt	**(189,531)**	**(256,843)**	**(42,913)**	**(7,599)**	**(2,185)**	**921**	**(498,150)**
of which Intercompany	*921*						

December 31, 2018 *Euro thousands*	Europe	North America	Central - South America	Asia	Rest of the World	Consolidation	F.I.L.A. Group
Intangible assets	106,085	166,608	1,610	26,719	6	144,896	445,924
Property, plant & equipment	52,578	17,492	7,203	27,048	151	-	104,472
Total non-current assets	**158,663**	**184,100**	**8,813**	**53,767**	**157**	**144,896**	**550,396**
of which Intercompany	*(76)*						
Inventories	87,247	112,390	35,752	28,744	2,768	(4,469)	262,432
Trade receivables and other assets	89,013	57,144	51,881	15,179	1,259	(62,860)	151,616
Trade payables and other liabilities	(86,978)	(33,120)	(22,429)	(21,799)	(2,982)	61,771	(105,537)
Other current assets and liabilities	2,457	,780	(490)	(676)	-	-	2,071
Net working capital	**91,739**	**137,194**	**64,714**	**21,448**	**1,045**	**(5,558)**	**310,582**
of which Intercompany	*(3,595)*	*(1,546)*	*(211)*	*(293)*	*87*		
Net financial debt	**(165,337)**	**(257,996)**	**(25,932)**	**1,117**	**(4,822)**	**199**	**(452,770)**
of which Intercompany	*199*						

Business Segments – Statement of comprehensive income

The group's key statement of comprehensive income figures broken down by geographical segment for the years ended December 31, 2019 and December 31, 2018, are reported below:

December 31, 2019 *Euro thousands*	Europe	North America	Central - South America	Asia	Rest of the World	Consolidation	F.I.L.A. Group
Revenue	288,622	323,217	96,868	124,616	3,166	(153,803)	682,686
of which Intercompany	*(75,740)*	*(12,695)*	*(29,265)*	*(35,931)*	*(172)*		
Gross operating profit (loss)	33,586	40,246	12,526	19,658	(947)	854	105,923
Operating profit (loss)	17,051	25,951	7,779	12,160	(1,096)	(1,797)	60,048
Net financial income (expense)	8,951	(10,274)	(8,486)	(845)	(92)	(19,533)	(30,279)
of which Intercompany	*(16,788)*	*(2,928)*	*53*	*17*	*113*		
Profit (loss) for the year	21,134	20,048	(990)	8,807	(1,165)	(21,729)	26,105
Non-controlling interests	81	-	-	2,025	(1)	-	2,105
Profit attributable to the owners of the Parent	21,053	20,048	(990)	6,782	(1,164)	(21,729)	24,000

December 31, 2018 *Euro thousands*	Europe	North America	Central - South America	Asia	Rest of the World	Consolidation	F.I.L.A. Group
Revenue	284,379	256,181	96,481	108,972	3,951	(161,217)	588,747
of which Intercompany	*(71.488)*	*(21.471)*	*(30.086)*	*(38.086)*	*(86)*		
Gross operating profit (loss)	29,259	24,201	8,760	13,679	(347)	(2,042)	73,510
Operating profit (loss)	17,631	17,893	7,210	8,468	(463)	(1,715)	49,024
Net financial income (expense)	(51,979)	(2,479)	(5,892)	(428)	(670)	35,030	(26,418)
of which Intercompany	*40.267*	*(5.719)*	*303*	*-*	*179*		
Profit (loss) for the year	(38,227)	11,542	523	(1,109)	(1,109)	31,994	10,461
Non-controlling interests	318	-	-	(46)	(46)	-	1,714
Profit attributable to the owners of the Parent	(38,545)	11,542	523	(1,063)	(1,063)	31,994	8,747

Business Segments – Other Information

The other information on the group companies' property, plant and equipment and intangible assets broken down by geographical segment for the years ended December 31, 2019 and December 31, 2018, is reported below:

December 31, 2019 *Euro thousands*	Europe	North America	Central - South America	Asia	Rest of the World	F.I.L.A. Group
Intangible assets	3,688	277	-	76	-	4,041
Property, plant and equipment	3,735	897	2,132	8,182	21	14,968
Right-of-use assets	19,954	38,487	20,925	14,943	166	94,475
Net investments	**27,377**	**39,661**	**23,057**	**23,201**	**187**	**113,246**

December 31, 2018 *Euro thousands*	Europe	North America	Central - South America	Asia	Rest of the World	F.I.L.A. Group
Intangible assets	7,850	233	-	80	-	8,163
Property, plant and equipment	4,710	2,266	2,260	5,950	21	15,207
Right-of-use assets	-	-	-	-	-	-
Net investments	**12,560**	**2,499**	**2,260**	**6,030**	**21**	**23,370**

Investments

Group investments for the year totalled Euro 19,010 thousand, broken down between Intangible Assets for Euro 4,041 thousand and Property, Plant and Equipment for Euro 19,968 thousand, undertaken both to achieve leaner production and to support sales volume growth.

The main intangible investments concerned F.I.L.A. S.p.A. for the installation of the new ERP system and residually Concessions, Licenses, Trademarks and Similar Rights.

The investments in Land for Euro 77 thousand refer to 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.

Investments in Buildings amounted to Euro 3,144 thousand, whereas capitalised work in progress amounted to Euro 97 thousand. Net investments mainly by DOMS Industries PVT Ltd (Euro 2,135 thousand) relate to the centralised storage and production site extension plan.

Investments in plant and machinery incurred by the F.I.L.A Group were Euro 7,879 thousand and mainly concerned DOMS Industries Pvt Ltd (India) for Euro 4,745 thousand, and Dixon Ticonderoga Company (U.S.A.) for Euro 1,108 thousand. In addition, capitalisations of assets under construction were made for Euro 1,151 thousand, with exchange gains of Euro 782 thousand.

Assets under construction include internal constructions undertaken by the individual companies of the Group which are not yet operational. The net carrying amount at December 31, 2019 was Euro 4,441 thousand, principally concerning F.I.L.A.-Dixon, S.A. de C.V. (Mexico) (Euro 1,440 thousand), Dixon Ticonderoga Company (U.S.A.) (Euro 786 thousand) and Canson SAS (Euro 329 thousand), in addition to F.I.L.A. S.p.A. (Euro 425 thousand) for the development and extension of local production facilities.

Other Information

Management and control

The Company is not considered to be under the management and control of the ultimate parent Pencil S.p.A. in accordance with Article 2497-bis of the Italian Civil Code.

Treasury Shares

At December 31, 2019, the Company did not hold any treasury shares.

Research and development and Quality Control

Research and development activities are primarily carried out centrally by the Research and Development Department, as well as at local level, through dedicated teams based at the Group's various manufacturing facilities, above all in Europe, Central and South America and Asia. The F.I.L.A. Group's strong commitment to understanding its customers and designing products that meet their expectations plays a significant role in the development strategy for the Group's products.

These departments avail of, where necessary, the support of technicians and production staff for the execution and testing of specific projects.

These operations are performed by expert technicians, who receive ongoing upskilling through targeted training.

Research and development focus essentially on the following:

- Research and design of new materials and new technical solutions for product and packaging innovations;
- Product quality testing;
- Comparative analyses with competitor products in order to improve product efficiency;
- Research and design for production process innovation in order to improve efficiency.

Over recent years, the projects created by the dedicated research and development team have led to the creation of innovative products, such as new formulas for modelling clay, new plastic materials, new designs for paint and watercolour boxes, new industrial segment products and the polymer ("woodfree") pencil. The team, in order to guarantee compliance with physical and chemical specification rules, constantly monitors the development of product regulations (such as, for example purposes, those concerning the use of preservatives), amending the formulas or developing new formulas for altered products.

The quality control department is tasked with ensuring compliance with the F.I.L.A. Group's policies regarding the safety and quality standards for its products, suppliers and production procedures.
The F.I.L.A. Group's quality control process consists of two phases:

- statistical control, consisting of various tests performed at its internal laboratories for the analysis of materials and finished products. Its internal laboratories are also used to test its products in the research and development phase with the aim, inter alia, of assessing industrial product feasibility;
- the "control" process, which consists of various tests conducted on an ongoing and/or random basis throughout the stages of the production process by its production personnel. Visual and instrumental controls are performed directly at its facilities by machine technicians. Such tests are performed in addition to the technical tests required by national and international standards and/or the customer's specifications.

Research and development and Quality Control costs are broken down in the following table, indicating also the dedicated teams by geographical segment:

Euro thousands	R&D			Quality Assurance		
Geographical segment	**Workers**	**Personnel expense**	**Other related Costs**	**Workers**	**Personnel expense**	**Other related Costs**
Europe	19	1,185	60	15	860	333
North America	-	-	-	3	221	28
Central-South America	9	163	48	45	340	144
Asia	19	237	73	74	390	142
Total	**47**	**1,586**	**182**	**137**	**1,811**	**647**

Related party transactions

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

Reference should be made to the Related Party Transactions section of the Notes to the Consolidated Financial Statements of the F.I.L.A. Group.

Significant events in the year

- 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 Company (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 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 Italian Civil Code, to service the "Pacon Manager Warrants", approved by F.I.L.A.'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 "2017-2019 Performance Share Plan" for managers of the F.I.L.A. Group.
- In July 2019 the share capital of F.I.L.A. S.p.A. increased 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 Chairman of the Board of Directors of F.I.L.A. S.p.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. S.p.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. S.p.A..

- On October 1, 2019, a number of corporate reorganisation operations were undertaken in the US and France. Specifically:
  - Merger between Canson SAS (France) and Omyacolor (France);
  - Merger between Pacon Canadian Holding Corporation (U.S.A.) and Pacon Corporation. (U.S.A.);
  - Merger between Pacon Corporation (U.S.A.) and Pacon Holding Company (U.S.A.);
  - Merger between Pacon Holding Company (U.S.A.) and Dixon Ticonderoga (U.S.A.).

- On October 7, 2019, the US subsidiary Dixon Ticonderoga (U.S.A.) sold the "Superior" brand business for a value of USD 10 million, as no longer considered strategic, through an "Assets Purchase Agreement" of property, plant and equipment and intangible assets, in addition to inventories;

- On October 8, 2019, the liquidation of the non-operative subsidiary in the United Kingdom FILALYRA GB Ltd concluded.

Subsequent events

- On March 2, 2020, F.I.L.A.- Arches S.A.S., a French company wholly-owned by F.I.L.A., completed the purchase of the fine art business unit operating through the ARCHES® brand, until then managed by the Ahlstrom-Munksjö Group, finalising the non-binding memorandum of understanding signed on October 30, 2019 between F.I.L.A. S.p.A. and Ahlstrom-Munksjö Oyj and its French subsidiary, Ahlstrom-Munksjö Arches.

  For over 500 years, the ARCHES® brand has been one of the best-known global brands in the production and distribution of premium fine art paper. The company creates its products using a particular "cylinder mould" technique which ensures the delivery of a highly crafted product and an inimitable natural appearance. Each production cycle is subject to numerous technical controls, which have always guaranteed the undisputed quality of the paper and its excellent brand reputation.

  The total price, on a debt-free cash-free basis, paid by F.I.L.A. - Arches S.A.S. for the business unit was Euro 43.6 million. The acquisition was funded by amending the current medium/long-term loan contract, through the granting of new lines for Euro 15 million and the partial use of the RCF line for Euro 25 million, through its conversion into a medium/long-term line.

- As known, since January 2020, on the Chinese market - and gradually from March 2020 across the rest of the world - the operating environment has been dominated by the spread of COVID-19 ("Coronavirus") and the resulting restrictive containment measures implemented by the public authorities of the countries affected. The current health emergency, in addition to the enormous social impacts, is having direct and indirect repercussions on the general economy and on the propensity to consume and invest, resulting in a generally uncertain environment. The F.I.L.A. Group is monitoring the developing situation in order to minimise its social and workplace health and safety impacts, in addition to the operating, equity and financial situation, by drawing up and rolling out flexible and timely action plans. In particular, from the beginning the F.I.L.A. Group has worked tirelessly to ensure maximum health and safety levels for its employees, customers and suppliers. The Group promptly introduced a series of protective measures for personnel and activated its Crisis Response Protocol, developing a specific crisis response plan and immediately rolled out a series of measures at all levels of the organisation - both at headquarters and overseas - at the operational sites and at the production plant. At the date of this report, the Group's plants are operational, in accordance with the regulations for

  each country, although not at full capacity in order to protect worker safety. Closures are currently scheduled for 15 days in Santo Domingo, in Florence and in the UK and 7 days in Mumbai, while the Chinese plant is operating at 100% potential. Each subsidiary has already verified and, where extraordinary instruments are already available, has activated all the shock absorbers that can be used to deal with the decline in business. The impact on the business is not estimated to be significant in the first quarter of the current year as the decrease in sales on the Chinese market in February and part of March has a marginal impact on the Group's business, while the decrease in sales in the rest of the world has had a gradual impact only from the second half of March, especially in Europe, with the exception of customers selling online and Large-Scale Retail and Organised Distribution. It is highlighted that Group revenue in April, May and June does not correspond, especially for "school products", to the sell-out by our customers to end consumers, but in particular to the supply of the distribution chain ahead of sales for the reopening of schools. Based on current forecasts for the end of the emergency, the impacts on business could be partially offset by a recovery in the months leading up to the reopening of schools. With regard to potential financial stress scenarios, management is constantly monitoring both the Group’s current and future liquidity. At the preparation date of this report, there were no significant impacts on collection or payment activities directly or indirectly related to the worldwide spread of the Coronavirus. It is clear that, in the absence of strong credit support throughout the distribution chain, the Group will necessarily have to implement a strict customer selection policy to limit financial difficulties. This policy, if implemented, could have an impact on the Group's business in the short-term; however, this impact is expected to be partially reabsorbed at a later date as consumer choices regarding the Group's products would lead to a redistribution of demand, also in light of the fact that the Group has demonstrated that it operates in an anti-cyclical business. At that date, the available liquidity, also following the good generation of cash in 2019, is in line with financial planning and appears adequate to cover current and future operating needs. The medium/long-term debt of a nominal Euro 452.5 million is based on a bullet repayment plan (Euro 50.9 million in 2023 and Euro 253.8 million in 2024), with increasing instalments to be settled until maturity in 2023; the 2020 instalment amounts to Euro 19.4 million. As at the reporting date, the Group is carrying out a further sensitivity analysis of the potential economic and financial impacts of the current crisis and is drafting a series of actions to limit these impacts. On the basis of the information available, the potential effects deriving from the spread of COVID-19, in line with the application of the international accounting standards (IAS 10), have been considered a "Non Adjusting" event. With reference to the valuations made for the purposes of the financial statements (recoverability of intangible assets with an indefinite useful life, recoverability of deferred tax assets, fair value of financial instruments, liabilities for employee defined benefits), the Directors consider that, given the information currently available, these factors of uncertainty are already included in the main sensitivity analyses provided with reference to the main financial statement captions subject to estimates. With particular reference to the uncertainty related to the developing Coronavirus epidemic, it may not be excluded however that, should the virus spread significantly at an international level, the general economic consequences and specific consequences for the Group could be more severe than that envisaged at present, requiring a new estimate to be made, with a negative impact on the financial statement captions subject to estimate and in terms of the scenarios considered for the sensitivity analysis at December 31, 2019.

Outlook

For 2020, further sustained growth on the Indian market is forecast, together with revenue recovery both in North America and in Europe, while in Central-South America, revenue is expected to be stable following a turnover restructuring policy focused on reducing collection times with key customers. Management will continue to focus on consolidating the business, particularly after the recent corporate and logistics reorganisations, while generating cash through the continued overall improvement of the Group’s working capital management.

Scheduled investments for 2020 concern new production plant and machinery and industrial equipment at the main Group production entities, particularly in India and North America.

The outlook for 2020 could be affected in the early months of 2020 by the instability resulting from the spread of the Coronavirus, which was disclosed in the “Subsequent events” section.

Going Concern

The Directors reasonably expect that F.I.L.A. S.p.A. will continue operations into the foreseeable future and have prepared the consolidated financial statements for the Group and the separate financial statements of F.I.L.A. S.p.A. on a going concern basis and in line with the long-term business plan, which forecasts improving results.

Risk Management

The principal F.I.L.A. Group financial instruments include financial assets such as current accounts and on demand deposits, loans and short and long-term bank loans and borrowings. The objective is to finance the recurring and non-recurring transactions of the F.I.L.A. Group.

In addition, the F.I.L.A. Group has in place trade receivables and payables arising from its core business.

The management of funding needs and the relative risks is undertaken by the individual F.I.L.A. Group companies on the basis of the guidelines drawn up by the CFO of the Parent F.I.L.A. S.p.A. and approved by the Chief Executive Officer.

The principal objective of these guidelines is the ability to ensure a balanced equity structure in order to maintain a solid capital base.

The main funding instruments used by the F.I.L.A. Group are:

- Medium/long-term loans, in order to fund capital expenditure (principally the acquisition of controlling investments and plant and machinery) and working capital;
- Short-term loans and customer advances.

The average borrowing costs were in line with the Euribor/Libor at 3 and 6 months, with the addition of a spread which depends on the type of financial instrument used.

Loans issued in favour of subsidiaries may be accompanied by guarantees such as sureties and patronage letters issued by the Parent F.I.L.A. S.p.A..

Loans obtained by the Parent F.I.L.A. S.p.A. provide for financial covenants. In relation to the latter, reference should be made to: Note 13 - Financial Liabilities of the Notes to the Consolidated Financial Statements.

The main financial risks, identified and managed by the F.I.L.A. Group are the following:

Market risks

Risk may be broken down into two categories:

Currency risk

The currency used for the F.I.LA. Group consolidated financial statements is the Euro. However, the F.I.LA. group undertakes and will continue to undertake transactions in currencies other than the Euro, particularly as the geographic distribution of the various Group industrial activities differs from the location of the group's markets, with an exposure therefore to exchange rate fluctuation risk. For this reason, the operating results of the F.I.L.A. Group may be impacted by currency movements, both as a result of the conversion into Euro on consolidation and changes in the exchange rates on trade payables and receivables in currencies other than the functional currency of the various F.I.L.A. Group companies.

In addition, in limited cases, where financially beneficial or where local market conditions require such, the company may undertake debt or use funds in currencies other than the functional currency. The change in the exchange rate may result in the realisation or the recording of exchange gains and losses.

The F.I.LA. Group is exposed to risks deriving from exchange rate fluctuations, which may impact on the profit or loss for the year and on equity.

The main exchange rates to which all F.I.L.A. Group companies are exposed concern the individual local currencies and:

- the Euro as the consolidation currency;
- the US Dollar, as the base currency for international trade.

The Group has decided not to use derivative financial instruments to offset currency risk arising from commercial transactions within a prospective twelve-month period (or also subsequently, where considered beneficial according to the business's characteristics).

The F.I.LA. Group incurs part of its costs and realises part of its revenue in currencies other than the Euro and, in particular, in US Dollars, Mexican Pesos and British Sterling.
The F.I.LA. Group generally uses natural hedging to protect against this risk through the offsetting of costs and revenue in the same currency, in addition to acquiring funding in the local currency.

The policy adopted by the Group is considered adequate to contain currency risk. However, it must be considered that in the future currently unpredictable movements in the Euro may impact the economic, financial and equity position of the Group companies, in addition to the comparability between reporting periods.

Also in relation to the commercial activities, the companies of the Group may hold trade receivables or payables in currencies other than the functional currency of the entity. This is appropriately monitored by the F.I.L.A. Group, both in relation to the potential economic impact and in terms of financial and liquidity risk.

A number of F.I.L.A. Group subsidiaries are based in countries not within the Eurozone, in particular the United States, Canada, Australia, Mexico, the United Kingdom, Scandinavia, China, Argentina (hyperinflationary economy), Chile, Brazil, Indonesia, South Africa, Russia and India. As the Group's functional currency is the Euro, the statements of comprehensive income of these companies are converted into Euro at the average exchange rate for the year and, at unchanged revenue and margins in the local currency, changes in the exchange rate may result in effects on the value in Euro of revenue, expense and results recognised in the consolidation phase directly in equity under "Translation Differences" (See Note 12).

In 2019, the nature and the structure of the currency risk exposures and the Group's monitoring policies did not change substantially compared to the previous year.

Liquidity risk

The liquidity risk to which the F.I.L.A. Group is exposed may arise from an incapacity or difficulty to source, at beneficial conditions, the financing necessary to support operations in an appropriate timeframe.

The cash flows, financing requirements and the liquidity of the Group companies are constantly monitored centrally in order to ensure the efficient management of financial resources.

The above-stated risks are monitored according to internal procedures and periodic commercial and financial reporting, which allows management to assess and offset any impacts from these risks through appropriate and timely policies.

The Group continually monitors financial risks in order to offset any impacts and undertake appropriate corrective actions.

It has adopted at the same time the following policies and processes aimed at optimising the management of financial resources, reducing the liquidity risk:

- Maintenance of an adequate level of liquidity;
- Diversification of funding instruments and a continual and active presence on the capital markets;
- Obtaining of adequate credit lines;
- Monitoring of the liquidity position, in relation to business planning.

Financial transactions are carried out with leading highly rated Italian and international institutions. Management believes that the funds and credit lines currently available, in addition to those that will be generated by operating and financial activities, will permit the Group to satisfy its requirements deriving from investing activities, working capital management and the repayment of debt in accordance with their maturities.
The capacity to generate liquidity through operations enables the Group to reduce liquidity risk to a minimum, which concerns the difficulty in sourcing funding to ensure the on-time discharge of financial liabilities.

Interest rate risk

The F.I.L.A. Group companies utilise external funding in the form of debt and use the liquidity available in financial assets. Changes in the market interest rates impact on the cost and return of the various forms of loans, with an effect on the net financial expense of the Group.

The Parent F.I.L.A. S.p.A. issues loans almost exclusively to Group companies, drawing directly on own funds.

Bank debt exposes the F.I.L.A. Group to interest rate risk. In particular, variable rate loans result in cash flow risk.

The F.I.L.A. Group chose to hedge the interest rate on the strategic loans issued to F.I.L.A. S.p.A., Dixon Ticonderoga Company (United States) and Canson SAS (France) through derivative hedges (Interest Rate Swaps) recognised as per IAS 39 concerning hedge accounting.

Credit risk

The credit risk represents the exposure to potential losses following the non-fulfilment of obligations by counterparties.

The maximum theoretical exposure to the credit risk for the Group at December 31, 2019 is the carrying amount of the trade receivables recorded in the financial statements, and the nominal amount of the guarantees given on liabilities and commitments to third parties.

The F.I.L.A. Group strives to reduce the risk relating to the insolvency of its customers through rules which ensure that sales are made to customers who are reliable and solvent. These rules, based on available solvency information and considering historical data, linked to exposure limits by individual customer, in addition to insurance coverage for overseas clients (at Group level), ensure a good level of credit control and therefore minimise the related risk.

According to the F.I.L.A. Group policy, customers that request extensions of payment are subject to a credit rate check. In addition, the maturity of trade receivables is monitored on an ongoing basis throughout the year in order to anticipate and promptly intervene on credit positions which present greater risk levels.

The credit risk is therefore offset by the fact that the credit concentration is low, with receivables divided among a large number of counterparties and clients.

The individual positions are impaired, if individually significant, with an allowance which reflects the partial or total non-recovery of the receivable. The amount of the impairment loss takes into account the estimate of the recoverable cash flows and the relative date of collection, charges and future recovery costs, in addition to the fair value of guarantees. Against the receivables which are not individually impaired, an individual and general provision is made, taking into account historical experience and statistical data, applying an expected credit loss approach.

As previously illustrated, the principal F.I.L.A. Group financial instruments include financial assets such as current accounts and on demand deposits, loans and short and long-term bank loans and borrowings. The objective is to finance the operating and non-recurring activities of the F.I.L.A. Group. In addition, the F.I.L.A. Group has in place trade receivables and payables arising from its core business.

Disclosure in accordance with IFRS 7

The table below reports the carrying amounts for each category identified by IFRS 9, as required by IFRS 7. This carrying amount generally coincides with the amortised cost of financial assets and liabilities, with the exception of derivative instruments at fair value.

See the notes on each item for the fair value.

Euro thousands		December 31, 2019	Assets and liabilities measurement at FV booked in OCI	Amortised cost	Total
Non-current financial assets					
Financial assets	Nota 3	**3,783**		3,783	**3,783**
Current financial assets					
Current financial assets	Nota 3	**169**		169	**169**
Trade and Other Assets	Nota 9	**141,339**		141,339	**141,339**
Cash and Cash Equivalents	Nota 10	**100,191**		100,191	**100,191**
Non current financial liabilities					
Non current financial liabilities	Nota 13	**(483,303)**		(483,303)	**(483,303)**
Financial Instruments	Nota 17	**(13,571)**	(13,571)		**(13,571)**
Current financial libilities					
Current financial libilities	Nota 13	**(102,706)**		(102,706)	**(102,706)**
Trade payables and Other Liabilities	Nota 19	**(108,670)**		(108,670)	**(108,670)**

Euro thousands		December 31, 2018	Assets and liabilities measurement at FV booked in OCI	Amortised cost	Total
Non-current financial assets					
Financial assets	Nota 3	**3,284**		3,284	**3,284**
Current financial assets					
Current financial assets	Nota 3	**352**		,352	**,352**
Trade and Other Assets	Nota 9	**151,617**		151,617	**151,617**
Cash and Cash Equivalents	Nota 10	**157,602**		157,602	**157,602**
Non current financial liabilities					
Non current financial liabilities	Nota 13	**(519,884)**		(519,884)	**(519,884)**
Financial Instruments	Nota 17	**(5,102)**	(5,102)		**(5,102)**
Current financial libilities					
Current financial liabilities	Nota 13	**(86,212)**		(86,212)	**(86,212)**
Trade payables and Other Liabilities	Nota 19	**(105,537)**		(105,537)	**(105,537)**

Financial liabilities at amortised cost refer mainly to the loan contracted by F.I.L.A. S.p.A. and Dixon Ticonderoga Company (U.S.A.) on June 4, 2018. The loan in question was agreed by the two companies with a banking 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 used to repay the previous loan undertaken in 2016 (in support of M&As regarding the acquisition of the Daler-Rowney Lucas Group, the Canson Group and of St. Cuthberts Holding).

The amounts of each facility and the revolving credit facility at the date of disbursement of the loan 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	71,250	71,250	142,500
Facility B	90,000	155,000	245,000
Facility C	25,000	-	25,000
Total	**186,250**	**226,250**	**412,500**

The Facility A line (Euro 142,500 thousand) stipulates a repayment plan consisting of 8 half-yearly instalments, of which two instalments were classified as short-term as they are due on June 4, 2020 and December 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 unused.

F.I.L.A. S.p.A., Dixon Ticonderoga Company (U.S.A) and Canson SAS (France) undertook derivative hedges against movements in the interest rates of the structured loans contracted. The Interest Rate Swaps, structured with fixed rate payments against variable payments, qualified as hedging derivative and were considered as per the hedge accounting provisions of IAS 39. The fair value at December 31, 2019 of these instruments amounts to Euro 13,571 thousand, with the negative fair value adjustment recognised as an equity reserve.

In accordance with IFRS 7, the effects on the consolidated financial statements in relation to each category of financial instruments of the Group in the years 2019 and 2018 are shown below, which mainly includes the gains and losses deriving from the purchase and sale of financial assets or liabilities, as well as the changes in the value of the financial instruments measured at fair value and the interest expense/income matured on the financial assets/liabilities measured at amortised cost.

Financial gains and losses are recognised in profit or loss:

Euro thousands	December 31, 2019	December 31, 2018
Interest income from bank deposits	182	105
Total financial income	**182**	**105**
Financial assets and liabilities at amortised cost*	(10,950)	(12,249)
Net exchange gains/(losses) on financial transactions	1,865	(845)
Total financial expense	**(9,085)**	**(13,094)**
Total net financial expense	**(8,903)**	**(12,989)**

**Interest on the only structured loan signed in 2018 by F.I.L.A. S.p.A. and Dixon Ticonderoga (U.S.A.)*

Non-current loans are broken down below; the F.I.L.A. Group financial statement classification is based on the settlement time criterion, as expressed by the contracts underlying each liability.

For greater detail on the breakdown of financial liabilities, reference should be made to Note 13.A - Financial Liabilities of the Notes to the Consolidated Financial Statements.

Euro thousands	December 31, 2019	December 31, 2018
Non-current financial liabilities	**496,874**	**524,986**
Bank loans and borrowings - Principal third parties	408,140	526,352
Bank loans and borrowings - Interest third parties	(5,594)	(7,573)
Banks	**402,546**	**518,779**
Bank loans and borrowings - Principal third parties	420	1,133
Bank loans and borrowings - Interest third parties	(23)	(28)
Other loans and borrowings	**397**	**1.105**
IFRS 16 - Principal third parties	80,360	-
IFRS 16	**80,360**	**-**
Loans and borrowings - due after one year	**483,303**	**519,884**
Financial Instruments - Principal	13,571	5,102
Financial Instruments	**13,571**	**5,102**

The account Other loans and borrowings includes the non-current portion of loans issued by other financial backers. The total balance at December 31, 2019 was Euro 483,303 thousand, of which Euro 402,546 thousand concerning bank loans and borrowings, Euro 397 thousand other loans and borrowings and Euro 13,571 thousand concerning the Interest Rate Swaps undertaken by F.I.LA. S.p.A., Dixon Ticonderoga (U.S.A.) and Canson SAS (France).

Euro thousands	December 31, 2019	December 31, 2018
Current financial liabilities	**102,706**	**86,211**
Bank loans and borrowings - Principal third parties	78,419	73,110
Bank loans and borrowings - Interest third parties	1,344	2,067
Banks	**79,763**	**75,177**
Bank loans and borrowings - Principal third parties	785	196
Bank loans and borrowings - Interest third parties	(8)	(12)
Other loans and borrowings	**777**	**184**
Current account Overdrafts - Principal third parties	14,612	10,771
Current account Overdrafts - Interest third parties	144	80
Current account overdrafts	**14,756**	**10,851**
IFRS 16 - Principal third parties	7,410	-
IFRS 16	**7,410**	-
Loans and borrowings - due within one year	**102,706**	**86,212**

The balance at December 31, 2019 was Euro 102,706 thousand, of which Euro 79,763 thousand concerning bank loans and borrowings, Euro 777 thousand concerning other loans and borrowings and Euro 14,756 thousand of current account overdrafts.

Trade receivables and other assets at December 31, 2019 were as follows:

Euro thousands	December 31, 2019	December 31, 2018	Change
Trade receivables	126,094	135,549	(9,455)
Tax assets	3,005	4,521	(1,516)
Other assets	7,317	6,466	851
Prepayments and accrued income	4,923	5,081	(157)
Total	**141,339**	**151,616**	**(10,277)**

Trade payables and other liabilities at December 31, 2019 were as follows:

Euro thousands	December 31, 2019	December 31, 2018	Change
Trade payables	76,197	75,297	899
Tax liabilities	9,735	9,053	682
Other liabilities	21,670	19,949	1,721
Accrued expenses & def.income	1,068	1,238	(169)
Total	**108,670**	**105,537**	**3,133**

In relation to Trade payables and other liabilities and Trade receivables and other assets, reference should be made to Note 9.A - Trade receivables and other assets" and Note 19 - Trade payables and other liabilities.

In relation to the financial instruments recognised in the Statement of Financial Position at fair value, IFRS 7 requires that these values are classified based on the hierarchy levels which reflects the significance of the inputs used in the determination of fair value.

See the specific notes to the consolidated financial statements for the classification of financial instruments according to the levels of the fair value hierarchy.

Sensitivity Analysis

In accordance with IFRS 7 and further to that outlined in the Directors' Report – Financial Risks, the following is reported:

Currency risk

Net exposure of the main currencies:

	December 31, 2019			December 31, 2018		
(in Euro thousands)	USD	MXN	CNY	USD	MXN	CNY
Trade receivables	29,970	867,734	5,052	49,104	819,947	3,796
Financial assets	1,755	6,795	1,961	984	7.064	1.636
Financial liabilities	(270,878)	(775,342)	(2,987)	(296,815)	(604,143)	(12,056)
Trade payables	(22,813)	(153,218)	(27,883)	(13,063)	(177,671)	(27,798)
Total	**(261,966)**	**(54,030)**	**(23,857)**	**(259,789)**	**45,197**	**(34,422)**

Closing exchange rates applied:

Closing exchange rate		
Currency	December 31, 2019	December 31, 2018
USD /€	1.123	1.145
MXN /€	21.220	22.492
CNY /€	7.821	7.875

Changes in equity		
Currency	December 31, 2019	December 31, 2018
USD /€	(21,199)	(20,626)
MXN /€	(231)	183
CNY /€	(277)	(397)
Total	**(21,708)**	**(20,851)**

The impact on the statement of financial position, following an increase of 10% in the exchange rate of the main foreign currencies against the Euro, would be negative for approx. Euro 21,708 thousand (Euro 20,841 thousand at December 31, 2018).

Interest rate risk

The current F.I.L.A. Group policy is to maintain variable interest rates, monitoring the interest rate curve.

The financial assets and liabilities at variable rates are reported below:

Euro thousands	December 31, 2019	December 31, 2018
Financial liabilities	599,580	611,199
Financial assets/liabilities at variable rate	**599,580**	**611,199**

The financial instruments at variable rates typically include liquidity, loans granted to a number of Group companies and part of the financial liabilities.

A change of 100 basis points in the interest rates applicable to financial assets and liabilities at variable rates in place at December 31, 2019 would result in the following financial statements impacts on an annualised basis:

Euro thousands	Equity	
	+ 100 bps	- 100 bps
December 31, 2019		
Financial assets/liabilities at variable rate	140,689	(140,689)
December 31, 2018		
Financial assets/liabilities at variable rate	6,112	(6,112)

The same variables were maintained to establish the financial statements impact at December 31, 2019.

The capital portions of financial assets and liabilities of the F.I.L.A. Group are broken down by contractual maturity for 2019 and 2018, according to the extinction time criterion in line with Note 13.A – Financial Liabilities:

December 31, 2019 *Euro thousands*	**Within 12 months**	**Within 1-2 years**	**Within 2-3 years**	**Within 3-4 years**	**Within 4-5 years**	**Total**
Financial assets						
Cash and cash equivalents	100,191	-	-	-	-	100,191
Loans and receivables	169	-	-	-	1,070	1,239
Financial liabilities						
Bank loans and borrowings(1)	94,519	54,075	59,497	94,734	194,240	497,065
Other loans and borrowings	776	305	51	29	12	1,173
Expected cash flows	**5,065**	**(54,380)**	**(59,549)**	**(94,763)**	**(193,182)**	**(396,808)**

(1) TThe principal portion of the bank loans amounts to Euro 491,471 thousand euro, the medium-long term part has been adjusted considering an amortised cost of Euro 5,594 thousand. The carrying amount is Euro 497,065 thousand.

December 31, 2018 *Euro thousands*	**Within 12 months**	**Within 1-2 years**	**Within 2-3 years**	**Within 3-4 years**	**Within 4-5 years**	**Total**
Financial assets						
Cash and cash equivalents	157,602	-	-	-	-	157,602
Loans and receivables	352	-	-	-	474	826
Financial liabilities						
Bank loans and borrowings	86,029	49,256	52,930	58,552	358,041	604,808
Other loans and borrowings	183	231	47	6	821	1,288
Expected cash flows	**71,742**	**(49,487)**	**(52,977)**	**(58,558)**	**(358,388)**	**(447,668)**

(1) The principal of bank loan amounts to 612,381 thousand euro, the medium-long term part has been adjusted considering an amortised cost of 7,573 thousand Euro. The net value is 604,808 thousand Euro.

Credit Risk

Credit risk may be defined as the possibility of incurring a financial loss due to the breach of a contractual obligation by a counterparty.

At December 31, 2019, Trade receivables and other assets totalling Euro 141,339 thousand (Euro 151,616 thousand at December 31, 2018) is reported net of the related loss allowance of Euro 5,945 thousand (Euro 7,361 thousand at December 31, 2018).

The aging of trade receivables at December 31, 2019 (Euro 126,095 thousand), net of the loss allowance, compared with December 31, 2018, is reported below:

The aging of trade receivables			
Euro thousands	**December 31, 2019**	**December 31, 2018**	**Change**
Not yet due	95,452	90,722	4,730
Overdue from 0-60 days	18,959	20,105	(1,146)
Overdue from 60-120 days	8,582	7,735	847
Overdue more than 120 days	7,532	6,473	1,059
Total	**126,095**	**135,549**	**5,490**

Trade receivables classified by type of creditor are also presented below:

TRADE RECEIVABLES THIRD PARTIES - DISTRIBUTION CHANNEL			
Euro thousands	**December 31, 2019**	**December 31, 2018**	**Change**
Wholesalers	45,531	48,944	(3,414)
School/Office Suppliers	12,473	13,408	(935)
Supermarkets	33,256	35,749	(2,493)
Retailers	25,589	27,508	(1,919)
Distributors	6,208	6,673	(465)
Promotional & B2B	1,425	1,531	(107)
Other	1,614	1,735	(121)
Total	**126,095**	**135,549**	**(9,454)**

In conclusion, the breakdown of trade receivables by geographical segment is presented below:

TRADE RECEIVABLES: BY GEOGRAPHICAL SEGMENT			
Euro thousands	**December 31, 2019**	**December 31, 2018**	**Change**
Europe	34,505	34,178	327
North America	30,973	45,676	(14,703)
Central/South America	50,043	46,190	3,853
Asia	8,028	6,462	1,566
Rest of the world	2,546	3,043	(497)
Total	**126,095**	**135,549**	**(9,454)**

Environment and Safety

Environment and Safety issues are managed at local level by the F.I.L.A. Group companies under the applicable regulations and in accordance with the Group policy.

Within the F.I.L.A. Group a manager-in-charge of Environment and Safety is appointed by each local entity, reporting to the respective CEO, who in turn report to the Parent F.I.L.A. S.p.A..

"Environment and Safety" for F.I.L.A. S.p.A. has been managed with the support of a specialised consultancy firm for a number of years. The actions implemented by F.I.L.A. S.p.A. are in line with the environmental and workplace safety regulation (Legislative Decree Nos. 626 and No. 81 of April 9, 2008). Waste is appropriately disposed of and its movement is properly recorded in approved registers. The Parent, F.I.L.A. S.p.A., is certified according to ISO 14001:2015 on environmental management and British OHSAS Standard 18001:2007 Occupational Health and Safety Assessment Series for its Occupational Health and Safety Management System. During the process of managing and improving its own Occupational Health and Safety Management System, and based on the OHSAS 18001 standards, the Parent identified and defined, under the scope of its Occupational Health and Safety Management System, the following processes which it monitors regularly:

definition of health and safety policies risk
factors and legislative compliance
assessment and significance of the implications of the risk factors definitions
of targets and objectives
review of the governance and the Occupational Safety Programme

Canson France is also BS OHAS 18001 certified for its Occupational Health and Safety Management System and ISO 14001:2015 certified in environmental management.

During the year no significant problems emerged in relation to the environment and safety area. The ongoing environmental reclamation at the lands owned by the US subsidiary relates to previous industrial activity before the acquisition by F.I.L.A. S.p.A.. The company, in accordance with Article 5, paragraph 3, letter b of Legislative Decree 254/2016 has drawn up the consolidated non-financial statement as a separate report. The 2019 consolidated non-financial statement, drawn up as per the "GRI Standards" and subject to limited audit by KPMG S.p.A. is available on the Group website.

Personnel

The FILA Group at the end of 2019 had 10,067 employees (9,560 at December 31, 2018), of which over 99% on full-time contracts. The workforce is 47% female and who represent over 70% of part- time contracts.

The increase of 507 employees was mainly in Asia and, particularly, at the Indian company DOMS Industries Pvt Ltd which launched major plant expansion projects during the year.
Two tables breaking down the F.I.L.A. Group workforce at December 31, 2019 and December 31, 2018 respectively by region and category are presented below:

	Europe	North America	Central - South America	Asia	Rest of the World	Total
December 31, 2018	**1,076**	**705**	**1,860**	**5,886**	**34**	**9,560**
December 31, 2019	**1,081**	**717**	**1,915**	**6,331**	**23**	**10,067**
Change	**5**	**12**	**55**	**446**	**(11)**	**507**

Globally, the majority of F.I.L.A. Group personnel are located in Asia (with over 62.8% of Group personnel at the end of 2019), followed by Central and South America (19.0%), Europe (10.7%), North America and the Rest of the World. The majority of the workforce in fact is based in the countries in which the main production facilities are located (India, China and Mexico).

PERSONNEL - FULL TIME EQUIVALENT

	Manager	White-collar	Blue-collar	Total
December 31, 2018	**242**	**1,948**	**7,370**	**9,560**
Increase	27	760	5,366	6,153
Decrease	35	555	5,056	5,646
Career advancement	1	-	(1)	0
December 31, 2019	**235**	**2,153**	**7,679**	**10,067**
Change	**(7)**	**205**	**309**	**507**

The 2019 average workforce of the F.I.L.A. Group was 9,814, increasing 814 on December 31, 2018.

	Europe	North America	Central/South America	Asia	Rest of the World	Total
Executives	101	62	15	24	6	207
Manager/White-collar	433	114	422	901	17	1,887
Blue-collar	555	280	1,411	4,649	10	6,906
Total at December 31, 2018	**1,089**	**456**	**1,848**	**5,574**	**33**	**9,000**
Executives	110	81	13	30	5	240
Manager/White-collar	420	157	480	979	15	2,050
Blue-collar	551	473	1,394	5,099	8	7,525
Total at December 31, 2019	**1,080**	**711**	**1,888**	**6,107**	**28**	**9,814**
Change	**(10)**	**255**	**40**	**533**	**(6)**	**814**

The bonuses received by F.I.L.A. Group Managers in the year were as follows:

BENEFITS AND OTHER INCENTIVES FOR MANAGERS

Euro thousands	December 2019	December 2018	Nature
Bonus	1,437	1,685	Perfomance bonus
Total	**1,437**	**1,685**	

In 2019, as in previous years, F.I.L.A. Group personnel undertook training and upskilling courses, particularly in the administrative areas in order to maintain appropriate professional standards, in line with the Group policy.

Corporate Governance

For further information on corporate governance, reference should be made to the Corporate Governance and Ownership Structure Report, prepared in accordance with Article 123-bis of the Consolidated Finance Act (TUF), approved by the Board of Directors of the Parent, together with the Directors' Report made available by the Parent at the registered office of the Parent, as well as on the Group website (www.filagroup.it - Governance section).

The disclosure pursuant to paragraphs 1 and 2 of Article 123-bis of Legislative Decree No. 58/1998 is contained in the "Corporate Governance and Ownership Structure Report" and the "Remuneration Report", prepared in accordance with Article 123-ter of Legislative Decree No. 58/1998; both these reports, approved by the Board of Directors, are published in accordance with the terms required by regulations on the website of the Parent www.filagroup.it.

Disclosures pursuant to Articles 70 and 71 of the Consob regulation 11971/1999

With effect from October 21, 2013, the Board of Directors of Space S.p.A. (now F.I.L.A. S.p.A.), in relation to the provisions of Articles 70, paragraph 8 and 71 and paragraph 1-bis of CONSOB Regulation No. 11971/1999 and subsequent amendments, opted for the exemption from publication of disclosure documents established under the above-stated Consob regulation in the case of significant mergers, spin-offs, share capital increases through the transfer of assets in kind, acquisitions and sales.

The following table outlines the total fees recognised to members of the Board of Directors and the Board of Statutory Auditors for offices held at F.I.L.A. S.p.A., in addition to remuneration of any kind, in the case of "performance bonuses and one-off remuneration" received in 2019.

Euro thousands	Fees for office held	Other remuneration (Bonus)
Directors	1,971	85
Statutory auditors	109	-
Total	**2,079**	**85**

For further information, reference should be made to the Remuneration Report published on the website of the Company www.filagroup.it.

The Shareholders' Meeting of F.I.L.A. S.p.A. approved on February 20, 2015 the appointment of KPMG S.p.A. for the years 2015-2023 for the auditing duties as per Article 2409-ter of the Italian Civil Code and the audit of the financial statements of F.I.L.A. S.p.A. and the consolidated financial statements of the F.I.L.A. Group.

Reconciliation between Parent's and Group's Equity

Euro thousands	Equity December 31, 2018	EChanges in equity	Profit for 2019	Equity December 31, 2019
F.I.L.A. S.p.A. financial statements	**265,689**	**(5,931)**	**11,322**	**271,080**
Consolidation effect of the financial statements of subsidiaries	70,553	(10,022)	15,616	76,147
Translation reserve	(22,524)	6,467		(16,057)
F.I.L.A. group consolidated financial statements	**313,719**	**(9,485)**	**26,938**	**331,171**
Equity attributable to non-controlling interests	25,090	(1,015)	2,105	26,180
Consolidated financial statements	**338,809**	**(10,500)**	**29,043**	**357,351**

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Dear F.I.L.A. S.p.A. Shareholders,

We submit for your approval the financial statements as at and for the year ended December 31, 2019, comprising the statement of financial position, the statement of comprehensive income, the statement of change in equity, the statement of cash flows and the notes thereto, with the relative attachments, which report a profit for the year of Euro 11,321,801.99 and we propose:

to allocate Euro 566,090.10 to the legal reserve, as established in Article 2430 of the Italian Civil Code, and to allocate the remainder of Euro 10,755,711.89 to retained earnings;

The Board of Directors THE CHAIRMAN
GIOVANNI GORNO TEMPINI
(signed on the original)

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2019

F.I.L.A. GROUP

III - Consolidated Financial Statements as at and for the year ended December 31, 2019

Consolidated Financial Statements

Statement of Financial Position

Euro thousands		December 31, 2019	December 31, 2018
Assets		**1,150,978**	**1,155,452**
Non-current assets		**639,773**	**571,706**
Intangible assets	Note 1	430,609	442,598
Property, plant and equipment	Note 2	186,013	104,472
Non-current financial assets	Note 3	3,783	3,284
Equity-accounted investments	Note 4	947	767
Other equity investments	Note 5	31	31
Deferred tax assets	Note 6	18,391	20,554
Current assets		**511,206**	**583,746**
Current financial assets	Note 3	169	352
Current tax assets	Note 7	11,097	11,743
Inventories	Note 8	258,409	262,432
Trade receivables and other assets	Note 9	141,339	151,617
Cash and cash equivalents	Note 10	100,191	157,602
Liabilities and equity		**1,150,978**	**1,155,452**
Equity	Note 12	**357,351**	**338,809**
Share capital		46,876	46,799
Reserves		106,679	109,234
Retained earnings		153,616	148,939
Profit for the period		24,000	8,747
Equity attributable to the owners of the parent		**331,171**	**313,719**
Equity attributable to non-controlling interests		**26,180**	**25,090**
Non-current liabilities		**572,817**	**611,653**
Non-current financial liabilities	Note 13	483,303	519,884
Financial instruments	Note 17	13,571	5,102
Employee benefits	Note 14	11,800	10,931
Provisions for risks and charges	Note 15	937	3,668
Deferred tax liabilities	Note 16	63,162	72,015
Other liabilities	Note 19	44	53
Current liabilities		**220,813**	**204,990**
Current financial liabilities	Note 13	102,706	86,212
Current provisions for risks and charges	Note 15	2,139	3,569
Current tax liabilities	Note 18	7,296	9,672
Trade payables and other liabilities	Note 19	108,670	105,537

The notes from pages 94 to 149 are an integral part of these consolidated financial statements.

Statement of Comprehensive Income

Euro thousands		December 31, 2019	December 31, 2018
Revenue from sales and services	Note 20	682,686	588,747
Other revenue and income	Note 21	6,746	8,607
Total revenue		**689,432**	**597,354**
Raw materials, consumables, supplies and goods	Note 22	(312,020)	(289,485)
Services and use of third party assets	Note 23	(116,056)	(125,522)
Other costs	Note 24	(7,073)	(9,172)
Change in raw materials, semi-finished products, work in progress and finished goods	Note 22	(5,921)	20,742
Personnel expense	Note 25	(142,439)	(120,407)
Amortisationand depreciation	Note 26	(41,047)	(23,537)
Net impairment losses on trade receivables and other assets	Note 27	(1,707)	(878)
Other net impairment losses	Note 28	(3,122)	(71)
Total operating costs		**(629,384)**	**(548,330)**
Operating profit		**60,048**	**49,024**
Financial income	Note 29	3,971	7,878
Financial expense	Note 30	(34,438)	(34,312)
Share of profit of equity-accounted investments	Note 32	187	15
Net financial expense		**(30,279)**	**(26,419)**
Pre-tax profit		**29,769**	**22,605**
Income taxes		(10,827)	(14,378)
Deferred taxes		7,163	2,234
Total taxes	Note 33	**(3,663)**	**(12,144)**
Profit from continuing operations		**26,105**	**10,461**
Profit for the year		**26,105**	**10,461**
Attributable to:			
Non-controlling interests		**2,105**	**1,714**
Owners of the parent		**24,000**	**8,747**
Other comprehensive income (expense) which may be reclassified subsequently to profit or loss		**(2,064)**	**(2,686)**
Exchange gains		6,338	3,434
Hedging reserves		(8,402)	(6,120)
Other comprehensive income which may not be reclassified subsequently to profit or loss		**(1,073)**	**(1,616)**
Actuarial losses		(1,039)	(1,980)
Taxes		(34)	364
Other comprehensive income (expense), net of tax effect		**(3,137)**	**(4,302)**
Comprehensive expense		**(22,968)**	**(6,159)**
Attributable to:			
Non-controlling interests		**1,864**	**802**
Owners of the parent		**21,104**	**5,357**
Earnings per share:			
	basic	*0.47*	*0.20*
	diluted	*0.46*	*0.19*

The notes from pages 94 to 149 are an integral part of these 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**	**1,600**	**24,628**	**239,577**
Profit for 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)
Profit for the year 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**
Profit for the year								24,000	24,000		2,105	2,105	26,105
Other comprehensive income (expense)			-	(961)	(8.402)	6.467		,	(2.896)	(241)		(241)	(3.137)
Other changes	77		1,839	-	(1,498)	-			418	(538)		(583)	(165)
Profit for the year recognised directly in equity	**77**	**-**	**1,839**	**(961)**	**(9,90)**	**6,467**	**-**	**24,000**	**21,522**	**(824)**	**2,105**	**1,281**	**22,803**
Allocation of the 2018 profit		331			(331)		8,747	(8,747)	-	1,714	(1,714)	-	-
Dividends							(4,070)		(4,070)	(191)		(191)	(4,261)
December 31, 2019	**46,876**	**7,765**	**153,608**	**(4,214)**	**(34,423)**	**(16,057)**	**153,616**	**24,000**	**331,717**	**(24,075)**	**2,105**	**26,180**	**357,351**

Note:

1) *The figures at December 31, 2019 correspond to the consolidated financial statements of F.I.L.A. S.p.A. as at and for the year ended December 31, 2019, as approved by the shareholders of F.I.L.A. S.p.A. in their meeting of April22, 2020.*

2) *For information on the changes in equity, reference should be made to Note 12 to the consolidated financial statements.*

The notes from pages 94 to 149 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Euro thousands	December 31, 2019	December 31, 2018
Operating profit	**26,105**	**10,461**
Non-monetary and other adjustments:	**83,498**	**70,922**
Amortisation and depreciation	30,524	23,537
Depreciation of right-of-use assets	10,523	-
Net impairment losses on intangible assets and property, plant and equipment	3,122	71
Impairment gains/losses on trade receivables and write-downs of inventories	1,607	(85)
Accruals for post-employment and other employees benefits	3,018	3,266
Accruals to/reversals of the provision for risks and charges	-	3,512
Exchange losses on foreign currency trade receivables and payables	811	2,327
Net gains on the sale of intangible assets and property, plant and equipment	(48)	(269)
Net financial expense	30,466	26,434
Net gains on equity investments	(187)	(15)
Taxes	3,663	12,144
Addition for:	**(11,604)**	**20,037**
Income taxes paid	(12,659)	(16,866)
Net unrealised exchange gains/losses on foreign currency assets and liabilities	1,281	(3,352)
Net realised exchange gains/losses on foreign currency assets and liabilities	(227)	181
Cash flows from operating activities before changes in net working capital	**97,998**	**61,345**
Changes in net working capital:	**15,306**	**(11,605)**
Change in inventories	6,021	(19,779)
Change in trade receivables and other assets	11,609	24,855
Change in trade payables and other liabilities	1,349	(12,662)
Change in other liabilities, net	(1,369)	(1,321)
Change in post-employment and other employee benefits	(2,303)	(2,698)
Net cash flows used in operating activities	**113,305**	**49,740**
Net increase in intangible assets	(4,041)	(8,163)
Net increase in property, plant and equipment	(14,968)	(15,207)
Net increase in equity investments measured at cost	(2,784)	(214,966)
Net increase/decrease in other financial assets	(385)	198
Interest collected	-	870
Net cash flows used in investing activities	**(22,178)**	**(237,268)**
Change in equity	(4,261)	97,712
Financial expense	(23,821)	(26,023)
Lease expense	(5,933)	-
Net increase/decrease in loans and borrowings and other financial liabilities	(121,075)	333,388
Net increase/decrease in lease liabilities	(7.288)	-
Net cash flows from (used in) financing activities	**(162,378)**	**405,077**
Exchange gains	6,349	3,434
Other non-monetary changes	3,651	(7,854)
Net cash flows for the year	**(61,251)**	**213,130**
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 current account overdrafts	**85,579**	**146,831**

1) *Cash and cash equivalents at December 31, 2019 totalled Euro 100,191 thousand; current account overdrafts amounted to Euro 14,612 thousand net of relative interest.*

2) *Cash and cash equivalents at December 31, 2018 totalled Euro 157,602 thousand; current account overdrafts amounted to Euro 10,771 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-cash transactions 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-cash changes".*

Euro thousands	December 31, 2019	December 31, 2018
Opening cash and cash equivalents	**146,831**	**20,425**
Cash and cash equivalents	157,602	38,558
Current account overdrafts	(10,771)	(18,133)
Closing cash and cash equivalents	**85,579**	**146,831**
Cash and cash equivalents	100,191	157,602
Current account overdrafts	(14,612)	(10,771)

The notes from pages 94 to 149 are an integral part of these consolidated financial statements.

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Statement of Financial Position pursuant to CONSOB resolution No. 15519 of July 27, 2006

Euro thousands		December 31, 2019	*of which:* Related Parties	December 31, 2018	*of which:* Related Parties
Assets		**1,150,978**	**-**	**1,155,452**	**-**
Non-current assets		**639,773**	**-**	**571,706**	**-**
Intangible assets	Note 1	430,609		442,598	
Property, plant and equipment	Note 2	186,013		104,472	
Non-current financial assets	Note 3	3,783		3,284	
Equity-accounted investees	Note 4	947		767	
Other equity investments	Note 5	31		31	
Deferred tax assets	Note 6	18,391		20,554	
Current assets		**511,206**	**-**	**583,746**	**-**
Current financial assets	Note 3	169		352	
Current tax assets	Note 7	11,097		11,743	
Inventories	Note 8	258,409		262,432	
Trade receivables and other assets	Note 9	141,339		151,617	
Cash and cash equivalents	Note 10	100,191		157,602	
Liabilities and equity		**1,150,978**	**572**	**1,155,452**	**880**
Equity	Note 12	**357,351**	**-**	**338,809**	**-**
Share capital		46,876		46,799	
Reserves		106,679		109,234	
Retained earnings		153,616		148,939	
Profit for the year		24,000		8,747	
Equity attributable to the owners of the parent		**331,171**		**313,719**	
Equity attributable to non-controlling interests		**26,180**		**25,090**	
Non-current liabilities		**572,817**	**-**	**611,653**	**-**
Non-current financial liabilities	Note 13	483,303		519,884	
Financial instruments	Note 17	13,571		5,102	
Employee benefits	Note 14	11,800		10,931	
Provisions for risks and charges	Note 15	937		3,668	
Deferred tax liabilities	Note 16	63,162		72,015	
Other liabilities	Note 19	44		53	
Current liabilities		**220,813**	**572**	**204,990**	**880**
Current financial liabilities	Note 13	102,706		86,212	
Current provisions for risks and charges	Note 15	2,139		3,569	
Current tax liabilities	Note 18	7,296		9,672	
Trade payables and other liabilities	Note 19	108,670	572	105,537	880

The notes from pages 94 to 149 are an integral part of these consolidated financial statements.

Statement of Comprehensive Income pursuant to CONSOB resolution No. 15519 of July 27, 2006

Euro thousands		December 31, 2019	*of which:* Related Parties	*of which:* Non-recurring expenses	December 31, 2018	*of which:* Related Parties	*of which:* Non-recurring expenses
Revenue from sales and services	Note 20	682,686		(4,674)	588,747		
Other revenue and income	Note 21	6,746		202	8,607		
Total revenue		**689,432**			**597,354**		
Raw materials, consumables, supplies and goods	Note 22	(312,020)	(1,853)	(1,141)	(289,485)	(2,587)	(279)
Services and use of third party assets	Note 23	(116,056)	(356)	(7,664)	(125,522)	(577)	(14,771)
Other costs	Note 24	(7,073)			(9,172)		(154)
Change in raw materials, semi-finished products, work in progress and finished goods	Note 22	(5,921)			20,742		(3,286)
Personnel expense	Note 25	(142,439)		(4,587)	(120,407)		(3,844)
Amortisation and depreciation	Note 26	(41,047)			(23,537)		
Impairment losses on trade receivables and other assets	Note 27	(1,707)			(1,582)		
Other impairment losses	Note 28	(3,122)		(2,936)	(71)		(18)
Total operating costs		**(629,384)**			**(548,330)**		
Operating profit		**60,048**			**49,024**		
Financial income	Note 28	3,971		332	7,878		2,043
Financial expense	Note 29	(34,438)			(34,312)		(2,810)
Share of profit of equity-accounted investees	Note 31	187			15		
Net financial expense		**(30,279)**			**(26,419)**		
Pre-tax profit		**29,769**			**22,605**		
Income taxes		(10,827)		3,758	(14,378)		4,145
Deferred taxes		7,163			2,234		
Total taxes	Note 32	**(3,663)**			**(12,144)**		
Profit from continuing operations		**26,105**			**10,461**		
Profit (loss) from discontinued operations		**-**			**-**		
Profit for the year		**26,105**		**(16,710)**	**10,461**		**(18,794)**
Attributable to:							
Non-controlling interests		**2,105**		**-**	**1,714**		**(142)**
Owners of the parent		**24,000**		**(16,710)**	**8,747**		**(18,832)**
Other comprehensive income (expense) which may be reclassified subsequently to profit or loss		**(2,064)**			**(2,686)**		
Exchange gains		6,338			3,434		
Hedging reserve		(8,402)			(6,120)		
Other comprehensive income (expense) which may not be reclassified subsequently to profit or loss		**(1,073)**			**(1,616)**		
Actuarial gains (losses)		(1,039)			(1,980)		
Taxes		(34)			364		
Other comprehensive expense, net of tax effect		**(3,137)**			**(4,302)**		
Comprehensive expense		**(22,968)**			**(6,159)**		
Attributable to:							
Non-controlling interests		**1,864**			**802**		
Owners of the parent		**21,104**			**5,357**		
Earnings per share:							
basic		*0.47*			*0.20*		
diluted		*0.46*			*0.19*		

The notes from pages 94 to 149 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements of the F.I.L.A. Group

Introduction

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

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

The consolidated financial statements of the F.I.L.A. Group have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union. They include the financial statements of F.I.L.A. S.p.A. and its subsidiaries. For the subsidiaries the financial statements are reported upon in specific financial reporting packages, for the purposes of the consolidated financial statements of the Group, in order to comply with the IFRS.

These 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, prepared using the indirect method, the Statement of Changes in Equity, the Notes thereto 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 the 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 income components from non- recurring events or transactions are indicated separately.

The publication of these consolidated financial statements was authorised by the Board of Directors on March 25, 2020.

Basis of preparation and accounting standards

The consolidated financial statements of F.I.L.A. Group and the separate financial statements of F.I.L.A. S.p.A. as at and for the year ended December 31, 2019, prepared by the Board of Directors of F.I.L.A. S.p.A., were drawn up in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. The IFRS were applied consistently for all the reporting periods presented in this document. For the consolidated financial statements of the F.I.L.A. Group, the first year of application of IFRS was 2006, while for the separate financial statements of F.I.L.A. S.p.A. the first year of application of IFRS was 2007.

These consolidated financial statements are prepared under the historical cost convention, modified where applicable for the measurement of certain financial instruments or for the application of the acquisition method under IFRS 3, as well as on a going concern basis.

These are the first annual consolidated financial statements in which the Group has applied IFRS 16 Leases from January 1, 2019. The other new standards entering into force from January 1, 2019 did not have significant impacts on these consolidated financial statements.

Standards, amendments and interpretations applicable after January 1, 2019

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 lease agreements in the lessee's financial statements, which must recognise the assets and liabilities deriving from contracts, without distinction between operating and finance leases, in the statement of financial position. The new standard provides a new definition of leases and introduces a criterion based on control (right of use) of an asset to distinguish lease 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. The standard provides the possibility not to recognise as lease contracts those with modest unitary value (lease contracts with an asset value below USD 5,000, hereafter defined as "low value") and lease contracts equal to or less than 12 months, hereafter also defined as "short term". This standard does not contain significant amendments for lessors.

The standard introduces a criterion based on control of the use of an asset to distinguish lease contracts from service contracts, identifying essential differences:

- Identification of the leased asset (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 recognised 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 method, on the basis of which the cumulative effect from initial application is recognised under 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 the paragraph "Changes to accounting standards" for further details on the effects of the application of IFRS 16.

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 for financial instruments repaid early, which may give rise to negative offsetting, an entity may apply the amortised cost or fair value through other comprehensive income method depending on the business model adopted.

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 amendment, 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: 2015-2017 Cycle", with the main 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 endorsed by the EU, not yet mandatory and not adopted in advance by the Group.

Amendments to the references in IFRS 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. Early application is 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. Early application is however permitted.

Amendment to IFRS 9 Financial Instruments, to IAS 39 Financial Instruments: recognition and measurement and to IFRS 7 Financial Instruments: additional disclosures.

This reform, of the reference indices for the determination of the interest rates, still in use globally, has created uncertainties about the timing and amount of future cash flows associated with certain financial instruments, with the consequent risk of having to terminate hedging relationships designated in accordance with IAS 39 or IFRS 9. According to the IASB, discontinuing hedging relationships because of these uncertainties does not provide useful information to users of financial statements; therefore, the document has made specific amendments to IAS 39, IFRS 9 and IFRS 7, introducing derogations during the period of uncertainty. The amendments shall apply retrospectively from financial statements beginning on or after January 1, 2020 and early application is permitted.

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 2004. 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 transfer 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.

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. Early application is however permitted.

Amendment to IAS 1 - Presentation of Financial Statements – Classification of liabilities as current or non-current

The IASB has clarified how to classify payables and other liabilities among short and medium/long- term liabilities. The amendments will apply retrospectively from 2022. Early application is permitted.

With reference to the standards and interpretations which are not yet mandatory, their adoption is not expected to have a material impact on the measurement of the Group's assets, liabilities, costs and revenue.

Changes of accounting standards

The Group has adopted IFRS 16 Leases from January 1, 2019, using the modified retrospective application method, on the basis of which the cumulative effect from initial application is recognised under retained earnings at January 1, 2019. Therefore, the 2018 comparative figures were not restated i.e. they were presented as previously, as per IAS 17 and the relative interpretations. Further information on the changes to the accounting standards are outlined below. In addition, the disclosure obligations imposed by IFRS 16 generally have not been applied to comparative information.
The Group previously established at the commencement of the contract whether it was, or contained, a lease according to 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 leases. According to IFRS 16

the 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.

At the initial application date of IFRS 16, the Group decided not to adopt the practical expedient which exempts re-examining which transactions contain leases. IFRS 16 was applied by evaluating both all contracts that had previously been identified as leases and contracts that had not been identified as leases, by applying IAS 17 and IFRIC 4.

The Group has many assets under lease, such as buildings, production machinery and IT equipment. Previously the Group classified leases as operating or finance leases, assessing whether the lease transferred substantially all the risks and benefits related to ownership of the underlying asset. According to IFRS 16, the Group recognises right-of-use assets and lease liabilities for the majority of leases.

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

Previously the Group recognised property leases as operating leases as per IAS 17. At the initial application date of these leases, the lease liabilities were calculated at the present value of the future lease payments, discounted according to the Group's incremental borrowing rate at January 1, 2019.

The Group recognised a financial liability equal to the present value of the future lease 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 used the following practical expedients to apply IFRS 16 to leases classified previously as operating leases as per IAS 17. Specifically:

- exemption was applied from recognising right-of-use assets and lease liabilities for contracts whose duration is less than 12 months;
- right-of-use assets and lease liabilities were not recognised for leases of low value (lower than Euro 5,000);
- initial direct costs were excluded in the measurement of right-of-use assets at the initial application date; and
- past experience was used in determining the duration of leases.

The Group leases various production equipment that were classified as finance leases under IAS 17. For such leases, the carrying amount of the right-of-use and the lease liability at January 1, 2019 corresponds to the carrying amount of the leased asset and the lease liability in accordance with IAS 17 immediately before that date.

The Group presents the right-of-use assets which do not satisfy the definition of investment property under "property, plant and equipment", the same caption used to present the underlying assets of the same type which it holds. The Group presents lease liabilities under financial liabilities in the 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 measured at cost, and subsequently at cost net of cumulative depreciation and impairment losses, while adjusted to reflect lease liability revaluations. The Group measures the lease liabilities at the present value of the future payments 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 lease payments and is revalued in the case of changes to future lease payments 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 has estimated the lease duration of some contracts in which it acts as lessee and which have renewal options. The Group's assessment of the existence or otherwise of a reasonable certainty of exercising the option influences the estimated lease duration, impacting the amount of the lease liabilities and the right-of-use assets recognised.

A reconciliation is shown below 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 deriving from 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 deriving from the first adoption of IFRS 16	**79,754**
Finance lease liabilities at December 31, 2018	2,063
Total lease liabilities at January 1, 2019	**81,817**

Following the 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 80,373 thousand and Euro 87,770 thousand at December 31, 2019.

In relation to leases recognised as per IFRS 16, in 2019 the Group recognised depreciation and interest instead of operating lease costs of respectively Euro 10,523 thousand and Euro 5,883 thousand. The Group in addition recognised the positive effect of Euro 12,954 thousand of the reversal of the operating lease instalments of the Group in 2019.

The statement of financial position and the statement of comprehensive income with an indication of the effects of the application of IFRS 16 follow:

Statement of Financial Position

Euro thousands	December 31, 2019 as reported	IFRS Adjustment	December 31, 2019 (IFRS Adjustment)
Assets	**1,150,978**	**(81,257)**	**1,069,721**
Non-Current Assets	**639,773**	**(81,257)**	**558,516**
Intangible Assets	430,609		430,609
Property, Plant and Equipment	186,013	(80,373)	105,640
Non-Current financial Assets	3,783		3,783
Equity-Accounted Investees	947		947
Other Investments	31		31
Deferred Tax Assets	18,391	(884)	17,507
Current Assets	**511,206**	**-**	**511,206**
Current financial Assets	169		169
Current Tax Assets	11,097		11,097
Inventories	258,409		258,409
Trade Receivables and Other Assets	141,339	-	141,339
Cash and Cash Equivalents	100,191		100,191

Liabilities and Equity	**1,150,978**	**(81,257)**	**1,069,721**
Equity	**357,351**	**2,690**	**360,041**
Share Capital	46,876		46,876
Reserves	106,679	122	106,801
Retained Earnings	153,616		153,616
Profit for the year	24,000	2,424	26,424
Equity Attributable to the Owners of the Parent	**331,171**	**2,546**	**333,717**
Equity Attributable to Non Controlling Interests	**26,180**	**144**	**26,324**
Non-Current Liabilities	**572,817**	**(76,537)**	**496,280**
Non-Current financial liabilities	483,303	(80,360)	402,943
Financial Instruments	13,571		13,571
Employee Benefits	11,800		11,800
Provisions for Risks and Charges	937	3,018	3,955
Deferred Tax Liabilities	63,162		63,162
Other Liabilities	44	805	849
Current Liabilities	**220,813**	**(7,410)**	**213,403**
Current financial liabilities	102,706	(7,410)	95,296
Provisions for Risks and Charges	2,139		2,139
Current Tax Liabilities	7,296		7,296
Trade Payables and Other Liabilities	108,670		108,670

Statement of Comprehensive Income

Euro thousands	December 31, 2019 as reported	IFRS Adjustment	December 31, 2019 (IFRS Adjustment)
Revenue from Sales and Service	682,686	-	682,686
Other Revenue and Income	6,746	-	6,746
Total Revenue	**689,432**	**-**	**689,432**
Raw Materials, Consumables, Supplies and Goods	(312,020)	-	(312,020)
Services and Use of Third-Party Assets	(116,056)	(12,954)	(129,010)
Other Operating Costs	(7,073)	-	(7,073)
Change in Raw Materials, Semi-Finished products, Work-in-progress & Finishe(	(5,921)	-	(5,921)
Personnel expense	(142,439)	-	(142,439)
Amortisation and depreciation	(41,047)	10,523	(30,524)
Impairment Losses on trade receivables	(1,707)		(1,707)
Other impairment Losses	(3,122)	-	(3,122)
Total Operating Costs	**(629,384)**	**(2,431)**	**(631,815)**
Operating Profit	**60,048**	**(2,431)**	**57,617**
Financial Income	3,971	-	3,971
Financial Expense	(34,438)	5,883	(28,555)
Share of profit of Equity-Accounted Investments	187	-	187
Net Financial Expense	**(30,279)**	**5,883**	**(24,396)**
Pre-Tax Profit	**29,769**	**3,452**	**33,221**
Income Taxes	(10,827)	-	(10,827)
Deferred Taxes	7,163	(884)	6,279
Income Taxes	**(3,663)**	**(884)**	**(4,547)**
Profit from Continuing Operations	**26,105**	**2,568**	**28,673**
Profit (loss) from Discontinued Operations	**-**	**-**	**-**
Profit for the year	**26,105**	**2,568**	**28,673**
Attributable to:			
Non-controlling interests	**2,105**	**144**	**2,249**
Owners of the parent	**24,000**	**2,424**	**26,424**
Other Comprehensive Income (Expense) which may be reclassified subsequently to profit or loss	**(2,064)**	**-**	**(2,064)**
Exchange gains	6,338	-	6,338
Hedging reserve	(8,402)	-	(8,402)
Other Comprehensive Income (Expense) which may not be reclassified subsequently to profit or loss	**(1,073)**	**-**	**(1,073)**
Actuarial Losses on Employee Benefits	(1,039)		(1,039)
Income Taxes	(35)		(35)
Other Comprehensive Income (Expense) - Net of tax effect	**(3,137)**	**-**	**(3,137)**
Comprehensive Income	**22,968**	**2,568**	**25,536**
Attributable to:			
Non-controlling interests	**1,864**	**144**	**2,008**
Owners of the parent	**21,104**	**2,424**	**23,528**

Basis of consolidation

Subsidiaries

The subsidiaries, reported in “Attachment 1 - List of companies included in the consolidation scope and other equity investments”, are companies where the Group, as per IFRS 10, holds control or rather is exposed to variable income streams, possesses rights to such variable returns, based on the relationship with the entity, and at the same time has the capacity to affect such income returns through the exercise of its power over such entities.

The subsidiaries are consolidated line-by-line from the acquisition date, or rather the date in which the Group acquires control and until such control is relinquished. The carrying amount of the subsidiaries is eliminated against the share of equity held, net of the share of the profit or loss for the year. Non-controlling interests in equity and the profit or loss for the year are recorded separately in the statement of financial position and statement of comprehensive income.

Equity-accounted investees

Associates are entities in which the Group exercises a significant influence on the financial and operating policies, although not having direct or joint control. Significant influence is the power to participate in the financial and operating policy decisions of an investee, however not exercising control or joint control. Joint Ventures are entities in which the Group exercises, with one or more parties, joint control of their economic activities based on a contractual agreement. Joint control assumes that the strategic, financial and operating decisions are taken unanimously by the parties that exercise control.

The investments in associates and joint ventures are recorded in the separate financial statements at cost and in the consolidated financial statements under the equity method. Based on this method, equity investments are initially recognised at cost, subsequently adjusted according to the changes in the value of the share of the Group in the equity of the associate. The Group’s share in the profit or loss of associates and joint ventures is recorded in a separate statement of comprehensive income caption from the date in which significant influence is exercised and until such ceases to be exercised. Where necessary, the accounting policies of associates and joint ventures are modified in line with the accounting policies adopted by the Group.

Business combinations

Business combinations are recognised using the acquisition method, based on which the identifiable assets, liabilities, and contingent liabilities of the company acquired, which are in compliance with the requirements of IFRS 3, are recognised at their fair value at the acquisition date.

Deferred taxes are recorded on adjustments made to carrying amounts in line with present values.

The application of the acquisition method due to its complexity provides for a first phase which provisionally determines the fair values of the assets, liabilities and contingent liabilities acquired, to permit a recording of the transactions in the consolidated financial statements in the year in which the business combination occurred. The initial recording is completed and adjusted within 12 months of the acquisition date. Amendments to initial payments which derive from events or circumstances subsequent to the acquisition date are recognised in profit or loss.

Goodwill is recognised as the difference between:

a) the sum of:
   - the payment transferred;
   - the non-controlling interest, measured combination by combination or at fair value (full goodwill) or the share of the net assets identifiable attributable to non-controlling interests;
   - and, in a business combination achieved in stages, the fair value of the interest previously held in the acquisition, recognising any resulting gain or loss in profit or loss;

b) the carrying amount of the identifiable assets acquired and liabilities assumed.

The costs related to the business combination are not part of the payment transferred and are therefore recognised in profit or loss for the year.

If the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the excess is immediately recognised in profit or loss. Goodwill is periodically reviewed to verify its recoverability through comparison with the greater of fair value less costs to sell and value in use, based on the future cash flows generated by the underlying investment.

For the sake of the congruity, the goodwill acquired in a business combination is allocated, at the acquisition date, to the Group's cash-generating units, or to the group of cash-generating units which should benefit from the synergies of the business combination, independently of the fact that other assets or liabilities of the Group are allocated to this unit or group of units. Each unit or group of units to which the goodwill is allocated:

Represents the smallest identifiable group of assets that generates cash flows largely independent of the cash flows from other assets or groups of assets;

Is not greater than the operating segments identified based on IFRS 8 Operating segments.

When the goodwill constitutes part of a cash generating unit and part of the internal activities of this unit are sold, the goodwill associated with the activity sold is included in the carrying amount of the activity to determine the gain or loss deriving from the sale. The goodwill sold in these circumstances is measured on the basis of the relative values of the activities sold and of the portion of the unit maintained.

When the sale relates to a subsidiary, the difference between the sales price and the net assets plus the accumulated translation differences and the residual goodwill is recognised in profit or loss. On first-time adoption of IFRS, the Group chose not to apply IFRS 3 retrospectively for acquisitions carried out prior to the transition date to IFRS; consequently, the goodwill resulting from the acquisitions prior to this date was maintained at the previous value determined in accordance with Italian GAAP and is periodically tested for impairment.

In the event of purchase and sale of non-controlling interests, the difference between the acquisition cost, as determined above and the share of equity acquired from third parties or sold is directly recognised as a decrease/increase in consolidated equity.

Infragroup transactions

In preparing the consolidated financial statements, inter-company transactions, in addition to unrealised inter-company revenue and costs, are eliminated.

Unrealised gains arising from transactions with equity-accounted investees are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, to the extent that there is no evidence of impairment.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each Group entity at the exchange rate at the date of the transaction. The monetary items in foreign currencies at the reporting date are translated into the functional currency using the exchange rate at the same date. The non- monetary items measured at fair value in foreign currencies are translated using the exchange rate when the fair value was determined. The exchange differences are generally recognised in profit or loss. The non-monetary items measured at historical cost in foreign currencies are translated using the exchange rate at the transaction date.

Exchange differences arising from the translation of financial liabilities designated as hedges of the net investment in a foreign operation, to the extent that the hedge is effective and cash flow hedges to the extent that the hedge is effective, are recognised in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations, including the goodwill and adjustments to fair value deriving from the acquisition, are translated into Euro using the exchange rate at the reporting date. The revenue and costs of foreign operations are translated into Euro using the average exchange rate for the year. The exchange differences are recorded under other comprehensive income and included in the translation reserve, except for exchange differences attributable to non- controlling interests.

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

EXCHANGE RATES		
	Average Exchange Rates December 31, 2019	Fixed Exchange Rates December 31, 2019
Argentinean Peso	53.801	67.275
Australian Dollar	1.611	1.6
Brazilian Real	4.414	4.516
Canadian Dollar	1.486	1.46
Swiss Franc	1.113	1.085
Chilean Peso	786.96	844.86
Renminbi Yuan	7.734	7.821
Singapore Dollar	1.527	1.511
Euro	1	1
Pound	0.877	0.851
Indonesian Rupiah	15835.95	15595.6
Shekel	3.991	3.885
Indian Rupee	78.85	80.187
Mexican Peso	21.557	21.22
Polish Zloty	4.298	4.257
Russian Ruble	72.459	69.956
Swedish Krona	10.587	10.447
Dominican Peso	57.351	59.463
Turkish Lira	6.357	6.684
US Dollar	1.12	1.123
South Africa Rand	16.173	15.777

Basis of preparation

Intangible assets

An intangible asset is a clearly identifiable non-monetary asset without physical substance, subject to control and capable of generating future economic benefits. They are recognised at acquisition cost where acquired separately and are capitalised at fair value at the acquisition date where acquired through business combinations.

The interest expense on loans required for the purchase and the development of intangible assets, which would not have been incurred if the investment had not been made, is not capitalised.

Intangible assets with indefinite useful life

Intangible assets with indefinite useful lives mainly consist of assets which do not have limitations in terms of useful life as per contractual, legal, economic and competitive conditions. This category includes only “goodwill”. Goodwill is represented by the excess of the purchase cost incurred compared to the net fair value at the acquisition date of assets and liabilities or business units. The goodwill relating to equity-accounted investees is included in the carrying amount of the equity investments.

This is not subject to amortisation but an impairment test is made at least annually on the carrying amount. This test is made with reference to the “cash generating unit” to which the goodwill is attributed. Any reduction in value of the goodwill is recorded where the recoverable value of the goodwill is lower than the carrying amount; the carrying amount is the higher between the fair value of a cash generating unit, less costs to sell, and the value in use, represented by the present value of the estimated cash flows of the cash generating units.

The principal assumptions adopted in the determination of the value in use of the “cash generating units”, or rather the present value of the estimated future cash flows which are expected to derive from the continuing use of the activities, relates to the discount rate and the growth rate.

In particular, the F.I.L.A. Group used discount rates which it considers correctly expresses the market valuations, at the date of the estimate, of the time value of money and the specific risks related to the individual cash generating units.

The operating cash flow forecasts derive from the most recent budgets and long-term plans prepared by the F.I.L.A. Group.

The cash flow forecasts refer to current business conditions, therefore they do not include cash flows related to future investments.

The forecasts are based on reasonableness and consistency relating to future general expenses, financial conditions, as well as macro-economic assumptions, with particular reference to increases in product prices, which take into account expected inflation rates.

In the event of an impairment loss, the carrying amount of goodwill may not be restated.
Reference should be made to Note 1 to the separate and consolidated financial statements of the Company and the Group for further information on the indicators used for the impairment test at December 31, 2019.

Intangible assets with finite useful life

Intangible assets with finite useful lives are amortised on a straight-line basis over their useful life to take account of the residual possibility of use. Amortisation commences when the asset is available for use.

- The amortisation policies adopted by the Group provide for: Trademarks: based on the useful life;
- Concessions, Licences and Patents: based on the duration of the right under concession or license and based on the duration of the patent;
- Other intangible assets: 3 years.

Research and development costs

Research and development costs are recognised in profit or loss in the year they are incurred, with the exception of development costs recorded under “Intangible assets”, when they satisfy the following conditions:

- The project is clearly identified and the related costs are reliably identifiable and measurable;
- The technical feasibility of the project is demonstrated;
- The intention to complete the project and sell the assets generated from the project are demonstrated;
- A potential market exists or, in the case of internal use, the use of the intangible asset is demonstrated for the production of the intangible assets generated by the project;
- The technical and financial resources necessary for the completion of the project are available;
- The intangible asset will generate probable future economic benefits.

Amortisation of development costs recorded under intangible assets begins from the date in which the outcome of the project is commercialised. Amortisation is calculated, on a straight-line basis, over the estimated useful life of the project.

Property, plant and equipment

Property, plant and equipment are measured at purchase cost, net of accumulated depreciation and any impairment losses. The cost includes all charges directly incurred for the purchase and/or production. The interest expense on loans for the purchase and the construction of Property, Plant and Equipment, which would not have been incurred if the investment had not been made, are not capitalised but are expensed in the year it is incurred. Where an item of property, plant and equipment is composed of various components with differing useful lives, these components are recorded separately (significant components) and depreciated separately. Property, plant and equipment acquired through business combinations are recognised in the financial statements at fair value at the acquisition date.

The expense incurred for maintenance and repairs is directly charged to profit or loss in the year in which it is incurred. The costs for improvements, modernisation and transformation are recognised in the statement of financial position as an increase to the carrying amount of Property, Plant and Equipment.

The purchase price or construction cost is net of public grants which are recognised when the conditions for their concession are confirmed. At the reporting date, there are no public grants recorded as a decrease of "Property, Plant and Equipment".

The initial carrying amount of property, plant and equipment is adjusted for depreciation on a systematic basis, calculated on a straight-line basis monthly, when the asset is available and ready for use, based on its estimated useful life.

The estimated useful lives for the current and previous years are as follows:

- Buildings 25 years
- Plant and machinery 8.7 years
- Equipment 2.5 years
- Other assets:
  - Office equipment 8.3 years
  - Furniture and EDP 5 years
  - Transport vehicles 5years
  - Motor vehicles 4 years
  - Other 4 years

Leases

The Group has adopted IFRS 16 using the modified retrospective method. Therefore, the comparative information has not been restated and continues to be presented as per IAS 17 and IFRIC 4.

At the commencement of the contract the Group assesses whether the contract is – or contains – a lease. The 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. In order to assess whether a contract grants the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This criterion is applicable to contracts for periods beginning on or after January 1, 2019.

The Group adopts a single recognition and measurement model for all leases, except for short-term leases and low value leases. The Group recognises the lease liabilities and the right-of-use asset representing the right to use the asset underlying the contract.

Right-of-use assets

The Group recognises right-of-use assets at the initial lease date (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, net of accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liabilities. The cost of the right-of-use assets includes the amount of the lease liabilities recognised, the initial direct costs incurred and the lease payments made at the commencement date or before, net of any incentives received.
Right-of-use assets are depreciated on a straight-line basis from the effective date to the end of the useful life of the asset consisting of the right of use, or the end of the lease term, whichever is earlier.

Lease liabilities

At the lease commencement date, the Group recognises the lease liabilities measuring them at the present value of the future lease payments not yet settled at that date. The payments include the fixed payments net of any lease incentives to be received, the variable lease payments which depend on an index or a rate and the amounts expected to be paid as guarantee on the residual amount. The lease payments include also the exercise price of a purchase option where it is reasonably certain that this option will be exercised by the Group and the lease termination penalty payments, where the lease duration takes account of the exercise by the Group of the termination option on the lease.

In calculating the present value of the future payments, the Group uses the incremental borrowing rate at the commencement date where the implicit interest rate cannot be readily determined. The Group's incremental borrowing rate is calculated on the basis of the interest rates obtained from various external funding sources by making certain adjustments reflecting the terms of the lease and the type of asset leased.

After the commencement date, the amount of the lease liability increases to take account of the interest on the lease liabilities and reduces to consider the payments made. In addition, the carrying amount of the lease liabilities are restated in the case of any changes to the lease or a review of the contractual terms with regards to the change in the payments; it is also restated in the event of changes in the valuation of the option to purchase the underlying asset or for changes in future payments resulting from a change in the index or rate used to determine those payments.
Where the lease liabilities are remeasured, the lessee correspondingly alters the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero, the lessee recognises the change in profit or loss.

In the statement of financial position, the Group presents right-of-use assets that do not meet the definition of investment property under “Property, plant and equipment” and lease liabilities under “Financial liabilities”.

Short-term leases and low value asset leases

The Group applies the exemption for the recognition of leases relating to low value assets such as PCs, printers, electronic equipment and contracts that have a duration of 12 months or less and do not contain purchase options (short-term leases). The short-term lease instalments and those for low value assets are recognised as costs on a straight-line basis over the lease duration.

For contracts entered into before January 1, 2019, the Group determined whether the agreement was or contained a lease by verifying whether (i) performance of the agreement depended on the use of one or more specific assets; (ii) the agreement transferred the right to use the asset. In the comparative year, the Group classified as finance leases those that transferred substantially all the risks and benefits associated with ownership. In this case, assets acquired through lease were initially recognised at their fair value or, if lower, at the present value of the future lease payments. Future lease payments are the payments over the lease term that the lessee is required to make, excluding contingent rent. These assets were subsequently recognised in accordance with the accounting standard adopted for each asset.

Impairment losses on non-financial assets

At each reporting date, the intangible assets and property, plant and equipment are analysed to identify the existence of any indicators, either internally or externally to the Group, of impairment. Where these indications exist, an estimate of the recoverable amount of the above-mentioned assets is made, recording any impairment losses in profit or loss. In the case of goodwill and other intangible assets with indefinite useful lives, this estimate is made annually independently of the existence of such indicators. The recoverable value of an asset is the higher between the fair value less costs to sell and its value in use. The fair value is estimated on the basis of the values in an active market, from recent transactions or on the basis of the best information available to reflect the amount which the entity could obtain from the sale of the asset. The value in use is the present value of the expected future cash flows to be derived from an asset. In defining the value in use, the expected future cash flows are discounted using a pre- tax discount rate that reflects the current market assessment of the time value of money, and the specific risks of the asset.

For an asset that does not generate sufficient independent cash flows, the realisable value is determined in relation to the cash-generating unit to which the asset belongs. An impairment loss is recognised in profit or loss when the carrying amount of the asset, or of the cash-generating unit to which it is allocated, is higher than the recoverable amount.

Impairment losses on cash generating units are firstly allocated as a decrease in the carrying amount of any goodwill allocated to the cash generating unit and, thereafter, as a decrease in other assets, in proportion to their carrying amount. Impairment losses on goodwill may not be reversed. In relation to assets other than goodwill, where the reasons for the impairment loss no longer exist, the carrying amount of the asset is reversed up to the amount at which the asset would have been recognised if no impairment had taken place and amortisation had been recorded.

Financial assets and loans and receivables

Trade receivables and debt securities issued are recognised as they arise. All other financial assets and liabilities are initially recognised on the trading date, i.e. when the Group becomes a contractual party to the financial instrument.

With the exception of trade receivables without a material financing component, financial assets are initially recognised at fair value, plus or minus, in the case of financial assets or liabilities not at FVTPL, the transaction costs directly attributable to the acquisition or issue of the financial asset. Upon initial recognition, trade receivables without a material financing component are measured at their transaction price.

Upon initial recognition, a financial asset is classified according to how it is measured: at amortised cost, at fair value through other comprehensive income (FVOCI) for debt and equity securities, or at fair value through profit or loss (FVTPL). Financial assets are not reclassified following initial recognition unless the Group modifies the business model within which the financial assets are held. In such cases, all the affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Loans and receivables are measured at amortised cost, taking the interest to profit or loss according to the effective interest rate method or applying a rate that results in a nil balance of the present values of the net cash flows generated by the financial instrument. Losses are recognised in profit or loss when they become apparent or when the loans and receivables are derecognised. Loans are tested for impairment and then recognised at their estimated realisable value (fair value) by setting aside a specific loss allowance deducted directly from the carrying amount of such assets. Loans are impaired when there is objective evidence of a probable default on the loan and on the basis of past experience and historical data based on expected credit losses. When, in subsequent periods, the reasons for the impairment no longer exist, the carrying amount of the asset is restated up to the amount deriving from the application of the amortised cost as if no impairment loss had been recognised.

Other non-current equity instruments are measured at cost.

Changes in fair value and any gains or losses on disposal of an equity investment are taken to other comprehensive income and never pass through profit or loss. Since this election is irrevocable and may be made on an investment-by-investment basis, any exceptions upon initial recognition will be disclosed in the notes to the caption. All equity instruments must be measured at fair value. The fair value of securities

traded in active markets is determined by reference to the exchange prices recorded at the end of trading at the reporting date.
The fair value of investments for which no active market exists is determined on the basis of the price in recent transactions between independent parties of essentially similar instruments or the use of other valuation techniques such as methods based on income or an analysis of discounted cash flows. However, in certain limited circumstances, cost may represent an adequate estimate of fair value if, for example, the most recent information available to assess fair value is insufficient, or if there is a wide range of possible fair values. Cost is never the best estimate of fair value for investments in quoted equity instruments. Financial assets designated at fair value through profit or loss upon initial recognition are measured with reference to their market value at the reporting date. The value of non- quoted instruments is determined through generally accepted financial valuation techniques based on market data. Gains or losses deriving from the fair value measurement of assets classified in this category are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents principally include cash, bank deposits on demand and other highly liquid short-term investments (convertible into liquidity within ninety days). These are recorded at their nominal value.
For the purposes of the classification of financial instruments according to the criteria set out in IFRS 9, as required by IFRS 7, cash and cash equivalents have been classified as financial assets at amortised cost for credit risk purposes. Current account overdrafts are classified under "Current Financial Liabilities".

Inventories

Inventories of raw materials, semi-finished products and finished goods are measured at the lower of purchase or production price, including related charges, determined in accordance with the weighted average cost method, and the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs to sell.
Obsolete and slow-moving inventories are written down in relation to their possible use or realisable value.
The purchase cost is used for direct and indirect materials, purchased and used in the production cycle. The production cost is however used for finished goods or in work in progress.
For the determination of the purchase price, consideration is taken of the actual costs incurred net of commercial discounts.
Production cost includes, in addition to the costs of the materials used, as defined above, the direct and indirect production costs allocated. The indirect costs were allocated based on the normal production capacity of the plant.
Distribution costs were excluded from purchase cost and production cost.

Provisions for risks and charges (current and non-current)

Provisions for risks and charges are recognised where the Group has a current obligation, legal or implied, deriving from a past event and it is probable that fulfilment of the obligation will result in an outflow of resources and the amount of the obligation can be reasonably estimated.

Provisions are recorded at the value representing the best estimate of the amount that the entity would pay to discharge the obligation or transfer it to a third party. When the time value of money is significant and the payment dates of the obligations can be reliably estimated, the provision is discounted. The rate used in the determination of the present value of the liability reflects the current market values and includes the further effects relating to the specific risk associated with each liability. The increase in the provision due to the passage of time is recognised in profit or loss under “Financial income/(expense)”.
The provisions are periodically updated to reflect the changes in the estimate of the costs, of the time period and of the discount rate; the revisions of estimates are recorded in the same profit or loss caption in which the provision was recorded, or when the liability relates to an asset, against the asset caption to which it refers.
The notes illustrate the contingent liabilities represented by: (i) possible obligations (but not probable) deriving from past events, whose existence will be confirmed only on the occurrence or otherwise of one or more uncertain future events not fully under the control of the entity; (ii) current obligations deriving from past events whose amount cannot be reliably estimated or whose fulfilment will likely not generate an outflow of resources.

Restructuring provisions are recognised where a detailed formal programme has been approved which has raised a valid expectation among third parties that the entity will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Employee benefits

All employee benefits are measured and reflected in the financial statements on an accruals basis.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions to a separate entity and will not have a legal or constructive obligation to pay further contributions. The contributions to be paid to defined contribution plans are recognised as costs in profit or loss when incurred. Contributions paid in advance are recognised under assets to the extent the advance will determine a reduction in future payments or a reimbursement.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The net obligation of the Group deriving from defined benefit plans is calculated separately for each plan estimating the amount of the future benefit which the employees matured in exchange for the services provided in the current and previous years; this benefit is discounted to calculate the present value,

while any costs relating to past service not recorded in the financial statements and the fair value of any plan assets is deducted from liabilities. The discount rate is the return, at the reporting date, of the primary obligations whose maturity date approximates the terms of the obligations of the Group and which are expressed in the same currency in which it is expected the benefits will be paid. The calculation is made by an independent actuary using the projected credit unit method. Where the calculation generates a benefit for the Group, the asset recognised is limited to the total, net of all costs relating to past service not recognised and the present value of all economic benefits available in the form of refunds from the plan or curtailments in future contributions to the plan. Where improvements are made to the plan benefits, the portion of increased benefits relating to past service is recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately, the cost is recognised immediately in the statement of comprehensive income.

The Group records all actuarial gains and losses from a defined benefit plan directly and immediately under other comprehensive income.

In relation to Post-Employment Benefits, following the amendments to Law No. 296 of December 27, 2006 and subsequent Decrees and Regulations ("Pension Reform") issued in the first months of 2007, the Parent F.I.L.A. S.p.A. adopted the following accounting treatment:

- The Post-Employment Benefits accrued to December 31, 2006 are considered a defined benefit plan as per IAS 19. The benefits guaranteed to employees, in the form of Post- Employment Benefits, paid on the termination of employment, are recognised in the period the right vests;
- The Post-Employment Benefits accruing from January 1, 2007 are considered a defined contribution plan and therefore the contributions accrued in the period were fully recognised as a cost and recorded as a liability in the caption "Post-Employment Benefits", after deduction of any contributions already paid.

Other long-term employee benefits

The net obligation of the Group for long-term employee benefits, other than those deriving from pension plans, corresponds to the amount of the future benefits which employees accrued for service in current and previous years. This benefit is discounted, while the fair value of any assets is deducted from the liabilities. The discount rate is the return, at the reporting date, on the primary obligations whose maturity date approximates the terms of the obligations of the Group. The obligation is calculated using the projected unit credit method. Any actuarial gains or losses are recorded in the statement of financial in the year in which they arise.

Short-term employee benefits

Short-term employee benefits are recognised as undiscounted expenses when the services that generate them are provided.

The Group records a liability for the amount that it expects will be paid in the presence of a present obligation, legal or constructive, as a consequence of past events and for which the obligation can be reliably estimated.

Financial liabilities

Financial liabilities are initially recognised at fair value, which essentially coincides with the sum received, less directly attributable transaction costs. Management determines the classification of financial liabilities according to the criteria laid down in IFRS 9 and cited in IFRS 7 on initial recognition.

Subsequent to initial recognition, these liabilities are measured at amortised cost by applying the effective interest rate method, i.e. applying a rate that results in the sum of the present value of the net cash flows generated by the financial instrument as equal to zero. Nominal value is used as an approximation of amortised cost for instruments maturing within twelve months.

When there is a change in the expected cash flows, the value of the liabilities is recalculated to reflect this change, based on the present value of the new expected cash flows and on the internal yield initially determined.

A financial liability is derecognised from the financial statements when the underlying liability is settled or cancelled.

Financial instruments

Financial instruments are initially recognised at fair value and, subsequent to initial recognition, are measured on the basis of their classification, as per IFRS 9.

IFRS 9 classifies financial assets into three principal categories: at amortised cost, at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL). According to the standard, classification is usually based on the entity’s business model for the financial assets and the contractual cash flow characteristics of each financial asset.

IFRS 9 essentially maintains the provisions of IAS 39 for the classification and measurement of financial liabilities.

Derivatives are classified in the category “Hedging derivatives” if they satisfy the requisites for the application of so-called hedge accounting, otherwise, although in place in order to manage exposure to risk, they are recognised as “Non-hedging derivatives”.

In accordance with IFRS 9, the F.I.L.A. Group has elected to continue to apply the hedge accounting method and requirements set out in the standard previously in force, IAS 39, and thus to determine the hedge effectiveness of the derivative financial instrument. In particular, financial instruments are only accounted for under the hedge accounting methods adopted by the Group when the relationship between the derivative and the hedged item is formally documented and the hedge is highly effective (effectiveness test).

The effectiveness of hedges is documented both at the inception of the transaction and periodically (at least at the annual or interim reporting dates). When the hedging derivatives cover the risk of change in the fair value of the instruments subject to the hedge (fair value hedge), the derivatives are recognised at fair value with the effects in profit or loss

When the derivatives hedge the risk of changes in the cash flows of the hedged instrument (cash flow hedge), the effective part of the changes in the fair value of the derivatives is recognised in the statement of comprehensive income and presented in the hedging reserve. The ineffective part of the changes in the fair value of the derivative instrument is immediately recognised in profit or loss.

Trade payables and other liabilities

Trade payables and other liabilities are initially recognised at fair value, normally equal to the nominal amount, net of discounts, returns or invoice adjustments, and are subsequently measured at amortised cost. When there is a change in the cash flows and it is possible to estimate them reliably, the liabilities are recalculated to reflect this change, based on the present value of the cash flows and on the internal rate of return initially determined.

Current, deferred and other taxes

Income taxes for the year includes current and deferred taxes recognised in profit or loss, with the exception of those on business combinations or amounts recorded directly under equity or under other items comprehensive income.

Income taxes include all the taxes calculated on the taxable income of the Group Companies applying the tax rates in force at the reporting date.

Other taxes not related to income, such as taxes on property and capital gains, are included under other operating costs (“Services”, “Use of third-party assets” and “Other charges”). The liabilities related to indirect taxes are classified under “Other Liabilities”.

The Group has determined that interest and penalties relating to income taxes, including the accounting treatments to be applied to income taxes of an uncertain nature, are accounted for in accordance with IAS 37 Provisions, contingent liabilities and contingent assets as they do not meet the definition of income taxes.

Current taxes include the estimated amount of income taxes due or receivable, calculated on the taxable income or tax loss for the year, as well as any adjustments to previous years' taxes. The amount of taxes due or receivable, determined on the basis of the tax rates in force or substantially in force at the reporting date, also includes the best estimate of the amount to be paid or received, if any, which is subject to factors of uncertainty. Current taxes also include any taxes relating to dividends.

Current tax assets and liabilities are offset only when certain criteria are met

Deferred tax assets and liabilities are determined in accordance with the global assets/liability method and are calculated on the basis of the temporary differences arising between the carrying amounts of the assets and liabilities and the corresponding amounts recognised for tax purposes, taking into account the tax rate under current tax legislation for the years in which the differences will reverse, with the exception of goodwill at the initial recognition date and those differences deriving from investments in subsidiaries which are not expected to be reversed in the foreseeable future, and on the tax losses to be carried forward.

“Deferred Tax Assets” are classified under non-current assets and are recognised only when there is a high probability of future taxable profit to recover these assets.

The valuation of deferred taxes reflects the tax effects arising from the manner in which the Group expects to recover or extinguish the carrying amount of assets and liabilities at year-end.

Deferred tax assets and liabilities are only offset when certain criteria are met.

Revenue and costs

Revenue recognition

The revenue and income are recorded, as per IFRS 15, net of returns, discounts, rebates and premiums as well as direct taxes related to the sale of products and services. In particular, revenue is measured taking into account the consideration specified in the contract with the customer and is recognised when control of the good or service is transferred. As it concerns the sale of goods, revenue is recognised at a point in time, i.e. when control of the goods is transferred to the buyer, which generally coincides with their physical delivery.

Recognition of costs

Costs are recorded when relating to goods and services acquired or consumed in the year or when there is no future utility.

The costs directly attributable to share capital transactions are recorded as a direct reduction of equity.

Commercial costs relating to the acquisition of new customers are expensed when incurred.

Financial income and expense

Financial income includes interest income on liquidity invested, dividends received and income from the sale of available-for-sale financial assets. Interest income is recorded in profit or loss on an accruals basis using the effective interest method. Dividend income is recorded when the right of the Group to receive the payment is established which, in the case of listed securities, corresponds to the coupon date.

Financial expense includes interest on loans, discounting of provisions, dividends distributed on preference shares reimbursable, changes in the fair value of financial assets through profit or loss and impairment losses on financial assets. Borrowing costs are recognised in profit or loss using the effective interest method. Exchange differences are shown on a net basis.

Dividends

Dividends to be paid to shareholders are recognised on the date of the shareholders' resolution.

Earnings per share

The basic earnings/(loss) per share are calculated by dividing the Group's profit or loss by the weighted average shares outstanding during the year.
In order to calculate the diluted earnings/(loss) per share, the average weighted number of shares outstanding is adjusted assuming the conversion of all shares with potential dilutive effect.
The profit or loss for the year is also adjusted to account for the effects of the conversion, net of taxes.
The diluted earnings/(loss) per share are calculated by dividing the Group's profit or loss for the year by the weighted average number of ordinary shares outstanding during the year and those potentially arising from the conversion of all potential ordinary shares with dilutive effect.

Share-based payment arrangements

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 of F.I.L.A. S.p.A. in their meeting of 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 Italian Civil Code, of profits or retained earnings and/or (ii) treasury shares from repurchases made in accordance with Article 2357 and 2357-ter of the Italian 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 using 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 weighted average 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 used for measurement, as outlined below.

- Level 1: unadjusted asset or liability prices 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 used to calculate the fair value of an asset or a liability may be classified in 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.
Group management has assessed the consequences of these uncertainties on the carrying amounts of the assets and liabilities stated in these consolidated financial statements. As a result of this assessment, the Group has not identified any impairment loss indicators with reference to the assets of the UK subsidiaries recorded in the financial statements at December 31, 2019.

Use of estimates

The preparation of the consolidated financial statements requires the directors to apply accounting principles and methods that, in some circumstances, are based on judgements and estimates based on experience and assumptions which are from time to time considered reasonable and realistic based on the relative circumstances. The application of these estimates and assumptions impact the carrying amount of the assets and liabilities and of the costs and revenue and the disclosure on contingent assets and liabilities at the reporting date. Actual results may differ from these estimates.
The captions which require greater judgement by the Directors in the preparation of the estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the

combined financial figures are briefly described below.

- Measurement of receivables: trade receivables are adjusted by the loss allowance, taking into account the effective recoverable amount. The calculation of the impairment losses requires the directors to make judgements based on the documentation and the information available relating to the solvency of the customers, and from market and historical experience.
- Measurement of goodwill and intangible assets with indefinite useful life: in accordance with the accounting principles applied by the Group, goodwill and the indefinite intangible assets are subject to impairment testing at least annually in order to verify whether a reduction in value has taken place. This assessment requires the directors to make judgements based on the information available within the Group and from the market, as well as from historical experience; this depends in addition on factors which may change over time, affecting the judgements and estimates made by the directors. In addition, when it is determined that there may be a potential impairment loss, the Group determines this through using the most appropriate technical valuation methods available.
- Risk provisions: the identification of the existence of a present obligation (legal or constructive) in some circumstances may be difficult to determine. The directors evaluate these factors case-by-case, together with the estimate of the amount of the economic resources required to fulfil the obligation. When the directors consider that a liability is only possible, the risks are disclosed in the notes under the section on commitments and risks, without any provision.
- Measurement of closing inventories: inventories of products which are obsolete or slow moving are periodically subject to impairment testing and written down where the recoverable amount is lower than the carrying amount. The write-downs are made based on assumptions and estimates of management deriving from experience and historic results.
- Pension plans and other post-employment benefits: the companies of the Group participate in pension plans and other post-employment benefits in various countries; in particular in Italy, Germany, the United States, France, Canada and Mexico. Management uses multiple statistical assumptions and valuation techniques with the objective of anticipating future events for the calculation of the charges, liabilities and assets relating to these plans. The assumptions relate to the discount rate, the expected return of the plan assets and the rate of future salary increases. In addition, the actuarial consultants of the Group use subjective factors, for example mortality and employee turnover rates.
- The transition to IFRS 16 introduces some elements of professional judgment that entail the use of assumptions and estimates with regard to the lease term and the definition of the incremental borrowing rate.
- The calculation of deferred tax assets is supported by a recoverability plan prepared on the basis of assumptions which the directors consider reasonable.

Note 1 - Intangible Assets

"Intangible Assets" at December 31, 2019 amount to Euro 430,609 thousand (Euro 442,598 thousand at December 31, 2018) and are comprised for Euro 147,761 thousand of intangible assets with indefinite useful life – goodwill ("Note 1.B - Goodwill") and for Euro 282,848 thousand of intangible assets with finite useful lives ("Note 1.D – Intangible Assets with finite useful lives").

The changes of the year were as follows:

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**	**48,563**	**2,008**	**235,831**
Increases	**73,480**	**9**	**35,645**	**138,298**	**1,352**	**248,785**
Investments	-	9	3,527	1,576	3,068	8,180
Transfers from assets under development	-	-	-	1,716	(1,716)	-
Change in consolidation scope	70,933	-	31,903	131,419	-	234,255
Exchange gains	2,547	-	215	3,587	-	6,350
Decreases	**(18)**	**-**	**(43)**	**(50)**	**-**	**(111)**
December 31, 2018	**147,334**	**200**	**143,464**	**186,811**	**3,360**	**481,169**
Increases	**3,407**	**-**	**2,947**	**9,263**	**(1,433)**	**14,121**
Investments	1,932	-	126	2,071	1,839	6,022
Transfers from assets under development	-	-	-	3,326	(3,326)	-
Exchange gains	1,412	-	2,821	3,866	-	8,099
Decreases	**(2,926)**	**-**	**(588)**	**(8,457)**	**-**	**(11,971)**
Decreases (Disinvestments)	-	-	(26)	(12)	-	(38)
Reclassifications	-	-	500	(2,394)	-	(1,894)
Impairment losses	-	-	-	(6)	-	(6)
Change in consolidation scope	-	-	(1,062)	(6,023)	-	(7,085)
Other	(2,926)	-	-	(22)	-	(2,984)
December 31, 2019	**147,761**	**200**	**145,823**	**187,618**	**1,927**	**483,329**
Accumulated amortisation						
December 31, 2017	**-**	**(147)**	**(19,823)**	**(7,770)**		**(27,740)**
Increases	**-**	**(10)**	**(4,771)**	**(6,133)**		**(10,914)**
Investments	-	(10)	(4,543)	(6,182)		(10,735)
Exchange gains	-	-	(228)	49		(179)
Decreases	**-**	**-**	**29**	**45**		**74**
Disinvestments	-	-	29	42		71
Other	-	-	-	3		3
December 31, 2018	**-**	**(158)**	**(24,565)**	**(13,856)**	**-**	**(38,580)**
Increases	**-**	**(10)**	**(5,425)**	**(10,323)**		**(15,757)**
Investments	-	(10)	(4,925)	(10,160)		(15,095)
Exchange gains	-	-	(500)	(163)		(662)
Decreases	**-**	**-**	**(438)**	**2.056**		**1,618**
Disinvestments	-	-	(16)	4		(12)
Reclassifications	-	-	(469)	1.741		1,272
Change in consolidation scope	-	-	47	309		356
Other	-	-	-	2		2
December 31, 2019	**-**	**(168)**	**(30,428)**	**(22,123)**		**(52,719)**
Carrying amount at December 31, 2017	**77,208**	**43**	**88,038**	**40,794**	**2,008**	**208,091**
Carrying amount at December 31, 2018	**147,334**	**42**	**118,898**	**172,954**	**3,360**	**442,598**
Carrying amount at December 31, 2019	**147,761**	**31**	**115,394**	**165,496**	**1,927**	**430,609**
Change	**418**	**(11)**	**(3,504)**	**(7,458)**	**(1.433)**	**(11,989)**

Intangible Assets with Indefinite Useful Life

"Intangible Assets with Indefinite Useful Life" is comprised entirely of goodwill for a total amount of Euro 147,761 thousand (Euro 147,334 thousand at December 31, 2018). The change on the previous year is due to the recognition by F.I.L.A. S.p.A. of the non-controlling interests in the subsidiary Fila Hellas (Greece), resulting in the recognition of Goodwill of Euro 1,932 thousand; the decrease in the consolidation scope for Euro 2,926 thousand, relating to the North America CGU, due to the sale of the "Superior" business during the year.

During the year there were exchange gains of Euro 1,412 thousand.

Goodwill is not amortised but is subject to an impairment test at least annually and whenever events or circumstances arise which may indicate the risk of an impairment loss.

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

The cash generating units relate to the operating segments, on a regional basis, in line with the lowest level at which goodwill is monitored for internal management purposes.

The CGU's to which goodwill is allocated are as follows:

NOTE 1.B GOODWILL BY CASH GENERATING UNIT

Euro thousands	December 31, 2019	December 31, 2018	Change	Goodwill Reallocation (A)	Exchange Rate Difference	Impairment Losses	Consolidation Area Change
DOMS Industries Pvt Ltd (India)	33,275	33,276	(1)	-	(1)	-	-
Canson Group (4)	12,486	12,486	-		-	-	-
Daler - Rowney Lukas Group(5)	5,922	1,647	4,275	4,275	-	-	-
North America(2)	87,886	93,714	(5,828)	(4,275)	1,373	-	(2,926)
Dixon Group - Central / South America(1)	1,942	1,903	39	-	39	-	-
Industria Maimeri S.p.A. (Italy)	1,695	1,695	-	-	-	-	-
St. Cuthberts Holding (UK) (6)	1,323	1,323	-	-	-	-	-
Fila Hellas (Greece)	1,932	-	1,932	-	-	-	1,932
Lyra Group(3)	1,217	1,217	-	-	-	-	-
FILA SA (South Africa)	83	83	-	-	-	-	-
Total	**147,761**	**147,344**	**418**	**-**	**1,411**	**-**	**(994)**

(A) - The F.I.L.A. Group CGUs were reviewed in 2019 due to the reorganisation of the Group; the reorganisation mainly involved the CGU of Daler Groupand that relating to North America which saw the transfer of control of Creativity International (United Kingdom) by Dixon Ticonderoga U.S.A. to Daler Rowney Ltd (UK;
(B) - The change in the consolidation area relating to the North American CGU is generated by the sale of the "Superior" business during the year; that relating to the Hellas Row (Greece) is generated by the detection by F.I.L.A. S.p.A. of the non-controlling interest

(1) - Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico); F.I.L.A. Chile Ltda (Chile); FILA Argentina S.A. (Argentina).
(2) - Dixon Ticonderoga Company (U.S.A.); Dixon Canadian Holding (Canada);Brideshore srl (Dominican Republic) as CGU North America; Dixon Ticonderoga ART ULC; Castle Hill Crafts (Regno Unito); 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 (Brazil); Canson Australia PTY LTD (Australia); Canson Qingdao Ltd.(China); Fila Iberia S.L. (Spain); Fila Yixing (China) Canson Italy (Italy)..

(5) - Renoir Topco Ltd (UK); Renoir Midco Ltd (UK); Renoir Bidco Ltd (UK); FILA Benelux SA (Belgium); Daler Rowney Ltd (UK); Brideshore s.r.l. (Dominican Republic) in CGU Daler e Creativity International (UK).

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

The allocation of goodwill was made considering individual CGUs or Groups of CGUs based on potential synergies and similar operational strategies on the various markets.

The breakdown of the Group's activities into CGUs and the criteria for their identification have not

changed from the financial statements at December 31, 2018, with the exception of the reorganisation of the Daler Group CGU and that relating to North America, which saw the transfer of control of the

Sd

company Creativity International (United Kingdom) from Dixon Ticonderoga U.S.A. to Daler Rowney Ltd (United Kingdom).

The annual impairment test undertaken by the Group has the objective to compare the carrying amount of the cash-generating units to which the goodwill was allocated with the relative recoverable amount. This latter is determined as the higher between the market value net of costs to sell and the estimated value in use through discounting the cash flows.

The F.I.L.A. Group identifies the recoverable amount as the value in use of the cash generating units, identified (as per IAS 36) as the present value of expected cash flows, discounted at a separate rate for each geographical segment and reflecting the specific risks of the individual CGUs at the measurement date.

The assumptions used for the purposes of the impairment test are as follows:

The expected cash flows used to determine the "Value in use" were developed on the basis of the Group's 2020 Budget approved on February 21, 2020 and the Business Plan approved by the Board of Directors on February 15, 2019, whose updated financial forecasts were submitted for approval by the Boards of Directors of the individual Group companies.

In particular, the cash flows were determined taking the assumptions from the budget and applying the growth rate identified for each CGU in line with the long-term assumptions relating to the growth rate of the sector and the specific risk of the country in which each CGU operates. The "Terminal Value" was calculated applying the perpetuity growth method.

As of 2019, the effects of the entry into force of IFRS 16 on Impairment Tests was also taken into account. In particular, the Right-of-Use assets were included within the CGU being valued, gross of the related Lease Liability, and the Value in Use was determined excluding the related lease payments and using an updated discount rate, which reflects the financial leverage attributable to the lease contracts.

The discount rate (W.A.C.C.) is the weighted average cost of risk capital and borrowing costs considering the tax effects generated by the financial leverage.

The table below outlines the main assumptions for the impairment test. The discount rate is different from December 31, 2018 to reflect the changed market conditions at December 31, 2019, as commented upon below:

IMPAIRMENT TEST GOODWILL - VALUE IN USE CALCULATION ASSUMPTIONS

Euro thousands	Discount Rate (W.A.C.C.)	Growth Rate (g rate)	Cash flow horizon	Terminal Value Calculation Method
DOMS Industries Pvt Ltd (India)	11,89%	4,2%	5 years	Perpetuity growth rate
Canson Group (France) (4)	5,89%	2,0%	5 years	Perpetuity growth rate
Daler-Rowney Lukas Group (UK) (5)	6,79%	2,0%	5 years	Perpetuity growth rate
North America(2)	7,81%	1,8%	5 years	Perpetuity growth rate
Dixon Group - Central / South America(1)	10,44%	3,4%	5 years	Perpetuity growth rate
Industria Maimeri S.p.A. (Italy)	7,63%	1,5%	5 years	Perpetuity growth rate
St. Cuthberts Holding (UK)(6)	6,79%	2,0%	5 years	Perpetuity growth rate
Lyra Group (3)	5,60%	1,9%	5 years	Perpetuity growth rate
Fila Hellas	12,06%	1,5%	5 years	Perpetuity growth rate
FILA SA (South Africa)	12,72%	4,7%		

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

(2) - Dixon Ticonderoga Company (U.S.A.); Dixon Canadian Holding Inc. (Canada); Brideshore S.R.L. (Dominican Republic) in CGU North America; Dixon Ticonderoga ART ULC (Canada); 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 (Brazil); Canson Australia PTY LTD (Australia); Canson Qingdao Ltd.(China); Fila Iberia (Spain); Fila Yixing (China) Canson Italy (Italy).

(5) - Renoir Topco Ltd (UK); Renoir Midco Ltd (UK); Renoir Bidco Ltd (UK); FILA Benelux SA (Belgium); Daler Rowney Ltd (UK); Brideshore srl (Dominican Republic) in quota CGU Daler e Creativity International (UK); Castle Hill Crafts (UK);.

(6) - St. Cuthberts Holding (UK); St. Cuthberts Mill (UK)
** Source: Bloomberg (source of tax rate: KPMG tax advisory)*

The main changes to the discount rate used for the impairment test on the previous year were:

- DOMS Industries Pvt Ltd (India) – The W.A.C.C. is 11.89% (13.00% at December 31, 2018), with the change on the previous year principally due to a decrease in the risk-free rate, an increase in the beta levered component and a reduction in the cost of debt;
- Dixon Group - Central/South America - the discount rate is 10.44% (11.49% at December 31, 2018), decreasing on the previous year due to the lower risk-free rate (calculated both on the cost of debt (Kd) and cost of equity (Ke) on US government bonds);
- North America - The W.A.C.C. used is 7.81% (8.42% at December 31, 2018). Also with regards to the North America CGU, the discount factor decreased on the previous year. The change was mainly due to the decrease in the cost of debt (Kd) and the cost of equity, partially offset by the increase in the risk-free rate;
- Canson-Omyacolor Group (France) - The W.A.C.C. is 5.89% (6.32% at December 31, 2018), with the decrease on the previous year substantially due to the decrease in the cost of debt (Kd);
- Daler-Rowney Lukas Group and St. Cuthberts (United Kingdom) - The discount rate is 6.79% (7.11% at December 31, 2018); the reduction was essentially due to the reduction in the risk-free rate and in the cost of debt (Kd);
- Industria Maimeri S.p.A. (Italy) – the discount rate was 7.63% (8.20% at December 31, 2018).

The slight decrease on the previous year is mainly due to the improvement in the cost of debt (Kd) and the cost of equity (Ke);

- Lyra Group (Germany) – the discount rate used was 5.60% (6.06% at December 31, 2018). The decrease on the previous year is due to the contraction of the risk-free component on German Bunds, in the cost of debt (Kd) and in the cost of equity (ke).
- FILA SA (South Africa) – W.A.C.C. equal to 12.72% (13.90% at December 31, 2018). The change on 2018 is due to the decrease in the cost of debt component (Kd).

Particular importance was given to the impairment tests on the goodwill allocated to the North America cash generating unit of Euro 87,886 thousand (Euro 97,040 thousand at December 31, 2018), DOMS Industries Pvt Ltd of Euro 33,275 thousand (Euro 33,276 thousand at December 31, 2018) and Canson-Omyacolor Group of Euro 12,486 thousand (Euro 12,486 thousand at December 31, 2018). The goodwill of the above CGUs accounts for 89.9% of the Group's intangible assets with indefinite useful life of Euro 148,614 thousand. The impairment tests performed indicated headroom of approximately Euro 227 million for the North America CGU, of Euro 51 million for the Indian CGU and of Euro 188 million for the Canson-Omyacolor CGU.

The DCF (Discounted Cash Flow) method applied to the carrying amount of the above CGU's confirms the carrying amount.

Further complementary analysis was also undertaken such as:
A sensitivity analysis to verify the recoverability of goodwill against possible changes in the basic assumptions used to calculate the discounted cash flows (the "Growth Rate" and the "WACC" Discount Rate have been assumed), which would lead to an impairment loss, both by maintaining the Growth rate fixed and identifying the maximum value of the discount rate and, by maintaining the Discount Rate

fixed and identifying the minimum value of the Growth rate:

SENSITIVITY ANALYSIS - Variable Growth Rate

	Discount Rate (W.A.C.C.)	Growth Rate (g rate)
DOMS Industries Pvt Ltd (India)	11.89%	-1.06%
Canson Group (France)	5.89%	-1.91%
Daler-Rowney Lukas Group (UK)	6.79%	-2.06%
North America	7.81%	-2.68%
Dixon Group - Central / South America	10.44%	2.78%
Industria Maimeri S.p.A. (Italy)	7.63%	-0.79%
St. Cuthberts Holding (UK)	6.79%	-16.49%
Lyra Group	5.60%	-22.53%
Fila Hellas	12.06%	-15.24%
FILA SA (South Africa)	12.72%	-1.33%

SENSITIVITY ANALYSIS - Variable W.A.C.C.

	Discount Rate (W.A.C.C.)	Growth Rate (g rate)
DOMS Industries Pvt Ltd (India)	15.61%	4.2%
Canson Group (France)	8.97%	2.00%
Daler-Rowney Lukas Group (UK)	9.91%	2.00%
North America	11.09%	1.80%
Dixon Group - Central / South America	10.94%	3.40%
Industria Maimeri S.p.A. (Italy)	9.41%	1.50%
St. Cuthberts Holding (UK)	17.06%	2.00%
Lyra Group	18.16%	1.90%
Fila Hellas	20.31%	1.50%
FILA SA (South Africa)	16.81%	4.70%

The comparison between the value in use of the CGU for 2019 and 2018 with the analysis of the variations;

Reasonableness test between the overall value in use at Group level and the stock market capitalisation.

As suggested by ESMA which published on October 28, 2014 the Public Statement "European common enforcement priorities for 2014 financial statements", the analysis on the sensitivity of the impairment test result to changes in gross operating profit over the explicit time period was also made, as this variable is one of the main assumptions.

The above-mentioned analysis also confirmed the full recoverability of the goodwill and the reasonableness of the assumptions used.

The cash flows and assumptions used for the Impairment Test were approved by the Board of Directors on March 16, 2020.

The changes at December 31, 2019 of "Intangible Assets with Finite Useful Lives" are reported below:

Intangible Assets with Finite Useful Lives

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**	**48,563**	**2,008**	**158,663**
Increases	**9**	**35,430**	**134,711**	**1,352**	**171,502**
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	131,419	-	163,322
Decreases	**-**	**(43)**	**(50)**	**-**	**(93)**
Disinvestments	-	(43)	(45)	-	(88)
Reclassifications	-	-	(5)	-	(5)
December 31, 2018	**200**	**143,464**	**(186,811)**	**3,360**	**333,875**
Increases	**-**	**3,447**	**8,764**	**1,433**	**10,778**
Investments	-	126	2,072	1,893	4,091
Transfers from assets under development	-	-	3,326	(3,326)	-
Reclassifications	-	500	(500)	-	-
Exchange gains	-	2,821	3,866	-	6,687
Decreases	**-**	**(1,088)**	**(7,957)**	**-**	**9,045**
Disinvestments	-	(26)	(12)	-	(38)
Reclassifications	-	-	(1,894)	-	(1,894)
Impairment losses	-	-	(6)	-	(6)
Change in consolidation scope	-	(1,026)	(6,023)	-	(7,085)
Other	-	-	(22)	-	(22)
December 31, 2019	**200**	**145,823**	**187,618**	**1,927**	**335,568**
Accumulated amortisation					
December 31, 2017	**(147)**	**(19,823)**	**(7,770)**	**-**	**(27,740)**
Increases	**(10)**	**(4,771)**	**(6,133)**		**(10,914)**
Investments	(10)	(4,543)	(6,182)		(10,735)
Exchange gains	-	(228)	49		(179)
Decreases	**-**	**29**	**45**		**74**
Disinvestments	-	**29**	42		71
Other	-	-	3		3
December 31, 2018	**(158)**	**(24,566)**	**(13,856)**		**(38,580)**
Increases	**(10)**	**(5,894)**	**(9,854)**		**(15,757)**
Investments	(10)	(4,925)	(10,160)		(15,095)
Reclassifications	-	(469)	469		-
Exchange gains	-	(500)	(163)		(662)
Other	-	-	-		-
Decreases	**-**	**31**	**1,587**		**(1,618)**
Disinvestments	-	(16)	4		(12)
Reclassifications	-	-	(1,272)		(1,272)
Change in consolidation scope	-	47	309		356
Other	-	-	2		2
December 31, 2019	**(168)**	**(30,428)**	**(22,123)**		**(52,719)**
Carrying amount at December 31, 2017	**43**	**88,038**	**40,794**	**2,008**	**130,883**
Carrying amount at December 31, 2018	**42**	**118,898**	**172,955**	**3,360**	**295,255**
Carrying amount at December 31, 2019	**31**	**115,394**	**165,496**	**1,927**	**282,848**
Change	**(11)**	**(3,504)**	**(7,459)**	**(1,433)**	**(12,407)**

"Industrial Patents and Intellectual Property Rights" amount to Euro 31 thousand at December 31, 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 December 31, 2019, is 5 years.

"Concessions, Licences, Trademarks and Similar Rights" amount to Euro 115,394 thousand at December 31, 2019 (Euro 118,898 thousand at December 31, 2018).
The net carrying amount decreased compared to December 31, 2018 by Euro 3,504 thousand, mainly due to amortisation of the year of Euro 4,925 thousand, partially offset by exchange gains of Euro 2,321 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 "*Lyra*" brands held by Lyra KG (Germany) and *"DOMS"* held by DOMS Industries Pvt Ltd (India).

Net investments of Euro 84 thousand primarily related to the Parent. The change in the consolidation scope of Euro 1,015 thousand concerns the reorganisation of the North American subsidiaries.
The average useful life of the "Concessions, Licenses, Trademarks and Similar Rights", recorded in the financial statements of December 31, 2019, is 30 years. Trademarks are amortised on the basis of their useful lives and tested for impairment when there are signs that they may have become impaired.

"Other" amount to Euro 165,496 thousand at December 31, 2019 (Euro 172,955 thousand at December 31, 2018). The decrease on the previous year of Euro 7,459 thousand is due mainly to the entry into use of assets under development for a total of Euro 3,326 thousand. Investments of the year principally concerned the installation and roll out of the new ERP at some Group companies and amount to Euro 2,072 thousand. Amortisation was Euro 10,160 thousand and concerns in particular the "Development Technology" recorded by the companies of the Daler-Rowney Lukas Group (Euro 23,504 thousand), the Canson Group (Euro 1,500 thousand) and St. Cuthberts (Euro 2,215 thousand), identified as strategic assets through the "Purchase Price Allocation" within the business combinations undertaken in 2016, and the "Customer Relationship" determined by the "Purchase Price Allocation" as part of the business combination resulting in the acquisition of the Pacon Group.

The average useful life of "Other", recorded in the financial assets at December 31, 2019, is 30 years.

Assets under development totalled Euro 1,927 thousand, entirely concerning F.I.L.A. S.p.A. and relating to investments for the installation of the new ERP system (Enterprise Resource Planning).

With regards to intangible assets with finite useful lives, no impairment indicators were identified during the year.

Note 2 - Property, Plant and Equipment

"Property, Plant and Equipment" at December 31, 2019 amounts to Euro 186,014 thousand (Euro 104,472 thousand at December 31, 2018), comprising for Euro 105,640 thousand Property, Plant and Equipment ("Note 2.A - Property, Plant and Equipment") and for Euro 80,374 thousand Right-of-Use assets ("Note 2.B - Right-of-Use assets").

The changes of 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**	**104,885**	**19,055**	**11,500**	**8,209**	**210,807**
Increases	**66**	**6,747**	**23,927**	**743**	**2,298**	**(2,984)**	**30,797**
Investments	66	427	7,806	651	911	7,016	16,877
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)**	**(5,525)**
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	(13)
December 31, 2018	**13,305**	**59,602**	**126,209**	**18,446**	**13,303**	**5,213**	**236,078**
Increases	**137**	**4,015**	**12,012**	**5,420**	**(305)**	**775**	**22,054**
Investments	77	3,379	8,024	1,129	1,305	3,298	17,212
Transfers from assets under construction	-	97	1,151	338	-	(1,586)	-
Reclassifications	(104)	104	972	3,741	(1,841)	(978)	1,894
Exchange gains	164	435	1,766	212	146	41	2,764
Other	-	-	99	-	85	-	184
Decreases	**-**	**(258)**	**(2,647)**	**(3.663)**	**(3,137)**	**(1,546)**	**(11,251)**
Disinvestments	-	(96)	(2,097)	(3,837)	(2,645)	(1,546)	(10,221)
Impairment losses	-	(162)	(5)	(1)	(12)	-	(180)
Change in consolidation scope	-	-	(84)	(2)	(9)	-	(95)
Other	-	-	(461)	177	(471)	-	(755)
December 31, 2018	**13,442**	**63,359**	**135,575**	**20,202**	**9,862**	**4,441**	**246,881**
Accumulated depreciation							
December 31, 2017		**(29,965)**	**(66,286)**	**(17,024)**	**(9,177)**		**(122,452)**
Increases		**(2,182)**	**(9,001)**	**(791)**	**(1,312)**		**(13,286)**
Depreciation		(2,126)	(8,731)	(701)	(1,244)		(12,802)
Exchange gains		(56)	(195)	(90)	(68)		(409)
Altre Variazioni Incrementative		-	(75)	-	-		(75)
Decreases		**282**	**2,148**	**1,337**	**366**		**4,132**
Disinvestments		281	2,721	368	366		3,737
Reclassifications		(1)	(573)	969	-		395
December 31, 2018		**(31,866)**	**(73,140)**	**(16,477)**	**(10,123)**		**(131,606)**
Increases		**(2,629)**	**(12,155)**	**(3.177)**	**(261)**		**(18,221)**
Depreciation		(2,498)	(11,134)	(1,190)	(616)		(15,429)
Reclassifications		-	6	(1,805)	528		(1,271)
Change in consolidation scope		-	(4)	4	-		-
Exchange gains		(140)	(984)	(186)	(99)		(1,409)
Other		-	(39)	-	(74)		(113)
Decreases		**(139)**	**2,246**	**3,800**	**2,680**		**8,587**
Disinvestments		(139)	1,952	3,813	2,400		8,026
Change in consolidation scope		-	13	-	3		16
Other		-	281	(13)	277		545
December 31, 2018		**(34,633)**	**(83,050)**	**(15,855)**	**(7,703)**		**(141,241)**
Carrying amount at December 31, 2017	**13,639**	**23,554**	**38,598**	**2,031**	**2,324**	**8,209**	**88,355**
Carrying amount at December 31, 2018	**13,305**	**27,736**	**53,068**	**1,968**	**3,182**	**5,213**	**104,472**
Carrying amount at December 31, 2018	**13,442**	**28,726**	**52,524**	**4,348**	**2,159**	**4,441**	**105,640**
Change	**137**	**990**	**(544)**	**2,380**	**(1,023)**	**(772)**	**1,168**

"Land" at December 31, 2019 amounts to Euro 13,442 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 subsidiaries Lyra KG (Germany), DOMS Industries Pvt Ltd (India), Daler Rowney Ltd (UK) and Canson SAS (France). The increase of Euro 137 thousand is due, in addition to the exchange gains of Euro 164 thousand, to investments of Euro 77 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 December 31, 2019 amount to Euro 28,726 thousand (Euro 27,736 thousand at December 31, 2018) and principally concern the buildings of the Group's production facilities. The increase on December 31, 2018 was Euro 990 thousand. Net investments amounted to Euro 3,144 thousand, whereas assets under construction were capitalised for Euro 97 thousand. Net investments mainly by DOMS Industries PVT Ltd (Euro 2,135 thousand) relate to the centralised storage and production site extension plan.
Depreciation of Euro 2,489 thousand particularly concerns Canson SAS (France), F.I.L.A. S.p.A., Lyra KG (Germany) and DOMS Industries Pvt Ltd (India).
Impairment losses of Euro 162 thousand, almost entirely concerning Dixon Ticonderoga Company (U.S.A.), were made during the year.

"Plant and Machinery" amounted to Euro 52,524 thousand (Euro 53,068 thousand at December 31, 2018). Compared to the previous year, this account decreased Euro 544 thousand. The changes in this category concern net investments of Euro 7,879 thousand, mainly by DOMS Industries Pvt Ltd (India) for Euro 4,745 thousand and Dixon Ticonderoga Company (U.S.A.) for Euro 1,108 thousand, in addition to the capitalisation of assets under construction of Euro 1,151 thousand and exchange gains of Euro 782 thousand. These increases were offset by depreciation of Euro 11,134 thousand.

"Industrial and Commercial Equipment" amounted to Euro 4,348 thousand at December 31, 2019 (Euro 1,968 thousand at December 31, 2018). The increase of Euro 2,380 thousand is mainly due to the reclassification by Dixon Ticonderoga Company (U.S.A.) during 2019.

"Other Assets" amount to Euro 2,159 thousand at December 31, 2019 (Euro 3,182 thousand at December 31, 2018) and include furniture and office equipment, electronic office equipment and motor vehicles. The decrease of Euro 1,023 thousand mainly concerns the reclassifications of intangible assets and property, plant and equipment by Dixon Ticonderoga Company (U.S.A.) during 2019.

"Assets under construction" include internal constructions undertaken by the individual companies of the Group which are not yet operational. The carrying amount at December 31, 2019 was Euro 4,441 thousand, principally concerning F.I.L.A.-Dixon, S.A. de C.V. (Mexico) (Euro 1,468 thousand), Dixon Ticonderoga Company (U.S.A.) (Euro 2,021 thousand) and Canson SAS. (Euro 518 thousand) for the development and extension of local production facilities.

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

Right-of-Use Assets

Nota 2.B RIGHT-OF-USE ASSETS

Euro thousands	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Total
Historic cost					
December 31, 2018	-	-	-	-	-
Initial recognition	72,613	756	197	2,458	**76,024**
Investments	13,393	196	220	1,048	**14,857**
December 31, 2019	**86,006**	**952**	**417**	**3,506**	**90,881**
Accumulated depreciation					
December 31, 2018	-	-	-	-	-
Initial recognition	(721)	(41)	(6)	(92)	**(860)**
Depreciation	(8,054)	(455)	(66)	(1,087)	**(9.662)**
Exchange gains (losses)	-	9	(1)	7	**15**
December 31, 2019	**(8,775)**	**(487)**	**(73)**	**(1,172)**	**(10,508)**
Carrying amount at December 31, 2018	-	-	-	-	-
Carrying amount at December 31, 2019	**77,231**	**465**	**343**	**2,333**	**80,374**
Change	**77,231**	**465**	**343**	**2,333**	**80,374**

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 December 31, 2019 was Euro 86,006 thousand, mainly concerning the buildings of the subsidiaries Dixon Ticonderoga Company (U.S.A.) for Euro 31,958 thousand, Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for Euro 16,045 thousand and Daler Rowney Ltd (United Kingdom) for Euro 10,456 thousand.

Accumulated depreciation on “Buildings” at December 31, 2019 amounts to Euro 8,775 thousand. The historic cost of “Plant and Machinery” at December 31, 2019 was Euro 952 thousand and mainly concerns the subsidiary Canson Brasil I.P.E. LTDA (Brazil) for Euro 569 thousand. Accumulated depreciation on “Plant and Machinery” at December 31, 2019 amounts to Euro 487 thousand.

The historic cost of “Industrial and Commercial Equipment” at December 31, 2019 was Euro 417 thousand and mainly concerned the subsidiaries Industria Maimeri S.p.A. (Italy) for Euro 191 thousand, Daler Rowney Ltd (United Kingdom) for Euro 158 thousand and FILA Dixon Stationery (Kunshan) Co. Ltd. (China) for Euro 59 thousand.

Accumulated depreciation on “Industrial and Commercial Equipment” at December 31, 2019 amounts to Euro 73 thousand.

The historic cost of “Other Assets” at December 31, 2019 was Euro 3,506 thousand and mainly related to the parent F.I.L.A. S.p.A. (Italy) for Euro 667 thousand and the subsidiaries Canson SAS (France) and Canson Brasil I.P.E. LTDA (Brazil), respectively for Euro 975 thousand and Euro 446 thousand. The accumulated depreciation on “Other Assets” at December 31, 2019 amounts to Euro 1,172 thousand.

Note 3 – Financial assets

“Financial assets” amount to Euro 3,952 thousand at December 31, 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
December 31, 2019	**1,151**	**2,801**	**3,952**
non-current portion	1,070	2,713	3,783
current portion	81	88	169
Change	**399**	**(83)**	**316**
non-current portion	596	(97)	499
current portion	(197)	14	(183)

Loans and Receivables

These amount to Euro 1,151 thousand and concern receivables of a financial nature claimed from third parties and recognised by F.I.L.A. S.p.A. for Euro 135 thousand and Dixon Ticonderoga Company (U.S.A.) for Euro 935 thousand.

Other financial assets

"Other financial assets" totalled Euro 2,801 thousand (Euro 2,884 thousand at December 31, 2018), decreasing Euro 83 thousand. They principally concern the deposits paid for guarantee purposes on goods and service supply contracts of the various Group companies, including in particular DOMS Industries Pvt Ltd (Euro 1,374 thousand) and Grupo F.I.L.A.-Dixon, S.A. de C.V. (Euro 320 thousand). In relation to the amount of Euro 627 thousand recorded by Dixon Ticonderoga Company (U.S.A.), the account concerns assets underlying employee indemnity plans.

Loans and receivables and other financial assets are stated at amortised cost in accordance with IFRS 9.

Note 4 - Equity-accounted investees

Note 4.A EQUITY-ACCOUNTED INVESTEES

Euro thousands	Inv. in associates
December 31, 2017	**782**
Increases	**15**
Investments	15
Decreases	**(30)**
Exchange losses	(30)
December 31, 2018	**767**
Increases	**187**
Investments	187
Decreases	**(7)**
Exchange losses	(7)
December 31, 2019	**947**
Change	**180**

Equity-accounted investees amount to Euro 947 thousand (Euro 767 thousand at December 31, 2018).

The increase of the year relates to the two investments in associates held by DOMS Industries Pvt Ltd (India). At December 31, 2019, the carrying amount of the investments was adjusted in line with the share of equity held in the associates. The investment in Pioneer Stationary Pvt Ltd (India) increased by Euro 222 thousand, partially offset by the reduction in the investment in Uniwrite Pens Plastics Pvt Ltd for an amount of Euro 35 thousand. Exchange losses of Euro 7 thousand were recorded.

Note 5 - Other investments

"Other investments", amounting to Euro 31 thousand, relate to F.I.L.A. S.p.A.'s Euro 28 thousand investment 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 by F.I.L.A. S.p.A. at December 31, 2019.

Note 6 – Deferred tax assets

"Deferred tax assets" amount to Euro 18,391 thousand at December 31, 2019 (Euro 20,554 thousand at December 31, 2018).

The changes in "Deferred tax assets" are illustrated in the table below with indication of the opening balance, changes of the year and the closing balance at December 31, 2019:

Note 6.A - CHANGES IN DEFERRED TAX ASSETS

Euro thousands	
December 31, 2017	**15,660**
Increase	5,238
Utilisation	(3,331)
Exchange gains	232
Increase recognised in equity	2,757
December 31, 2018	**20,554**
Increase	2,917
Utilisation	(5,568)
Exchange gains	284
Increase recognised in equity	204
December 31, 2019	**18,391**
Change	**(2,163)**

The change in the year related in particular to Dixon Ticonderoga Company (U.S.A.) and the parent F.I.L.A. S.p.A.

Deferred tax assets recognised in an equity reserve are net of the tax effect on:

- Costs of consultancy relating to the capital increase by F.I.L.A. S.p.A. accounted for as a reduction in the reserve for capital increases recognised by the Parent; the tax effect amounts to Euro 280 thousand;
- Change in the IAS 19 reserve with a negative tax effect of Euro 76 thousand.

The following table breaks down the balance of deferred tax assets by nature at year-end:

NOTE 6.B - BREAKDOWN OF DEFERRED TAX ASSETS

Euro thousands	Statement of Financial Position 2019	Statement of Financial Position 2018	Profit or loss 2019	Profit or loss 2018	Equity 2019	Equity 2018
Deferred tax assets relating to:						
Intangible Assets	97	-	97	(104)	-	-
Property, Plant and Equipment	377	3,169	(2,793)	2,895	-	-
Other Provision	1,037	99	938	(300)	-	-
Trade Receivables and Other Assets	1,288	1,753	(465)	(466)	-	902
Inventories	1,312	2,378	(1,065)	(848)	-	-
Personnel	1,899	1,641	334	(466)	(76)	306
Exchange gains (losses)	-	-	-	(127)	-	-
Exchange difference recognised in "Translation Reserve"	283	230	(230)	731	283	230
Other	3,602	2,046	1.276	498	280	1.549
Prior year tax losses	1,121	2,665	(1,543)	463	-	-
Deferred deductible costs	4,160	3,126	1.035	(549)	-	-
ACE	3,215	3,447	(232)	182	-	-
Total deferred tax assets	**18,391**	**20,554**	**(2,648)**	**1,909**	**487**	**2,987**

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

Note 7 - Current tax assets

At December 31, 2019, tax assets relating to income tax amounted overall to Euro 11,097 thousand (Euro 11,743 thousand at December 31, 2018) and refer principally to the Parent F.I.L.A. S.p.A. for Euro 2,987 thousand, DOMS Industries Pvt Ltd (India) for Euro 1,215 thousand and Dixon Ticonderoga Co. (USA) for Euro 5,166 thousand.

Note 8 - Inventories

Inventories at December 31, 2019 amount to Euro 258,409 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**
December 31, 2019	**60,089**	**28,346**	**169,974**	**258,409**
Change	**(4,626)**	**(118)**	**721**	**(4,023)**

The caption decreased Euro 4,023 thousand, mainly relating to the subsidiary Dixon Ticonderoga Company (U.S.A.) and F.I.L.A. S.p.A..

Inventories are presented net of the allowance for inventory write-down for raw materials (Euro 1,467 thousand), work-in-progress (Euro 425 thousand) and finished goods (Euro 4,205 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
Utilisation	(127)	(71)	(2,615)	(2,813)
Release	(248)	(98)	(340)	(686)
Change in consolidation scope	-	-	2,610	2,610
Exchange gains (losses)	(3)	(2)	25	19
December 31, 2018	**1,450**	**357**	**4,712**	**6,519**
Accruals	498	249	(275)	472
Utilisation	(278)	(34)	(106)	(418)
Release	(50)	(135)	31	(154)
Exchange gains (losses)	1	(0)	5	6
December 31, 2019	**1,621**	**437**	**4,367**	**6,425**
Change	**171**	**80**	**(345)**	**(94)**

Note 9 – Trade receivables and other assets

Trade receivables and other assets amount to Euro 141,339 thousand (Euro 151,616 thousand at December 31, 2018).

Note 9.A - TRADE RECEIVABLES AND OTHER ASSETS			
Euro thousands	**December 31, 2019**	**December 31, 2018**	**Change**
Trade receivables	126,094	135,549	(9,455)
Tax assets	3,005	4,521	(1,516)
Other	7,317	6,466	851
Prepayments and accrued income	4,923	5,081	(157)
Total	**141,339**	**151,616**	**(10,277)**

Trade receivables decreased on December 31, 2018 by Euro 9,455 thousand, which net of the exchange gains of Euro 3,048 thousand are mainly due to Dixon Ticonderoga Company (U.S.A.),

F.I.L.A. S.p.A. and Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico).

Trade receivables broken down by country are illustrated below:

TRADE RECEIVABLES BY GEOGRAPHICAL SEGMENT

Euro thousands	December 31, 2019	December 31, 2018	Change
Europe	34,505	34,178	327
North America	30,973	45,676	(14,703)
Central-South America	50,043	46,190	3,853
Asia	8,028	6,462	1,566
Other	2,545	3,043	(498)
Total	**126,094**	**135,549**	**(9,455)**

The changes in the loss allowance to cover doubtful positions are illustrated in the table below:

Note 9.B - CHANGES IN THE LOSS ALLOWANCE

Euro thousands	
December 31, 2017	**5,265**
Provisions	1,660
Utilisation	(834)
Release	(857)
Change in consolidation scope	18
Exchange gains	49
Other changes	2,060
December 31, 2018	**7,361**
Provisions	1,892
Utilisation	(3,275)
Release	(68)
Exchange gains	61
Other changes	(26)
December 31, 2019	**5,945**
Change	**(1,416)**

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 used for Euro 3,275 thousand, mainly regarding F.I.L.A. S.p.A. (Euro 1,428 thousand) and the US subsidiary Dixon Ticonderoga Company (Euro 1,718 thousand).

"Tax assets" totalled Euro 3,005 thousand at December 31, 2019 (Euro 4,521 thousand at December 31, 2018) and include VAT assets (Euro 2,095 thousand) and other tax assets for local taxes other than direct income taxes (Euro 910 thousand). The decrease compared to the previous year principally concerns F.I.L.A. S.p.A. (Euro 497 thousand), Daler Rowney Ltd (UK) (Euro 388 thousand) and Canson SAS (Euro 136 thousand).

"Other assets" amount to Euro 7,257 thousand at December 31, 2019 (Euro 6,466 thousand at December 31, 2018) and mainly concern amounts due from employees (Euro 243 thousand), from social security institutions (Euro 34 thousand) and advances paid to suppliers (Euro 2,135 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 December 31, 2019 amount to Euro 100,191 thousand (Euro 157,602 thousand at December 31, 2018).

Note 10 - CASH AND CASH EQUIVALENTS

Euro thousands	Bank and postal deposits	Cash in hand and other cash equivalents	Total
December 31, 2018	**157,473**	**129**	**157,602**
December 31, 2019	**100,056**	**135**	**100,191**
Change	**(57,417)**	**6**	**(57,411)**

"Bank and postal deposits" consist of 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 31,571 thousand and current accounts of the subsidiaries for Euro 68,485 thousand, in particular: Dixon Ticonderoga Company (Euro 25,135 thousand), F.I.L.A. Iberia S.L. (Euro 7,425 thousand), the Dixon Group's Chinese subsidiaries (Euro 6,103 thousand) and Grupo F.I.L.A.-Dixon, S.A. de C.V. (Euro 2,928 thousand).

"Cash in hand and other cash equivalents" amount to Euro 135 thousand, of which Euro 8 thousand relates to the Parent F.I.L.A. S.p.A and Euro 127 thousand to the various subsidiaries.

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 section: "Statement of Financial Position" for comments relating to the net financial debt of the F.I.L.A. Group.

Note 11 - Net financial debt

The F.I.L.A. Group's "Net financial debt" at December 31, 2019 was Euro 498,150 thousand, with an increase of Euro 45,390 thousand on December 31, 2018. This increase was partly due to the financial liabilities arising from the application of the new IFRS 16, included in other current and non-current financial liabilities.

	Euro thousands	December 31, 2019	December 31, 2018	Change
A	Cash	135	129	6
B	Other cash equivalents	100,057	157,472	(57,415)
C	Securities held-for-trading	-	-	-
D	**Cash and cash equivalents (A + B + C)**	**100,192**	**157,601**	**(57,409)**
				-
E	**Current financial loan assets**	**169**	**352**	**(183)**
F	Current bank loans and borrowing	(79,511)	(75,617)	(3,894)
G	Current portion of non-current debt	(15,008)	(10,412)	(4,596)
H	Other current loans and borrowing	(8,187)	(,183)	(8,004)
I	**Current financial debt (F + G + H)**	**(102,706)**	**(86,212)**	**(16,494)**
				-
J	**Net curre nt financial position (debt) (I + E+ D)**	**(2,355)**	**71,741**	**(74,096)**
K	Non-current bank loans and borrowing	(402,546)	(518,779)	116,233
L	Bonds issued	-	-	-
M	Other non-current loans and borrowing	(94,328)	(6,208)	(88,120)
N	**Non-current financial debt (K + L + M)**	**(496,874)**	**(524,987)**	**28,112**
O	**Net financial debt (J+N)**	**(499,219)**	**(453,246)**	**(45,984)**
P	**Loans issued to third parties**	**1,070**	**474**	**596**
				-
Q	**Net financial debt (O + P) - F.I.L.A. Group**	**(498,150)**	**(452,770)**	**(45,380)**

Reference should be made to the section: "Statement of Financial Position" for comments relating to the net financial debt of the F.I.L.A. Group.

Note 12 - Share capital and equity

Share capital

The subscribed and fully paid-up share capital at December 31, 2019 of the Parent F.I.L.A. S.p.A. comprises 50,948,796 shares, as follows:

- 42,866,940 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	42,866,940	84.14%	39,440,428	MTA - STAR Segment
Class B shares (multiple votes)	8,081,856	15.86%	7,435,844	Unquoted Shares

According to the available information, published by Consob and updated at December 31, 2019, the main shareholders of the Parent were:

Shareholder	Ordinary shares	%
Pencil S.p.A.	13,694,564	31.95%
Venice European Investment Capital S.p.A.	3,875,832	9.04%
Sponsor	361,291	0.84%
Market investors	24,935,253	58.17%
Total	**42,866,940**	

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	24,935,253		24,935,253	37.14%
Total	**42,866,940**	**8,081,856**	**50,948,796**	

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 December 31, 2019 this caption amounted to Euro 7,765 thousand. The change of Euro 331 thousand as per the resolution of the shareholders taken in their meeting of April 18, 2019, is reported, which allocated 5% of the profit for the year to the legal reserve in accordance with Article 2430 of the Italian Civil Code.

Share premium reserve

The reserve at December 31, 2019 amounts to Euro 153,608 thousand (Euro 151,769 thousand at December 31, 2018). The increase of Euro 1,839 thousand stems from a decrease of Euro 725 thousand to related charges, net of the relative tax effect of Euro 281 thousand, recognised in equity as related to the share capital increase of the Parent F.I.L.A. S.p.A. in 2018 and an increase of Euro 2,564 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 controlling interest.

IAS 19 reserve

Following the application of IAS 19, the equity reserve is negative for Euro 4,214 thousand, decreasing in the year by Euro 961 thousand limited to the share of the F.I.L.A. Group.

Other reserves

At December 31, 2019, the reserve is negative for Euro 34,423 thousand, decreasing Euro 10,231 thousand on December 31, 2018. The changes concern the following events:

- The fair value reserve for hedging financial instruments (IRS) entered into by F.I.L.A. S.p.A., Dixon Ticonderoga Company (U.S.A.) and Canson SAS; at December 31, 2019 the reserve was negative for Euro 13,571 thousand, recording a decrease of Euro 8,402 thousand compared to December 31, 2018. This change relates for Euro 53 thousand to the fair value adjustment of the derivative of Canson SAS, for Euro 2,228 thousand to the fair value adjustment of the derivative of F.I.L.A. S.p.A. and for Euro 6,121 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 3,833 thousand and increasing Euro 1,001 thousand due to the release of Euro 1,046 thousand in relation to the medium/long-term incentive plan concluded in advance during the year and an increase of Euro 2,047 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-settled share based payments, the fair value at the vesting date of the share options

granted to employees is recorded under personnel expense, with a corresponding increase in equity under "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 vested and the achievement of "non-market" conditions, in order that the final cost recorded is based on the number of incentives which will vest. Similarly, in the initial estimate of the fair value of the options assigned, consideration is taken of the non-vesting conditions. The changes to market value subsequent to the grant date will not produce any financial statement effect.

Translation reserve

The reserve refers to the exchange 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" in 2019 are illustrated below (limited to the equity attributable to the owners of the parent):

TRANSLATION RESERVE	
Euro thousands	
December 31, 2018	**(22,524)**
Changes	
Difference between the average rate for the year and the closing rate	6,664
Difference between the historical rate and the closing rate	(197)
December 31, 2019	**(16,057)**
Change	**6,467**

Retained earnings

The reserve totalled Euro 153,616 thousand and increased on the previous year by Euro 4,677 thousand, 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 resolution taken by the shareholders in their meeting of April 18, 2019;
- The allocation of the profit for 2018 of Euro 8,747 thousand;

Equity attributable to non-controlling interests

Non-controlling interest equity increased Euro 1,091 thousand, principally due to:

- Profit for the year attributable to non-controlling interests of Euro 2,105 thousand;
- Distribution of dividends to non-controlling investments of Euro 191 thousand;

Exchange losses of Euro 129 thousand;

- IAS reserve attributable to non-controlling interests of Euro 112 thousand;
- Share capital increase of Euro 21 thousand by non-controlling interests in the South African subsidiary FILA SA;
- Other decreases of Euro 603 thousand concerned the subsidiary Fila Hellas (Greece) for the purchase of non-controlling interests and the South African subsidiary FILA SA.

Basic and diluted earnings per share

The basic earnings per share are calculated by dividing the Group’s profit for the year by the weighted average number of ordinary shares outstanding during the year, excluding any treasury shares.

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

The basic and diluted earnings per share 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 profit for the year of the Parent F.I.L.A. S.p.A. and the profit for the year shown in the consolidated financial statements:

Reconciliation at December 31, 2019 between Parent Equity and F.I.L.A. Group Equity

Euro thousands

F.I.L.A. S.p.As equity	**271,080**
Elimination of infragroup margins and other consolidation entries	(1,703)
Consolidation effect FILA Art and Craft (Israel)	152
Consolidation effect Dixon Ticonderoga group	54,008
Consolidation effect Lyra group	482
Consolidation effect FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey)	(1,998)
Consolidation effect FILA Stationary O.O.O. (Russia)	(372)
Consolidation effect FILA Hellas (Greece)	618
Consolidation effect Industria Maimeri S.p.A. (Italy)	(1,449)
Consolidation effect FILA S.A. (South Africa)	(1,150)
Consolidation effect Fila Polska Sp. Z.o.o (Poland)	1,054
Consolidation effect DOMS Industries Pvt Ltd (India)	24,859
Consolidation effect Daler & Rowney Lukas Group	(15,332)
Consolidation effect St. Cuthberts Holding (England)	1,027
Consolidation effect FILA Iberia S.L. (Spain)	8,146
Consolidation effect Canson Group	8,426
Consolidation effect FILA Art Product AG (Switzerland)	(16)
Consolidation effect Pacon Group	9,519
Total equity	**357,351**
Consolidation effects attributable to non-controlling interests	26,180
F.I.L.A. group equity	**331,171**

Reconciliation at December 31, 2019 between Parent Result and F.I.L.A. Group Result

Euro thousands	
F.I.L.A. S.p.A.'s profit for the year	**11,322**
Profit for the year of the subsidiarie s of the Parent	**36,513**
Elimination of the effects of transactions between consolidated companies:	
Dividends	(18,608)
Net Inventory Margins	1,162
Adjustments to Group accounting policies	
Stock Option Plan recognised by the Parent to the Subsidiaries	(622)
FTA of IFRS 9	199
Daler Rowney Lukas Group - reversal of impairment losses on equity investments in wound-up *"Dormant Entities"*	(807)
Reversal of the goodwill for the Superior business transfer	(2,936)
F.I.L.A. S.p.A. – Impairment gains on infragroup assets	(116)
Total profit for the year	**26,105**
Profit for the year attributable to owners of the parent	2,105
Profit for the year attributable to the owners of the Parent	**24,000**

Note 13 - Financial liabilities

The balance at December 31, 2019 amounts to Euro 586,009 thousand (Euro 606,096 thousand at December 31, 2018), of which Euro 483,303 thousand non-current and Euro 102,706 thousand current.

The caption refers to both non-current and current portions of bank loans and borrowings, other loans and borrowings and current account overdrafts in addition to lease liabilities as per IFRS 16.

The breakdown at December 31, 2019 is illustrated below:

Note 13.A - FINANCIAL LIABILITIES: Third parties

	Bank loans and borrowings		Other loans and borrowings		Current account overdrafts		Lease liabilities		Total
Euro thousands	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
December 31, 2018	**599,462**	**(5,506)**	**1,329**	**(40)**	**10,771**	**80**	**-**	**-**	**606,096**
non-current portion	526,352	(7,573)	1,133	(28)	-	-	-	-	519,884
current portion	73,110	2.067	196	(12)	10,771	80	-	-	86,212
December 31, 2019	**486,559**	**(4,250)**	**1,205**	**(31)**	**14,612**	**144**	**87,770**	**-**	**586,009**
non-current portion	408,140	(5,594)	420	(23)	-	-	80,360	-	483,303
current portion	78,419	1,344	785	(8)	14,612	144	7.410	-	102,706
Change	**(112,903)**	**1.256**	**(124)**	**9**	**3,841**	**(64)**	**87,770**	**-**	**20,087**
non-current portion	(118,212)	1.979	(713)	5	-	-	80,360	-	36,581
current portion	5,309	(723)	589	4	3,841	(64)	7,410	-	16,494

Bank loans and borrowings

With reference to "Bank loans and borrowings", the total exposure of the Group amounts to Euro 482,309 thousand, of which Euro 79,763 thousand considered as current (Euro 75,177 thousand at December 31, 2018) and Euro 402,546 thousand as non-current (Euro 518,779 thousand at December 31, 2018).

The decrease of Euro 111,647 thousand mainly concerns the partial repayment of Euro 100 million on January 11, 2019 of one of the 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 banking 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 used 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 early 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 year 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	71,250	71,250	142,500
Facility B	90,000	155,000	245,000
Facility C	25,000	-	25,000
Total	**186,250**	**226,250**	**412,500**

The Facility A line (Euro 142,500 thousand) stipulates a repayment plan consisting of 8 half-yearly instalments, of which the first was paid on December 4, 2019 and two instalments were classified to current as they are due on June 4, 2020 and December 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 unused.

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
June 4, 2020	Facility A	3,750	3,750	7,500
December 4, 2020	Facility A	5,625	5,625	11,250
June 4, 2021	Facility A	5,625	5,625	11,250
December 6, 2021	Facility A	7,500	7,500	15,000
June 6, 2022	Facility A	7,500	7,500	15,000
December 5, 2022	Facility A	11,250	11,250	22,500
June 2, 2023	Facility A	30,000	30,000	60,000
Total - Facility A		**71,250**	**71,250**	**142,500**
Bullet Loan - June 4, 2024	Facility B	90,000	155,000	245,000
Total - Facility B		**90,000**	**155,000**	**245,000**
Bullet Loan - June 4, 2023	Facility C	25,000	-	25,000
Total - 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 repayments of principal, any impairment losses and amortisation of the difference between the repayment amount and initial carrying amount. Amortisation is calculated 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 2019 of the amortised cost method on the loan contracted in 2018 is Euro 161 thousand of interest (of which Euro 629 thousand concerning F.I.L.A. S.p.A. and Euro 790 thousand concerning Dixon Ticonderoga U.S.A.). The non-current portion, in addition to the loan, includes the fair value of the negotiation charges related to the derivative financial instruments of Euro 5,594 thousand.

Net of the above loan, with the non-current portion amounting to Euro 397,088 thousand at December 31, 2019 (of which Euro 4,391 thousand concerning exchange losses), the residual value of non-current financial liabilities amounts to Euro 5,458 thousand and principally relates to the non-current portion of the loans granted to:

- Industria Maimeri S.p.A. (Italy) for Euro 600 thousand;
- DOMS Industries Pvt Ltd (India) from HDFC Bank for Euro 408 thousand;
  Canson SAS (France) from Intesa Sanpaolo for Euro 4,450 thousand.

The current portion of bank loans and borrowing totalled Euro 78,419 thousand, increasing Euro 5,309 thousand on December 31, 2018 and principally concerns the non-current portion of the above-mentioned loan of Euro 19,985 thousand, partial offset by the lower use of the credit lines granted to Group companies. The main exposure of the Group companies to credit institutions concerns:

- Credit lines issued by Unicredit S.p.A., Intesa Sanpaolo and Bank of the West, with a total exposure at December 31, 2019 of Euro 18,693 thousand of the US subsidiary Dixon Ticonderoga Company. The current portion of the structured loan of Euro 9,375 thousand was also classified as short-term. The total exposure is higher by Euro 8,995 thousand compared to December 31, 2018 and includes exchange losses of Euro 523 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 36,479 thousand. During the year the total amount increased by Euro 9,704 thousand, of which Euro 1,605 thousand due to exchange losses;
- Credit lines issued to Lyra KG (Germany) by Commerzbank and Unicredit for Euro 1,543 thousand at December 31, 2019. The current debt of the German company also comprises the loans issued by Hypo Real Estate for Euro 5,500 thousand entirely classified as short-term. The company's total financial exposure increased Euro 1,643 thousand on 2018; The current portion of the loan agreed by Canson SAS for Euro 851 thousand, in addition to a credit line disbursed by Credit trésorerie STG for Euro 1,400 thousand at December 31, 2019;
- The current portion of the loan and the credit lines granted to DOMS Industries Pvt Ltd (India) by HDFC Bank for Euro 2,810 thousand; the exposure increased Euro 1,130 thousand on December 31, 2018;
- Credit line in favour of Canson Brasil I.P.E. LTDA BNP for a total of Euro 818 thousand (Euro 371 thousand at December 31, 2018);
- The current portion of the loans of Euro 400 thousand granted to Industria Maimeri by Banca Popolare di Milano, BPER and Creval. The exposure decreased by Euro 692 thousand on the previous year.
- Credit line granted in favour of Fila Dixon Stationery (Kunshan) Co., Ltd. (China) by Intesa Sanpaolo S.p.A. for Euro 372 thousand, increasing on December 31, 2018 by Euro 169 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) 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, 2019:

Leverage Ratio at December 2019: NFD / EBITDA < 4.45

As required by Consob Communication No. DEM/6064293 of July 28, 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 December 31, 2019, the FILA Group had complied with the above covenants.

Financial liabilities - Other loans and borrowings

"Financial liabilities – Other loans and borrowings" at December 31, 2019 totalled Euro 1,174 thousand (Euro 1,289 thousand at December 31, 2018), with the current portion totalling Euro 777 thousand (Euro 184 thousand at December 31, 2018).

Financial liabilities – Current account overdrafts

"Current account overdrafts" amounted to Euro 14,756 thousand (Euro 10,851 thousand at December 31, 2018) and mainly concern the overdrafts of F.I.L.A. S.p.A. (Euro 3,000 thousand), Industria Maimeri S.p.A. (Euro 6,263 thousand), Fila Stationary O.O.O. (Euro 1,569 thousand) and Canson SAS (Euro 3,498 thousand).

IFRS 16

"Financial liabilities" at December 31, 2019 include the effects deriving from the adoption by the Group of the new international accounting standard "IFRS 16" which came into force on January 1, 2019 and which led to an increase of Euro 87,770 thousand as at December 31, 2019, of which Euro 80,360 thousand as the non-current portion and Euro 7,410 thousand as the current portion.

Liabilities at fair value at December 31, 2019 and December 31, 2018 are broken down as follows by hierarchy level:

Euro thousands	December 31, 2019	Measurement model	Level 1	Level 2	Level 3
Financial Liabilities					
Bank Loans and Borrowings	482,309	*Amortised cost*			
Other Loans and Borrowigs	1,174	*Amortised cost*			
Current account overdrafts	14,756	*Amortised cost*			
Financial Instruments	13,571	*Fair value*			13,571
Trade Payables and Other Liabilities	76,197	*Amortised cost*			
Total Financial Liabilities	**588,008**		-	-	**13,571**

Euro thousands	December 31, 2018	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*			
Current account 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	**716,736**		-	-	**5,102**

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.

In accordance with the latest amendments to IAS 7, the following table shows the variations in liabilities (and any related assets) recorded in the statement of financial position, whose cash flows are or will be recorded in the statement of cash flows as cash flows from financing activities:

Euro thousands	Banks loans	Other Loans and borrowings	Current account overdrafts	Interest Rates Swap	Total
	Note 13	*Note 13*	*Note 13*	*Note 17*	
December 31, 2018	**(593,956)**	**(1,289)**	**(10,851)**	**(5,102)**	**(611,198)**
Cash Flows	117,860	202	(3,640)	0	1,144
Other changes:					
Exchange losses	(6,372)	(86)	(265)	(67)	(6,790)
FV Variation	0	0	0	(8,402)	(8,402)
Change in amortised cost	161				161
December 31, 2019	**(482,307)**	**(1,173)**	**(14,756)**	**(13,571)**	**(511,807)**

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, tax 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 Dixon Ticonderoga Company (U.S.A.), Daler Rowney Ltd (United Kingdom), Canson SAS (France), DOMS Industries Pvt Ltd (India) and Fila Hellas (Greece) 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 expense.

The defined benefit plans may be unfunded, or they may be partially or fully funded by the contributions paid by the company, and sometimes by its employees to a company or fund, legally separate from the company which provides the benefits to the employees. The 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 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 in the financial statements reflects the probability that the payment will be made 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 December 31, 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)	(1,859)	(2,700)
Interest cost	30	144	174
Service cost	602	2,141	2,743
Actuarial losses	37	1,893	1,930
Exchange losses	-	47	48
December 31, 2018	**2,220**	**8,711**	**10,931**
Benefits paid	(1.095)	(1.210)	(2,305)
Interest cost	24	122	146
Service cost	947	876	1,823
Actuarial gains/losses	108	931	1,039
Exchange losses	-	166	166
December31 , 2019	**2,204**	**9,596**	**11,800**
Change	**(16)**	**885**	**869**

Actuarial losses accrued during 2019 totalled Euro 1,039 thousand and were recorded, net of the tax effect, in the statement of comprehensive income and are mainly attributable to Daler Rowney Ltd (UK) for Euro 276 thousand and to the French subsidiary Canson SAS for Euro 355 thousand.

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	**December 31, 2019**	**December 31, 2018**
Present value of obligations covered by unfunded plan assets	2,204	2,220
	2,204	**2,220**
Present value of obligations covered by plan assets	13,165	11,682
Fair value of plan assets relating to the obligations	(3,569)	(2,971)
	9,596	**8,711**
Total	**11,800**	**10,931**

The financial assets at December 31, 2019 invested by the F.I.L.A. Group to cover financial liabilities arising from “Employee benefits” amount to Euro 3,569 thousand (Euro 2,971 thousand at December 31, 2018) and relate to Dixon Ticonderoga Company (Euro 1,907 thousand) and F.I.L.A.-Dixon, S.A. de C.V. (Euro 1,662 thousand). The financial investments have an average return 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 December 31, 2019 did not change on the previous year.

The table below highlights the net cost of employee benefit components recognised in profit or loss in 2019 and 2018:

2. Cost recognised in profit or loss	December 31, 2019	December 31, 2018
Service cost	1,823	2,743
Interest cost	146	174
Cost recognised in profit or loss	**1,969**	**2,917**

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

3. Main actuarial assumptions at reporting date (average values)	December 31, 2019	December 31, 2018
Annual technical discount rate	3.1%	3.5%
Increase in cost of living index	4.0%	4.0%
Future salary increase	3.2%	2.8%
Future pension increase	2.8%	2.7%

Details of the cash flows of employee benefits at December 31, 2019 are illustrated in the table below:

Nota 14.B - EMPLOYEE BENEFIT: CASH FLOWS SCHEDULE

Nature	Ammount	Cash flows schedule				
		2019	2020	2021	2022	After 2022
Italian post-employment benefits (TFR)	2,204	180	162	198	186	1,478
Employee benefits	9,597	271	158	343	114	8,711
Total	**11,800**					

** Euro thousands*

Note 15 - Provision for risks and charges

“Provisions for risks and charges” at December 31, 2019 amount to Euro 3,076 thousand (Euro 7,237 thousand at December 31, 2018), of which Euro 937 thousand (Euro 3,668 thousand at December 31, 2018) concerning the non-current portion and Euro 2,139 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
December 31, 2019	**-**	**485**	**796**	**952**	**843**	**3,076**
non-current portion	-	-	787	-	150	937
current portion	-	485	9	952	693	2,139
Change	**(9)**	**196**	**86**	**(1,270)**	**(3,164)**	**(4,161)**
non-current portion	-	-	114	-	(2,845)	(2,731)
current portion	(9)	196	(28)	(1,270)	(319)	(1,430)

The change in the "Provision for risks and charges" at December 31, 2019 was 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**	**245**	**794**	**1,957**	**1,857**	**5,012**
Utilisation	(120)	-	(182)	(948)	(126)	(1,376)
Accruals	-	85	48	1,413	147	1,693
Release	-	-	-	(1,413)	(232)	(1,645)
Discounting	-	-	50	-	-	50
Exchange gains (losses)	-	(9)	-	(8)	8	(9)
Other	(30)	(32)	-	1,221	2,353	3.512
December 31, 2018	**9**	**289**	**710**	**2,222**	**4,007**	**7,237**
Utilisation	(9)	-	-	(2,319)	(611)	(2,939)
Accruals	-	196	13	1,023	427	1,659
Release	-	-	-	10	-	10
Discounting	-	-	73	-	-	73
Exchange gains (losses)	-	(1)	-	17	62	78
Other	-	-	-	0	(3,042)	(3,042)
December 31, 2019	**-**	**485**	**796**	**952**	**843**	**3,076**
Change	**(9)**	**196**	**86**	**(1,270)**	**(3,164)**	**4,161**

Provisions for tax disputes

This provision represents the best estimate by management of the liabilities relating to tax assessments of F.I.L.A. S.p.A.. In 2019, utilisation totalled Euro 9 thousand and related to the Parent F.I.L.A. S.p.A. pertaining to an assessment made by the tax authorities for the year 2015 on 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 remained essentially unchanged compared to the previous year, with the exception of a new provision recognised by Dixon Ticonderoga Company (U.S.A.) for Euro 196 thousand and exchange losses of Euro 1 thousand.

Pension and similar provisions

This provision includes the agents' leaving indemnity provision at December 31, 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 2019 was Euro 73 thousand. The actuarial changes in the year, net of the tax effect, are recognised directly in equity.

Restructuring provisions

For the integration and reorganisation of the Group structure following the corporate transactions of recent years, a number of companies established provisions for risks and charges concerning personnel mobility plans for a total at December 31, 2019 of Euro 952 thousand. The plans involve in particular the reorganisation of the North American strategic area, which began in 2019 with a utilisation of Euro 1,516 thousand, the French subsidiary Canson SAS for a utilisation of Euro 210 thousand and the English subsidiary Daler Rowney UK for Euro 75 thousand. In addition, Euro 517 thousand was used in concluding the reorganisation plan involving the German subsidiary Lukas-Nerchau GmbH.

Other provisions

The provision totals Euro 843 thousand and reduced by Euro 3,164 thousand, mainly due to:

- Other changes for Euro 3,042 thousand concerning the reclassification as a direct reduction of the relative assets in application of the new IFRS 16.
- Accruals for Euro 427 thousand include those made by Dixon Ticonderoga Company (U.S.A.) for Euro 313 thousand and Canson SAS (France) for Euro 114 thousand.
- Utilisations of provisions for Euro 611 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 63,162 thousand (Euro 72,015 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 gains	35,822
Decrease recognised in equity	662
Change in consolidation scope	(57)
December 31, 2018	**72,015**
Decrease	(462)
Utilisation	(10,275)
Exchange gains	1,073
Decrease recognised in equity	(112)
December 31, 2019	**63,162**

The change on the previous year amounting to Euro 8,852 thousand is principally due to the utilisation of deferred taxes accrued on the higher value of property, plant and equipment and intangible assets recorded through the "Purchase Price Allocation" on the companies acquired during the preceding years (in particular the Canson Group, the Daler-Rowney Lukas Group, Pacon Corporation and DOMS Industries PVT Ltd). Against the gradual amortisation and depreciation of the assets so calculated, the companies gradually release the relative deferred taxes.

The decrease recognised in equity (Euro 112 thousand) 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.

The table below shows the deferred tax liabilities by nature:

NOTE 16.B - BREAKDOWN OF DEFERRED TAX LIABILITIES

	Statement of Financial Position		Profit or Loss		Equity	
Euro thousands	2019	2018	2019	2018	2019	2018
Deferred tax liabilities relating to:						
Intangible Assets	45,161	64,365	(19,203)	1.153	-	-
Inventories	661	-	661	-	-	-
Property, Plant and Equipment	15,028	5,449	9,579	(2,687)	-	-
Personnel - IAS 19	114	137	89	(28)	(112)	(58)
Dividends	289	290	(1)	1	-	-
Conversion difference accounted for as "Translation Reserve"	1,073	663	(663)	1,655	1,073	663
Other	837	1,112	(275)	(420)	-	-
Total deferred tax liabilities	**63,162**	**72,015**	**(9,815)**	**(327)**	**962**	**605**

Note 17 - Financial instruments

"Financial instruments" at December 31, 2019 amount to Euro 13,571 thousand (Euro 5,102 thousand at December 31, 2018) and refer to the fair value of loan hedging derivatives (hedged instrument), issued in favour of F.I.L.A. S.p.A. (Euro 3,797 thousand) and Dixon Ticonderoga Company (U.S.A.) (Euro 9,656 thousand), both for the acquisition of the Pacon Group and the refinancing of the debt agreed by F.I.L.A. S.p.A. in 2016 (in support of the M&A transactions relating to the acquisition of the Daler-Rowney Lucas Group, the Canson Group and St. Cuthberts Holding).
Canson SAS (France) also entered into a derivative to hedge borrowings (hedged instrument) agreed by the company in support of investments relating to the implementation of the Annonay logistics hub.
The fair value of this instrument amounts to Euro 118 thousand at December 31, 2019.
The accounting treatment adopted for the hedging instruments, based on IAS 39, is based on hedge accounting and in particular that concerning "cash flow hedges" and involving the recognition of a financial asset or liability and an equity reserve.

Note 18 - Current Tax Liabilities

“Current Tax Liabilities” total Euro 7,296 thousand at December 31, 2019 (Euro 9,672 thousand at December 31, 2018), relating mainly to the parent (Euro 715 thousand), Dixon Ticonderoga Company (Euro 2,551 thousand), DOMS Industries Pvt Ltd (Euro 1,575 thousand) and Canson SAS (Euro 1,183 thousand).

Note 19 - Trade payables and other liabilities

“Trade payables and other liabilities” at December 31, 2019 amount to Euro 108,670 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	December, 2019	December 31, 2018	Change
Trade payables	76,197	75,297	899
Tax liabilities	9,735	9,053	682
Other	21,670	19,949	1,721
Accrued expenses and deferred income	1,068	1,238	(169)
Total	**108,670**	**105,537**	**3,133**

The increase in trade payables was Euro 899 thousand and concerns Core Business operations.

The geographical breakdown of trade payables is shown below:

TRADE PAYABLES BY GEOGRAPFICAL SEGMENT

Euro thousands	December 31, 2019	December 31, 2018	Change
Europe	34,016	42,400	(8,384)
North America	21,163	9,579	11,584
Central-South America	8,883	4,151	4,732
Asia	11,951	18,514	(6,562)
Other	183	654	(471)
Total	**76,197**	**75,298**	**899**

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 9,735 thousand at December 31, 2019 (Euro 9,053 thousand at December 31, 2018), of which Euro 7,208 thousand VAT liabilities and Euro 2,527 thousand concerning tax liabilities other than current taxes, primarily recognized by F.I.L.A. S.p.A. (Euro 682 thousand) and relating to liabilities in connection with independent contractors. The residual amount mainly refers to Canson SAS (Euro 315 thousand), Dixon Ticonderoga Company U.S.A (Euro 749 thousand) and the Chinese subsidiaries (Euro 323 thousand).

"Other" amounts to Euro 21,670 thousand at December 31, 2019 and principally include:

Employee salaries of Euro 12,476 thousand (Euro 11,022 thousand at December 31, 2018);

Social security contributions to be paid of Euro 5,027 thousand (Euro 4,594 thousand at December 31, 2018);

Agent commissions of Euro 208 thousand (Euro 180 thousand at December 31, 2018).

Residual liabilities of Euro 3,950 thousand mainly concerning advances to clients (Euro 4,148 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 liabilities, the balance at December 31, 2019 amounted to Euro 43 thousand and refers to deposits paid by customers 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 2019 amounted to Euro 682,686 thousand (Euro 588,747 thousand in 2018).

Note 20.A - REVENUE FROM SALES AND SERVICES

Euro thousands	December 31, 2019	December 31, 2018	Change
Revenue from Sales and Services	732,138	632,826	99,132
Adjustments to Sales	(49,452)	(44,079)	(5,373)
Returns on Sales	*(13,139)*	*(24,81)*	*11,671*
Discounts, Allowances and bonuses	*(36,313)*	*(19,269)*	*(17,044)*
Total	**682,686**	**588,747**	**93,939**

"Revenue from Sales and Services" of Euro 682,686 thousand increased by Euro 93,939 thousand on the previous year.

The increase mainly concerns the change in the consolidation scope relating to the Pacon Group, with revenue generated by the Pacon Group to June 30, 2019 of Euro 104,338 thousand compared to Euro 16,302 thousand generated to June 30, 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 year by "Strategic Segments", broken by "Entity Location" according to IFRS 15, is presented below:

December 31, 2019 *Euro Thousand*	Europe	North America	Central - South America	Asia	Rest of the World	F.I.L.A. Group
Fine Art, Hobby & Digital	78,818	92,017	4,621	8,548	2,024	186,027
Industrial	10,386	6,212	2,079	643	34	19,353
School & Office	123,676	212,295	60,903	79,495	936	477,306
Revenue from Sales and Services	**212,880**	**310,523**	**67,603**	**88,686**	**2,994**	**682,686**

December 31, 2018 *Euro Thousand*	Europe	North America	Central - South America	Asia	Rest of the World	F.I.L.A. Group
Fine Art, Hobby & Digital	80,128	75,670	11,973	5,683	2,320	175,773
Industrial	9,170	6,281	2,126	300	4	17,881
School & Office	123,594	152,759	52,296	64,903	1,541	395,093
Revenue from Sales and Services	**212,892**	**234,709**	**66,395**	**70,886**	**3,866**	**588,747**

Note 20.B - REVENUE FROM SALES AND SERVICES: SEGMENT

Euro thousands	December 31, 2019	December 31, 2018	Change
Europe	212,881	212,891	(10)
North America	310,522	234,709	75,813
Central - South America	*67,603*	*66,395*	*1,208*
Asia	*88,686*	*70,886*	*17,8*
Rest of world	2,994	3,866	(872)
Total	**682,686**	**588,747**	**93,939**

Note 21 – Other Revenue and Income

This caption 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 transactions.

For further details on translation differences, reference should be made to “Note 31 - Foreign currency transactions”.

“Other revenue and income” in 2019 amounted to Euro 6,746 thousand (Euro 8,607 thousand in 2018).

Note 21 – OTHER REVENUE AND INCOME

Euro thousands	December 31, 2019	December 31, 2018	Change
Gains on Sale of Property, Plant and Equipment	48	269	(221)
Unrealised Exchange Gains on Commercial Transactions	2,268	3,409	(1,141)
Realised Exchange Gains on Commercial Transactions	2,513	3,129	(616)
Other Revenue and Income	1,917	1,800	117
Total	**6,746**	**8,607**	**(1,861)**

“Other” in 2019 of Euro 1,917 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, Consumables, supplies and Goods and Change in Raw Materials, Semi-Finished products, Work-in-progress and Finished goods

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

“Costs for Raw Materials, Consumables, supplies and Goods” in 2019 totalled Euro 312,020 thousand (Euro 289,485 thousand in 2018).

The breakdown is provided below:

Note 22 - COSTS FOR RAW MATERIALS, ANCILLARY, CONSUMABLES AND GOODS

Euro thousands	December 31, 2019	December 31, 2018	Change
Raw materials, Consumables, supplies and Goods	(269,613)	(250,259)	(19,354)
Transport costs	(12,65)	(12,595)	(55)
Packaging	(10,861)	(9,923)	(938)
Import Charges and Customs Duties	(5,62)	(5,845)	225
Other purchase costs	(13,623)	(10,774)	(2,849)
Materials for Maintenance	(1,058)	(946)	(112)
Adjustments to Purchases	1,405	857	548
Returns on purchases	*1,209*	*32*	*1.177*
Discounts, rebates and rewards on purchases	*196*	*825*	*(629)*
Total	**(312,020)**	**(289,485)**	**(22,535)**

The increase in "Costs for Raw Materials, Consumables, supplies and Goods" in 2019 was Euro 22,535 thousand. The increase mainly concerns the consolidation for the entire year 2019 of the Pacon Group.
The decreases in inventories in 2019 totalled Euro 5,921 thousand, of which:

- Decrease in "Raw Materials, Consumables, supplies and Goods" for Euro 5,991 thousand (increase of Euro 1,321 thousand in 2018);
- Decrease in "Contract Work-in-Progress and Semi-Finished products" of Euro 436 thousand (increase of Euro 3,039 thousand in 2018);
- Increase in "Finished Products" of Euro 506 thousand (increase of Euro 16,382 thousand in 2018).

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

Note 23 - Services and Use of Third-Party Assets

"Services and Use of Third-Party Assets" amounted to Euro 116,056 thousand in 2019 (Euro 125,522 thousand in 2018).
Services are broken down as follows:

Note 23 - SERVICE COSTS AND USE OF THIRD-PARTY ASSETS

Euro thousands	December 31, 2019	December 31, 2018	Change
Sundry services	(9,097)	(7,501)	(1,596)
Transport	(29,938)	(25,408)	(4,530)
Warehousing	(1,755)	(1,905)	150
Maintenance	(12,044)	(11,008)	(1,036)
Utilities	(10,183)	(8,591)	(1,592)
Consulting fees	(11,762)	(17,442)	(5,680)
Directors' and Statutory Auditors' Fees	(3,978)	(2,976)	(1,002)
Advertising, Promotions, Shows and Fairs	(6,874)	(7,138)	264
Cleaning	(1,273)	(781)	(492)
Bank Charges	(1,066)	(1,092)	26
Agents	(7,748)	(7,766)	18
Sales representatives	(5,931)	(5,435)	(496)
Sales Commissions	(2,598)	(3,193)	595
Insurance	(2,654)	(2,295)	(359)
Other Service Costs	(4,237)	(4,757)	517
Rent	(3,888)	(17,453)	13,565
Royalties and Patents	(1,030)	(784)	(246)
Total	**(116,056)**	**(125,522)**	**9,466**

The decrease in "Services and Use of Third-Party Assets" compared to 2018 was Euro 9,466 thousand. This change mainly relates to lower consultancy costs incurred by the Parent F.I.L.A. S.p.A.

for M&As and the share capital increase in 2018, in addition to the change in "Rent" compared to 2018, mainly regarding the adoption of IFRS 16.

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

Note 24 – Other Costs

"Other Costs" totalled Euro 7,073 thousand in 2019 (Euro 9,172 thousand in 2018).

This caption principally includes realised and unrealised exchange losses on commercial transactions. For further details on currency differences, reference should be made to "Note 30 - Foreign currency transactions".

"Other costs" are broken down as follows:

Note 24 – OTHER COSTS

Euro thousands	December 31, 2019	December 31, 2018	Change
Unrealised Exchange Rate Losses on Commercial Transacti	(2,549)	(4,171)	1,622
Realised Exchange Rate Losses on Commercial Transaction	(3,043)	(4,694)	1,651
Other Operating Charges	(1,481)	(307)	(1,174)
Total	**(7,073)**	**(9,172)**	**2,099**

The increase in "Other" in 2019 of Euro 1,174 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 property taxes.

Note 25 – Personnel Expense

"Personnel Expense" includes all costs and expenses incurred for employees.

"Personnel Expenses" amounted to Euro 142,439 thousand in 2019 (Euro 120,407 thousand in 2018).

These costs are broken down as follows:

Note 25 – PERSONNEL EXPENSES

Euro thousands	December 31, 2019	December 31, 2018	Change
Wages and Salaries	(107,584)	(90,438)	(17,146)
Social Security Charges	(26,732)	(21,981)	(4,751)
Employee Benefits	(876)	(2,141)	1,265
Post-Employment Benefits	(947)	(602)	(345)
Other	(6,300)	(5,245)	(1,055)
Total	**(142,439)**	**(120,407)**	**(22,032)**

"Personnel expense" increased Euro 22,032 thousand over 2018. This is mainly due to the consolidation for the entire year of 2019 of the Pacon Group and to increased personnel expense at the Indian and Mexican production sites.

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

	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
December 31, 2019	1,081	717	1,915	6,331	23	10,067
Change	5	12	55	445	(11)	507

For further details, reference should be made to the Personnel section of the Directors' Report.

Note 26 – Amortisation and Depreciation

This caption amounted to Euro 41,047 thousand in 2019 (Euro 23,537 thousand in 2018). Amortisation and depreciation in 2019 and 2018 are reported below:

Note 26 – AMORTISATION AND DEPRECIATION

Euro thousands	December 31, 2019	December 31, 2018	Change
Depreciation	(15,429)	(12,802)	(2,627)
Amortisation	(15,095)	(10,735)	(4,360)
Depreciaition of right-of-use assets	(10,523)	0	(10,523)
Total	**(41,047)**	**(23,537)**	**(17,510)**

The change in "Amortisation and depreciation" in 2019 is mainly due to the application of IFRS 16, which led to depreciation of the Right-of-Use assets of Euro 10,523 thousand and to the consolidation for the full year of the Pacon Group attributable to the M&A effect relating to the companies of the Pacon Group.

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

"Net impairment Losses on Trade Receivables and Other assets" amounted to Euro 1,707 thousand in 2019 (Euro 878 thousand in 2018).

Note 27 - NET IMPAIRMENT LOSSES ON TRADE RECEIVABLES AND OTHER ASSETS			
Euro thousands	December 31, 2019	December 31, 2018	Change
Net impairment losses on trade receivables and other assets	(1,707)	(878)	(829)
Total	**(1,707)**	**(878)**	**(829)**

The increase in "Net impairment losses on Trade Receivables and Other assets" is mainly due to the US subsidiary Dixon Ticonderoga.

Nota 28 – Other net impairment losses

Total "Other net Impairment losses" amount to Euro 3,122 thousand in 2019 (Euro 71 thousand in 2018).

Note 28 – OTHER NET IMPAIRMENT LOSSES			
Euro thousands	December 31, 2019	December 31, 2018	Change
Net impairment losses on Property, Plant and Equipment	(180)	(53)	(127)
Net impairment losses on intangible Assets	(2,942)	(18)	(2,924)
Total	**(3,122)**	**(71)**	**(3,051)**

For further information, reference should be made to "Note 1 - Intangible Assets".

Note 29 – Financial Income

Total "Financial Income" amounted to Euro 3,971 thousand in 2019 (Euro 7,878 thousand in 2018). Financial income, together with the comment on the main changes on the previous year, was as follows:

Note 29 – FINANCIAL INCOME			
Euro thousands	December 31, 2019	December 31, 2018	Change
Interest on Bank Deposits	182	105	77
Other Financial Income	496	862	(366)
Unrealised Exchange Gains on Financial Transactions	2,807	4,626	(1,819)
Realised Exchange Gains on Financial Transactions	486	2,285	(1,799)
Total	**3,971**	**7,878**	**(3,907)**

The main change concerns the "Unrealised Exchange Gains on Financial Transactions" and "Realised Exchange Gains on Financial Transactions" items.

Note 30 – Financial Expense

In 2019 "Financial Expense" amounted to Euro 34,438 thousand (Euro 34,312 thousand in 2018). Financial expense, together with the comment on the main changes on the previous year, was as follows:

Note 30 - FINANCIAL EXPENSE			
Euro thousands	December 31, 2019	December 31, 2018	Change
Interest on current account Overdrafts	(210)	(147)	(63)
Interest on Bank Loans and borrowings	(24,976)	(19,365)	(5.611)
Interest on other loans and borrowings	(62)	(56)	(6)
Other Financial Expenses	(1,878)	(6,988)	(5,110)
Unrealised Exchange Losses on Financial Transactions	(1,246)	(7,217)	5,971
Realised Exchange Losses on Financial Transactions	(183)	(539)	356
Lease interest expense	(5,883)	0	(5,883)
Total	**(34,438)**	**(34,312)**	**(126)**

The increase in "Financial Expense" of Euro 126 thousand in 2019, net of currency differences, mainly relates to increased "Interest on bank loans and borrowings" incurred by the Parent F.I.L.A. S.p.A. and the US subsidiary Dixon Ticonderoga Co. (U.S.A.) relating to the new structured loan, agreed in June 2018, to support the US Pacon Group's transaction in 2018 and the "Lease Interest expense" concerning the initial application of IFRS 16.

The portion of amortised cost accrued in 2019 on the new loan contracted by F.I.L.A. S.p.A. and Dixon Ticonderoga Company (U.S.A.) amounted to Euro 161 thousand.

For further details concerning these issues, reference should be made to "Note 13 - Financial Liabilities".

Note 31 – Foreign Currency Transactions

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

Note 31 - FOREIGN CURRENCY TRANSACTIONS			
Euro thousands	December 31, 2019	December 31, 2018	Change
Unrealised Exchange Gains on Commercial Transactions	2,268	3,409	(1,141)
Realised Exchange Gains on Commercial Transactions	2,513	3,129	(616)
Unrealised Exchange Losses on Commercial Transactions	(2,549)	(4,171)	1,622
Realised Exchange Losses on Commercial Transactions	(3,043)	(4,694)	1,651
Net exchange losses on commercial transactions	**(811)**	**(2,327)**	**1,516**
Unrealised Exchange Gains on Financial Transactions	2,808	4,626	(1,818)
Realised Exchange Gains on Financial Transactions	486	2,285	(1,799)
Unrealised Exchange Losses on Financial Transactions	(1,246)	(7,217)	5,971
Realised Exchange Losses on Financial Transactions	(183)	(539)	356
Net exchange gains (losses) on financial transactions	**1,865**	**(845)**	**2,710**
Net exchange gains (losses)	**1,054**	**(3,172)**	**4,226**

Exchange differences in 2019 arose from transactions against the euro, in addition to the change in the year of assets and liabilities in foreign currencies, following commercial and financial transactions.

Note 32 – Share of profit (loss) of equity-accounted investees

The “Share of profit of equity-accounted investees” of Euro 187 thousand (Euro 15 thousand in 2018) relates to the adjustment of the investments in associates held by DOMS Industries Pvt Ltd (India), consolidated under the equity method.

Note 33 – Income Taxes

These amounted to Euro 3,663 thousand in 2019 (Euro 12,144 thousand in 2018) and concern current taxes for Euro 10,827 thousand (Euro 14,378 thousand in 2018) and net deferred tax income of Euro 7,163 thousand (income of Euro 2,234 thousand in 2018).

Note 33.A – Current Taxes

The breakdown is as follows:

Note 33.A - CURRENT TAXES

Euro thousands	December 31, 2019	December 31, 2018	Change
Italy	(580)	(588)	8
Abroad	(10,247)	(13,79)	3,543
Total	**(10,827)**	**(14,377)**	**3,550**

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 illustrated below:

Note 33.A.1 - FOREIGN INCOME TAXES

Euro thousands	December 31, 2019	December 31, 2018	Change
FILA (Italy)	(11)	(28)	17
OMYACOLOR (France)	-	(967)	967
Dixon Ticonderoga Company (U.S.A.)	(1,849)	(2,464)	615
Dixon (China)	(187)	(77)	(110)
Dixon Canadian Holding Inc.	(79)	(274)	195
Dixon (Mexico)	(436)	(1,018)	582
FILA (Chile)	(220)	(130)	(90)
FILA (Argentina)	-	(21)	21
Lyra KG (Germany)	(17)	(43)	25
Lyra Verwaltungs (Germany)	(5)	(2)	(3)
Fila Nordic (Scandinavia)	(90)	(8)	(82)
Lyra Akrelux (Indonesia)	(74)	(61)	(14)
DOMS Industries PVT Ltd (India)	(1,838)	(2,104)	265
FILA (Russia)	(102)	(4)	(98)
FILA Hellas (Greece)	(195)	(231)	37
Fila Dixon (Kunshan)	(1,091)	(570)	521
Daler Rowney Group Ltd (Jersey - UK)	-	(5)	5
FILA Benelux	(211)	(208)	(3)
Daler Rowney Ltd (UK)	(61)	(134)	73
Daler Rowney USA Ltd (USA)	-	(629)	629
Brideshore srl (Dominican Republic)	(70)	-	(70)
FILA (Polond)	(98)	(94)	(4)
FILA (Yixing)	(195)	(157)	(38)
St.Cuthberts Mill Limited Paper (UK)	(54)	(159)	106
FILA Hiberia	(1,015)	(1,043)	28
Canson Bresil (Brazil)	-	49	(49)
Canson SAS (France)	(1,858)	74	(1,932)
Canson Inc. (USA)	-	(35)	35
FILA Art Products AG	(1)	(1)	()
Fila Art and Craft Ltd	(42)	-	(42)
Pacon Corporation	-	(2,734)	2,734
Dixon Ticonderoga Art ULC	(355)	(191)	(164)
Princeton Hong Kong	(23)	-	(23)
Creativity International	(72)	(201)	129
Total	**(10,247)**	**(13,467)**	**(3,231)**

The foreign income taxes also include the tax charge relating to F.I.L.A S.p.A. (Euro 11 thousand) concerning the tax representation of the subsidiary Lyra KG and the tax under Article 167 of Presidential Decree No. 917/1986 concerning "Controlled Foreign Company".

Nota 33.B – Deferred Tax Income and Expense

The breakdown is provided below: The table below shows the overall tax for the year:

Note 33.B DEFERRED TAX INCOME AND EXPENSE

Euro thousands	December 31, 2019	December 31, 2018	Change
Change in deferred tax assets	(3,535)	1,907	(5,442)
Change in deferred tax liabilities	9,814	327	9,487
Change in deferred tax assets on right-of-use assets	884	0	884
Total	**7,163**	**2,234**	**4,929**

The table below shows the overall tax for the year:

Note 33.C TOTAL TAXES FOR THE YEAR

Euro thousands	2019	Effective tax rate	2018	Effective tax rate
Pre-Tax profit for the year of the F.I.L.A. Group	29,769		22,605	
Profit for the year of the F.I.L.A. Group not subject to Current Taxes	3,847		5,895	
Consolidation Effect of the F.I.L.A. Group - Before Current Taxes	29		13,178	
Theoretical Tax Base	33,644		41,678	
Total current income taxes	(10,827)	32.2%	(14,378)	34.5%
Deferred Tax Income on Temporary Differences	(2,651)		327	
Deferred Tax Expense on Temporary Differences	9,814		1,907	
Total deferred tax income & charges	7,163	-21.3%	2,234	-5.4%
Net tax expense	**(3,664)**	**10.9%**	**(12,144)**	**29.1%**

The “Net Tax Expense” of Euro 10,827 thousand represent an average effective tax rate for the F.I.L.A. Group of 32.2%, decreasing 2.3% on the previous year.

Commitments and guarantees

Commitments

In 2019, commercial supplier commitments maturing in 2020 totalled Euro 2,153 thousand and concern F.I.L.A. Iberia S.L. (Spain - Euro 42 thousand), Fila Nordic AB (Sweden - Euro 23 thousand) and Daler Rowney Ltd (United Kingdom - Euro 2,089 thousand).

The commitments undertaken by the Group companies for leases and hire were as follows:

	Finance leases		Operating leases	
Euro thousands	Short term	Long Term	Short term	Long Term
FILA (Italy)	-	-	(404)	(1,685)
FILA Stationary and Office Equipment Industry Ltd. Co.	-	-	(24)	(19)
DOMS Industries Pvt Ltd	-	-	(578)	(6,645)
Fila Stationary O.O.O.	-	-	(1)	(789)
Fila Hellas SA	-	-	(12)	(40)
Industria Maimeri S.p.A.	-	-	(247)	(1,966)
FILA SA PTY LTD	-	-	(43)	(87)
Fila Polska Sp. Z.o.o	-	-	(8)	(12)
Fila Iberia S. L.	-	-	(76)	(235)
Canson Brasil I.P.E. LTDA	-	-	(527)	(22)
Canson SAS	(27)	(28)	(229)	(634)
Canson Qingdao Ltd.	-	-	(39)	(137)
Dixon Ticonderoga Company (US)	-	-	(2,094)	(32,11)
Grupo F.I.L.A.-Dixon, S.A. de C.V.	-	-	(275)	(15,518)
F.I.L.A. Chile Ltda	-	-	(38)	(511)
FILA Argentina S.A.	-	-	(23)	-
Xinjiang F.I.L.A.-Dixon Plantation Company Ltd.	-	-	(2)	(5)
FILA Dixon Stationery (Kunshan) Co., Ltd.	-	-	(802)	(4,441)
Canson Art & Craft Yixing Co., Ltd.	-	-	(164)	(767)
Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG	-	-	(125)	(983)
F.I.L.A. Nordic AB2	-	-	(37)	(356)
PT. Lyra Akrelux	-	-	(23)	(84)
FILA Benelux SA	-	-	(17)	(60)
Daler Rowney Ltd (UK)	(199)	(39)	(579)	(9,753)
Brideshore srl	-	-	(515)	(1,636)
Dixon Ticonderoga Art ULC	-	-	(298)	(1,797)
Creativity International	-	-	(4)	(1)

Guarantees

The loan agreed on June 4, 2018 by F.I.L.A. S.p.A. remains in place (hereafter the “Facility Agreement”), issued by a banking syndicate comprising UniCredit S.p.A. as “Global Coordinator”, Intesa Sanpaolo S.p.A., Mediobanca Banca di Credito Finanziario S.p.A., Banca Nazionale del Lavoro and Banco BPM S.p.A. as “Mandated Lead Arranger” and UniCredit Bank AG as “Security Agent”, for a total of Euro 546,370 thousand against a total underwritten amount of Euro 570,000 thousand.

The loan was issued in part to Dixon Ticonderoga Company for the acquisition of the Pacon Group on June 7, 2018 and in part to F.I.L.A. S.p.A. for the refinancing of the former SFA for Euro 220,887 thousand, inclusive of Euro 611 thousand of interest accrued at that date. Against this exposure, there are “share security” guarantees put in place on June 4, 2018, on the following companies:

- Renoir Topco Ltd;

- Renoir Bidco Ltd;
- Daler-Rowney Ltd;
- Grupo F.I.L.A. – Dixon, S.A. de C.V.;
- Canson SAS;
- Johann Froescheis Lyra-Bleistift-Fabrik GmbH & Co. KG;
- F.I.L.A. Iberia S.L.;
- Baywood Paper ULC.

The guarantees provided by F.I.L.A. S.p.A. are as follows:

- Bank surety issued in favour of Banco BPM S.p.A. on the credit lines granted to Industria Maimeri S.p.A. (Italy) for Euro 1,000 thousand;
- Bank sureties in favour of third parties:
  - in guarantee of the Pero offices lease contract for Euro 88 thousand;
  - to the Ministry for Economic Development for promotional activities for Euro 53 thousand.
- Stand by given in favour of Banca Nazionale del Lavoro S.p.A. on credit lines granted to:
  - FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey) for TRY419 thousand;
  - Canson Brasil I.P.E. Ltda (Brazil) for BRK 456 thousand;

    Dixon Ticonderoga Co. (U.S.A.) for USD 12.550 million.
- Patronage letters provided on opening of credit granted to Industria Maimeri S.p.A. (Italy) in favour of the following credit institutions:
  - Credito Emiliano S.p.A. for Euro 1,000 thousand;
  - Banco BPM for Euro 2,000 thousand;
  - Banca Popolare dell'Emilia Romagna for Euro 1,025 thousand;
- Loan mandates granted to Unicredit S.p.A. in favour of:
  - Dixon Ticonderoga Co. (U.S.A.) for USD 22 million;
  - Fila Dixon Stationery Company (Kunshan) Co. Ltd. (China) for Euro 2,100 thousand;
  - Industria Maimeri S.p.A. (Italy) for Euro 1,500 thousand;
  - Fila Stationary O.O.O. (Russia) for Euro 135 thousand.
  - Johann Froescheis Lyra- Bleitstitift-Fabrik GmbH&Co-KG for Euro 8 million.

- Loan mandates granted in favour of Banca Intesa Sanpaolo S.p.A. on the subsidiaries:
  - Fila Dixon Stationery (Kunshan) Co. Ltd. (China) for RMB 32 million;
  - Fila Dixon Stationary (Kunshan) Co., Ltd. (China) for USD 500 thousand;
  - Fila Dixon Stationery (Kunshan) Co. Ltd. (China) for Euro 2,000 thousand;
  - Xinjiang Fila Dixon Plantation Co. Ltd. (China) for Euro 1,600 thousand;
  - Industria Maimeri S.p.A. (Italy) for Euro 1,000 thousand;
  - Fila Stationary O.O.O. (Russia) for Euro 1,250 thousand.
  - Dixon Ticonderoga Co. (U.S.A.) for USD 10,000 thousand.
- Loan mandate granted in favour of Credito Valtellinese on Industria Maimeri S.p.A. (Italy) for Euro 500 thousand.
- Credit mandate granted to Banca Nazionale del Lavoro S.p.A. for Industria Maimeri S.p.A. (Italy) for Euro 1.3 million.

With reference to the other guarantees provided by the Group companies, we highlight the mortgages in favour of Deutsche Pfandbriefbank (Hypo Real Estate) on the property of Lyra KG “Johann Froescheis Lyra-Bleitstitift-Fabrik GmbH&Co-KG” (Germany) for Euro 43 thousand.
Lyra KG “Johann Froescheis Lyra- Bleitstitift-Fabrik GmbH&Co-KG” (Germany) provided a guarantee in favour of T. Perma Plasindo (a local F.I.L.A. Group partner) which, in turn, pledged property, plant and equipment in guarantee (land and buildings) of the obligations devolving to PT. Lyra Akrelux under the loan contract with PT. Bank Central Asia of February 11, 2010 for a total IDR 2,500,000,000 (approx. Euro 160,300).

Transactions with Related Parties

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

In accordance with Consob Communication No. 6064293 of July 28, 2006, the following table outlines the commercial and financial transactions with related parties for the year ended December 31, 2019:

F.I.L.A. GROUP RELATED PARTIES - 2019

		December 31, 2019						December 31, 2019					
		Statement of Financial Position						Statement of comprehensive income					
Euro thousands		ASSETS			LIABILITIES			REVENUES			COSTS		
Company	Nature	PP&E and intangible assets	Trade Receivables	Cash and Cash Equivalents	Financial Liabilities (Banks)	Financial Liabilities (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	-	-	-	-	-	343	-	-	-	1,195	-	-
Arda S.p.A.	Trade Supplier	-	-	-	-	-	170	-	-	-	479	-	-
Studio Legale Salonia e Associati	Legal Consultancy	-	-	-	-	-	59	-	-	-	-	314	-
Studio Zucchetti	Tax & Administration Consultancy	-	-	-	-	-	-	-	-	-	-	-	-
Pynturas y Texturizados S.A. de C.V.	Trade Supplier	-	-	-	-	-	-	-	-	-	179	15	-
HR Trustee	Service Supplier	-	-	-	-	-	-	-	-	-	-	27	-
Total		-	-	-	-	-	**572**	-	-	-	**1,853**	**356**	-

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

		December 31, 2018						December 31, 2018					
		Statement of Financial Position						Statement of comprehensive income					
Euro thousands		ASSETS			LIABILITIES			REVENUES			COSTS		
Company	Nature	PP&E and intangible assets	Trade Receivables	Cash and Cash Equivalents	Financial Liabilities (Banks)	Financial Liabilities (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	-	-	-	1,994	0,43	-
Arda S.p.A.	Trade Supplier	-	-	-	-	-	284	-	-	-	390	-	-
Studio Legale Salonia e Associati	Legal Consultancy	-	-	-	-	-	150	-	-	-	-	419	-
Studio Zucchetti	Tax & Administration Consultancy	-	-	-	-	-	-	-	-	-	-	129	-
Pynturas y Texturizados S.A. de C.V.	Trade Supplier	-	-	-	-	-	-	-	-	-	203	10	-
HR Trustee	Service Supplier	-	-	-	-	-	-	-	-	-	-	19	-
Total		-	-	-	-	-	**880**	-	-	-	**2,587**	**577**	-

Studio Legale Salonia e Associati

The law firm Studio Legale Salonia e Associati, a partner of which is related to the controlling interest 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 company's controlling interest 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.

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

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

HR Trustee

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

Arda S.p.A.

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

F.I.L.A. Group transactions with related parties refer to normal transactions and are regulated at market conditions, i.e. the conditions that would be applied between two independent parties, and are undertaken in the interests of the Group. Typical or normal transactions are those which, by their object or nature, are not outside the normal course of business of the F.I.L.A. Group and those which do not involve particular critical factors due to their characteristics or to the risks related to the nature of the counterparty or the time at which they are concluded; normal market conditions relate to transactions undertaken at standard Group conditions in similar situations.

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

The infragroup transactions of F.I.L.A. S.p.A. relate to operations to develop synergies between Group companies, integrating production and commercial operations.

The nature and the balances of transactions of the Parent F.I.L.A. S.p.A. with the companies of the F.I.L.A. Group at December 31, 2019 and December 31, 2018 are detailed below:

F.I.L.A. S.P.A. INFRAGROUP TRANSACTIONS 2019

	Statement of Financial Position - December 31, 2019				Statement of comprehensive income - December 31, 2019						
	Asset		Liabilities		Revenues				Costs		
Company Euro thousands	Trade Receivables	Financial Assets	Trade Payables	Financnail liabilities	Revenue from sales	Other Revenue	Dividends	Financial Income	Operating Costs (Products)	Operating Costs (Services)	Financial Expense
F.I.L.A. Iberia (Spain)	32		6			142	1,258		209		-
Dixon Ticonderoga Company (U.S.A.)	1,166	5,417	70		278	2,614	5,927	867	2	14	-
Beijing F.I.L.A.-Dixon Stationery Company Limited (China)									9		-
Dixon Canadian Holding Inc. (Canada)					5	5					-
Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico)	241		5	1,757	869	56			652	6	-
F.I.L.A. Chile Ltda (Chile)	506		1		977	6					-
FILA Argentina S.A. (Argentina)	189		1		234	3					-
Johann Froescheis Lyra KG (Germany)	89		136		190	473	1.241		900	162	-
F.I.L.A. Nordic (Sweden)	134		3		482	13					-
PT. Lyra Akrelux (Indonesia)	25		1		129	6					-
FILA Stationary Ltd. Co. (Turkey)	8		1		181	5		20			-
DOMS Industries Pvt Ltd (India)	31		277		4	51			1,4	1	-
Fila Stationary O.O.O. (Russia)	158	1,549	3		377	11		55			-
FILA Hellas SA (Greece)	298		3		1,144	10	800				-
Industria Maimeri S.p.A. (Italy)	319	1,179	29		13	344		19	176	4	-
FILA SA (South Africa)	107	11	1		122	6		11			-
FILA Dixon Stationery (Kunshan) Co., Ltd. (China)	72		811		315	95			8,529	65	-
F.I.L.A. Benelux (Belgio)	19		3			58					-
Daler Rowney Ltd (UK)	652	8,112	36		1,193	320		173		1	-
Brideshore (Dominican Republic)	7		1		22	21					-
Lukas-Nerchau GmbH (Germany)						6					-
FILA Poland (Polond)	36				133		155				-
Canson Art & Craft Yixing Co., Ltd. (China)	71		61		121	124			950		-
St. Cuthberts Mill (UK)	3		14			30	233				-
Canson Brasil (Brazil)	189	1,373	1		41	26		111			
Lodi 12 (France)		422						14			-
Canson SAS (France)	610	22,401	484		5,569	1,514	2,089	651	1,275	13	-
Creativity International (UK)			9			9					-
Canson Australia (Australia)	498	1.661	1		44	70		56			-
Canson Qingdao (China)	3					6					-
Canson Italy Srl (Italy)	71		3			260					-
Fila Art Products AG (Switzerland)	57	221			180			6			-
Fila Art & Craft (Israel)		604	1		346	2		17			-
Dixon Ticonderoga ART ULC (Canada)	60		2			57					-
Total	**5,651**	**42,950**	**1,964**	**1,757**	**12,969**	**6,343**	**11,703**	**2.000**	**14,102**	**266**	**-**

F.I.L.A. S.P.A. INFRAGROUP TRANSACTIONS 2018

Company	Statement of Financial Position - December 31, 2018				Statement of comprehensive income - December 31, 2018						
	Asset		Liabilities		Revenues				Costs		
Euro thousands	Trade Receivables	Financial Assets	Trade Payables	Financial Liabilities	Revenue from sales	Other Revenue	Dividends	Financial Income	Operating Costs (Products)	Operating Costs (Services)	Financial Expense
Omyacolor S.A. (France)	236	-	609	-	2,846	156	2,089	-	1,47	17	-
F.I.L.A. Iberia (Spain)	76	-	13	-	2,585	139	1,258	-	-	1	-
Dixon Ticonderoga Company (U.S.A.)	6,37	3.859	227	-	744	6,591	2,843	3,859	212	-	-
Beijing F.I.L.A.-Dixon Stationery Company Limited (China)	-	-	6	-	-	1	-	-	6	-	-
Dixon Ticonderoga Inc. (Canada)	18	-	1	-	8	31	-	-	-	2	-
Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico)	211	-	161	-	817	88	-	-	438	4	-
F.I.L.A. Chile Ltda (Chile)	302	-	1	-	661	2	-	-	-	-	-
FILA Argentina S.A. (Argentina)	64	21	1	-	201	2	-	21	-	-	-
Johann Froescheis Lyra KG (Germany)	220	-	284	-	346	637	896	-	992	128	-
F.I.L.A. Nordic (Sweden)	97	-	5	-	390	23	-	-	-	-	-
PT. Lyra Akrelux (Indonesia)	-	-	2	-	121	3	-	-	-	-	-
FILA Stationary Ltd. Co. (Turkey)	462	358	-	-	297	9	-	30	-	-	-
DOMS Industries Pvt Ltd (India)	23	-	156	-	5	50	297	-	1,208	-	-
Fila Stationary O.O.O. (Russia)	175	1,516	-	-	298	7	-	43	-	-	-
FILA Hellas SA (Greece)	363	-	2	-	1,146	12	-	-	-	-	-
Industria Maimeri S.p.A. (Italy)	276	1,482	75	-	38	352	-	12	151	18	-
FILA SA (South Africa)	141	2,247	1	-	251	4	-	68	-	-	-
FILA Dixon Stationery (Kunshan) Co., Ltd. (China)	86	-	920	-	32	124	-	-	9,336	21	-
Renoir Midco (UK)	-	-	-	-	-	-	-	-	-	-	-
Renoir Bidco (UK)	-	-	-	-	-	-	-	-	-	-	-
F.I.L.A. Benelux (Belgium)	9	-	3	-	-	37	-	-	-	-	-
Daler Rowney Ltd (UK)	1,167	3,619	42	-	1.161	269	-	119	-	-	-
Brideshore (Dominican Rep.)	27	-	2	-	46	2	-	-	-	8	-
Lukas-Nerchau GmbH	-	-	8	-	3	12	-	-	-	-	-
FILA Poland (Poland)	13	-	-	-	95	-	-	-	-	-	-
Canson Art & Craft Yixing Co., Ltd. (China)	83	-	309	-	71	208	-	-	1.301	-	-
St. Cuthberts Mill (UK)	15	-	8	-	-	42	-	-	-	-	-
Canson Brasil (Brazil)	196	6,481	1	-	84	32	-	114	-	-	-
Lodi 12 (France)	-	422	-	-	-	-	-	14	-	-	-
Canson SAS (France)	970	18,127	97	-	1,138	1,292	-	641	768	1	-
Euroholdham (U.S.A.)	-	10.858	-	-	-	-	-	353	-	-	-
Canson Inc. (U.S.A.)	61	3.684	100	-	-	302	-	127	-	-	-
Canson Australia (Australia)	395	1.634	-	-	39	139	-	57	-	11	-
Canson Qingdao (China)	-	-	-	-	-	7	-	-	-	-	-
Canson Italy Srl (Italy)	80	-	3	-	-	285	-	-	-	-	-
Fila Art Products AG (Swiss)	36	239	-	-	163	-	-	5	-	-	-
Fila Art & Craft (Israel)	252	630	22	-	322	-	-	10	-	18	-
Pacon Corporation (U.S.A.)	130	-	352	-	-	130	-	-	-	-	-
Total	**12,554**	**55,177**	**3,411**	**-**	**13,908**	**10,988**	**7,383**	**5,473**	**15,882**	**229**	**-**

In particular, in 2019 the nature of transactions between F.I.L.A. S.p.A. and the other Group companies concerned:

- Sale of products/goods of F.I.L.A. S.p.A. and other Group companies;
- Granting of licenses for the usage of the Suger trademark by F.I.L.A. S.p.A. to Omyacolor S.A. / Canson Sas(France);
- Concession of the license for the usage of the Omyacolor S.A. (France) and Lyra KG (Germany) trademarks in favour of F.I.L.A. S.p.A.;
- Concession of a loan in favour of the subsidiary Daler Rowney Ltd. (United Kingdom) and of the subsidiary Canson SAS (France);
- Dividends received by the pParent F.I.L.A. S.p.A. from the subsidiary Dixon Ticonderoga Co. (U.S.A. - Euro 5,927 thousand), from the subsidiary Canson Sas (France - Euro 2,089 thousand), from F.I.L.A. Iberia S.L. (Spain - Euro 1,258 thousand), from Fila Hellas (Greece - Euro 800 thousand), from Fila Polska (Poland - Euro 155 thousand), from St. Cuthberts Mill (United Kingdom - Euro 233 thousand) and from the subsidiary Lyra KG (Germany - Euro 1,241

Sof

thousand);

- Recharges for services and consultancy provided by F.I.L.A. S.p.A., mainly in favour of Canson SAS (France - Euro 339 thousand), Canson Italy S.r.l. (Italy - Euro 221 thousand), Dixon Ticonderoga Company (U.S.A. - Euro 251 thousand), Canson Qingdao Co., Ltd (China - Euro 19 thousand), Daler Rowney Ltd. (United Kingdom - Euro 71 thousand), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico - Euro 50 thousand), Industria Maimeri S.p.A. (Italy - Euro 125 thousand), Fila Dixon Stationery (Kunshan) Co, Ltd. (China - Euro 89 thousand), Lyra KG (Germany - Euro 41 thousand), DOMS Industries Pvt Ltd (India - Euro 50 thousand), F.I.L.A. Iberia S.L. (Spain - Euro 20 thousand), Fila Benelux (Belgium - Euro 6 thousand), Fila Stationery O.O.O. (Russia - Euro 9 thousand), Fila Nordic AB (Scandinavia - Euro 5 thousand), PT Lyra Arkelux (Indonesia - Euro 3 thousand), Fila Hellas (Scandinavia - Euro 1 thousand), Fila SA (South Africa - Euro 5 thousand), Saint Cuthberts (Dominican Republic - Euro 7 thousand) and Canson Brasil (Brazil - Euro 10 thousand);
- Recharges for costs incurred by F.I.L.A. S.p.A. against Group insurance coverage principally related to the companies Canson SAS (France - Euro 230 thousand), Daler Rowney Ltd. (United Kingdom - Euro 72 thousand), Lyra KG (Germany - Euro 38 thousand), F.I.L.A. Iberia S.L. (Spain Euro 12 thousand), Dixon Ticonderoga Company (U.S.A. - Euro 17 thousand) and Saint Cuthberts (Dominican Republic - Euro 29 thousand);
- Recharges of costs incurred by F.I.L.A. S.p.A. related to the ERP roll out at the F.I.L.A. Group, principally related to Dixon Ticonderoga Company (U.S.A. – Euro 2,347 thousand), Canson Qingdao Ltd (China - Euro 111 thousand), Lyra KG (Germany - Euro 388 thousand), Canson Australia PTY Ltd. (Australia - Euro 68 thousand), Industria Maimeri S.p.A. (Italy - Euro 216 thousand), F.I.L.A. Iberia S.L. (Spain - Euro 107 thousand), Canson SAS (France - Euro 840 thousand), Daler Rowney Ltd. (United Kingdom - Euro 172 thousand), Canson Italy S.r.l. (Italy - Euro 30 thousand) and Canson Benelux (France - Euro 46 thousand);
- Recharges of costs to subsidiaries for sureties granted in favour of FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey - Euro 18 thousand), Dixon Ticonderoga Company (U.S.A. Euro 139 thousand) and Canson Brasil I.P.E. LTDA (Brazil - Euro 7 thousand) by F.I.L.A. S.p.A., in guarantee of credit lines agreed with Banca Nazionale del Lavoro S.p.A. and in favour of FILA Stationary O.O.O. (Russia - Euro 10 thousand) in guarantee of the credit lines agreed with Banca Intesa Sanpaolo; recharge of fees on the unused portion of the RCF line of the new loan disbursed in June 2018, attributable to the subsidiary Dixon Ticonderoga (U.S.A.) for Euro 207 thousand.

In addition, the following information is provided in relation to the remuneration of the Directors, Statutory Auditors, Chief Executive Officer and the General Manager, in the various forms in which they are paid and reported in the financial statements.

Name and Surname	Office held	Duration	Fees for office (€)	Bonuses and other incentives (€)
Giovanni Gorno Tempini	Chairman (from August 2019)	2019-2020	44,000	-
Massimo Candela	Chief Executive Officer	2018-2020	1,200,000	-
Luca Pelosin	CEO	2018-2020	400,000	-
Alberto Candela	Director & Honorary Chairman	2018-2020	170,000	-
Annalisa Barbera	Director	2018-2020	15,000	6,000
Gerolamo Caccia Dominioni	Director	2018-2020	15,000	37,000
Francesca Prandstraller	Director	2018-2020	15,000	12,000
Filippo Zabban	Director	2018-2020	15,600	12,000
Paola Bonini	Director	2018-2020	15,000	12,000
Alessandro Potestà	Director	2018-2020	15,000	6,000
Total - directors in office at December 31, 2019			**1,904,600**	**85,000**
Gianni Mion	Director (until July 2019)	2018-2020	66,000	0
Total - director no longer in office at December 31, 2019			**66,000**	**-**
Total directors			**1,970,600**	**85,000**

The fees reported above do not include Long Term Incentive.

Name and Surname	Office held	Duration	Fees for office (€)
Gianfranco Consorti	Chair. Board of Statutory Auditors	2018-2020	40,000
Elena Spagnol	Statutory Auditor	2018-2020	30,000
Pietro Villa	Statutory Auditor	2018-2020	30,000
Total statutory auditors in office as at December 31, 2019			**100,000**

The following members of the Board of Statutory Auditors also received fees for offices held in other companies of the Group.

Name and Surname	Office held	Fees for Office €	Company
Stefano Amoroso	Statutory Auditor	6,760	Industria Maimeri S.p.A.

Disclosure pursuant to Article 149-duodecies of the Consob Issuer's Regulation

The following table, prepared pursuant to Article 149-duodecies of the CONSOB Issuers' Regulation, reports the payments made in 2019 for audit and other services carried out by the independent auditor and entities of its network:

Euro thousands	Company providing the service	Recipient	2019 Fees
Audit	KPMG S.p.A.	Parent	342
	KPMG S.p.A.	Italian Subsidiaries	25
	KPMG **	Non-Italian Subsidiaries	765
Non Audit Servicess *	KPMG **		205
Total			**1,337**

* *Other services for Euro 205 thousand concern mainly Transfer Pricing services and tax consultancy services.*

** *Other companies belonging to the KPMG S.p.A. network*

** *KPMG S.p.A. and other companies belonging to the KPMG S.p.A. network.*

Subsequent events

- On March 2, 2020, F.I.L.A.- Arches S.A.S., a French company wholly-owned by F.I.L.A., completed the purchase of the fine art business unit of the company operating through the ARCHES® brand, until then managed by the Ahlstrom-Munksjö Group.

  For over 500 years, the ARCHES® brand has been one of the best-known global brands in the production and distribution of premium fine art paper. The company creates its products using a particular "cylinder mould" technique which ensures the delivery of a highly crafted product and an inimitable natural appearance. Each production cycle is subject to numerous technical controls, which have always guaranteed the undisputed quality of the paper and its excellent brand reputation.

  The total price, on a debt-free cash-free basis, paid by F.I.L.A. - Arches S.A.S. for the business unit was Euro 43.6 million.

  The acquisition was funded by amending the current medium/long-term loan contract, through the granting of new lines for Euro 15 million and the partial use of the RCF line for Euro 25 million, through its conversion into a medium/long-term line.

- As known, since January 2020, on the Chinese market - and gradually from March 2020 across the rest of the world - the operating environment has been dominated by the spread of COVID- 19 ("Coronavirus") and the resulting restrictive containment measures implemented by the public authorities of the countries affected. The current health emergency, in addition to the enormous social impacts, is having direct and indirect repercussions on the general economy and on the propensity to consume and invest, resulting in a generally uncertain environment. The F.I.L.A. Group is monitoring the developing situation in order to minimise its social and workplace health and safety impacts, in addition to the operating, equity and financial situation, by drawing up and rolling out flexible and timely action plans. In particular, from the beginning the F.I.L.A. Group has worked tirelessly to ensure maximum health and safety levels for its employees, customers and suppliers. The Group promptly introduced a series of protective measures for personnel and activated its Crisis Response Protocol, developing a specific crisis response plan and immediately rolled out a series of measures at all levels of the organisation - both at headquarters and overseas - at the operational sites and at the production plant. At the date of this report, the Group's plants are operational, in accordance with the regulations for each country, although not at full capacity in order to protect worker safety.

Each subsidiary has already verified and, where extraordinary instruments are already available, has activated all the shock absorbers that can be used to deal with the decline in business. The impact on the business is not estimated to be significant in the first quarter of the current year as the decrease in sales on the Chinese market in February and part of March has a marginal impact on the Group's business, while the decrease in sales in the rest of the world has had a gradual impact only from the second half of March, especially in Europe, with the exception of customers selling online and Large-Scale Retail and Organised Distribution. It is highlighted that Group revenue in April, May and June does not correspond, especially for "school products", to the sell-out by our customers to end consumers, but in particular to the supply of the distribution chain ahead of sales for the reopening of schools. Based on current forecasts for the end of the emergency, the impacts on business could be partially offset by a recovery in the months leading up to the reopening of schools. With regard to potential financial stress scenarios, management is constantly monitoring both the Group’s current and future liquidity. At the preparation date of this report, there were no significant impacts on collection or payment activities directly or indirectly related to the worldwide spread of the Coronavirus. It is clear that, in the absence of strong credit support throughout the distribution chain, the Group will necessarily have to implement a strict customer selection policy to limit financial difficulties. This policy, if implemented, could have an impact on the Group's business in the short-term; however, this impact is expected to be partially reabsorbed at a later date as consumer choices regarding the Group's products would lead to a redistribution of demand, also in light of the fact that the Group has demonstrated that it operates in an anti-cyclical business. At that date, the available liquidity is in line with financial planning and appears adequate to cover current and future operating needs. As at the reporting date, the Group is carrying out a further sensitivity analysis of the potential economic and financial impacts of the current crisis and is drafting a series of actions to limit these impacts. On the basis of the information available, the potential effects deriving from the spread of COVID-19, in line with the application of the international accounting standards (IAS 10), have been considered a "Non Adjusting" event. With reference to the valuations made for the purposes of the financial statements (recoverability of intangible assets with an indefinite useful life, recoverability of deferred tax assets, fair value of financial instruments, liabilities for employee defined benefits), the Directors consider that, given the information currently available, these factors of uncertainty are already included in the main sensitivity analyses provided with reference to the main financial statement captions subject to estimates.

With particular reference to the uncertainty related to the developing Coronavirus epidemic, it may not be excluded however that, should the virus spread significantly at an international level, the general economic consequences and specific consequences for the Group could be more severe than that envisaged at present, requiring a new estimate to be made, with a negative impact on the financial statement captions subject to estimate and in terms of the scenarios considered for the sensitivity analysis at December 31, 2019.

Attachments

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

Company	State of the company	Segment IFRS 8[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
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 Single Member S.A.	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 Canadian Holding 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 Canadian Holding 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	U.K.	EU	2016	100,00%	0,00%	100,00%	FILA S.p.A.	Line-by-Line	0,00%
Renoir Midco Ltd	U.K.	EU	2016	0,00%	100,00%	100,00%	Renoir Topco Ltd	Line-by-Line	0,00%
Renoir Bidco Ltd	U.K.	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	U.K.	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	Domenica Republic	CSA	2016	0,00%	100,00%	100,00%	Daler Rowney Ltd	Line-by-Line	0,00%
St. Cuthberts Holding Limited	U.K.	EU	2016	100,00%	0,00%	100,00%	FILA S.p.A.	Line-by-Line	0,00%
St. Cuthberts Mill Limited	U.K.	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	Brazil	CSA	2016	0,04%	99,96%	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	Israel	AS	2018	51,00%	0,00%	51,00%	FILA S.p.A.	Line-by-Line	49,00%
Dixon Ticonderoga ART ULC	Canada	NA	2018	0,00%	100,00%	100,00%	Dixon Canadian Holding Inc. Dixon Ticonderoga Company	Line-by-Line	0,00%
Castle Hill Crafts	U.K.	EU	2018	0,00%	100,00%	100,00%	Dixon Ticonderoga Company	Line-by-Line	0,00%
Creativity International	U.K.	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%	Dixon Ticonderoga Company	Line-by-Line	0,00%
Fila Arches SAS	France	EU	2019	100,00%	0,00%	100,00%	FILA S.p.A.	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; RW - Rest of world

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

Atypical and/or Unusual Transactions

In accordance with Consob Communication of July 28, 2006, during 2019 the F.I.L.A. Group did not undertake any atypical and/or unusual transactions 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 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 Group's assets and the protection of non-controlling interests.

The Board of Directors THE CHAIRMAN
Mr. Giovanni Gorno Tempini
(signed on the original)

Statement of the Manager in Charge of financial reporting and the Corporate Bodies

Fabbrica Italiana Lapis ed Affini

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

March 25, 2020

Statement of the Manager in Charge of Financial Reporting and the Corporate Bodies - Consolidated Financial Statements (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., confirm, and also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:

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

of the administrative and accounting procedures for the preparation of the consolidated financial statements as at and ended December 31, 2019.

The assessment of the adequacy of the administrative-accounting procedures for the preparation of the consolidated financial statements at December 31, 2019 is based on a process defined by F.I.L.A. S.p.A. in accordance with the Internal Control - Integrated Framework model issued by the Committee of the Sponsoring Organisations of the Treadway Commission, a benchmark framework generally accepted at international level.

It is also declared that:

1. The Consolidated Financial Statements at December 31, 2019 of F.I.L.A. S.p.A.:
   - have been drawn up in conformity with the applicable IFRS endorsed by the European Union in conformity with Regulation (CE) No. 1606/2002 of the European Parliament and the Commission of 19 July 2002;
   - correspond to the underlying accounting documents and records;
   - provide a true and fair view of the financial position and results of operations of the issuer and of the other companies in the consolidation scope.
2. The Directors' Report includes a reliable analysis on the performance and operating result, as well as the situation of the issuer and of the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

The Chief Executive Officer	Manager in Charge of Financial Reporting
Massimo Candela (signed in original)	Stefano De Rosa (signed in original)

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Il futuro ha i nostri colori. Da 100 anni.

Independent Auditors' Report pursuant to Article 14 of Legislative Decree No. 39 of January 27, 2010

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the F.I.L.A. Group (the "group"), which comprise the statement of financial position as at 31 December 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the F.I.L.A. Group as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of F.I.L.A. S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of goodwill

Notes to the consolidated financial statements: section "Basis of preparation" and note 1 "Intangible assets"

Key audit matter	**Audit procedures addressing the key audit matter**
The consolidated financial statements at 31 December 2019 comprise goodwill of €147.8 million, including €87.9 million allocated to the "North America" cash generating unit ("CGU"), €33.3 million to the "DOMS Industries Pvt Ltd" CGU and €12.5 million to the "Canson Group" CGU. The group tests the carrying amounts of goodwill for impairment at least annually and whenever there are indicators of impairment, by comparing them to the individual CGU's estimated recoverable amount, calculated by discounting the expected cash flows using the discounted cash flow model. Calculating the recoverable amount of goodwill and of the related CGU requires significant estimates by directors. Specifically, this process has the following characteristics: — valuation assumptions affected by the reference market trends the US, Indian and French markets), due to the specific economic and political conditions that are difficult to predict and unstable; — assumptions about the synergies expected from the business combinations carried out in previous years;	Our audit procedures, which also involved our own specialists, included: — understanding the process adopted to prepare the impairment test approved by the parent's board of directors; — understanding the process adopted to prepare the forecasts from which the expected cash flows used for impairment testing have been derived; — analysing the reasonableness of the assumptions used to prepare the forecasts; — checking any discrepancies between the previous year forecast and actual figures, in order to check the accuracy of the estimation process; — checking the consistency of the expected cash flows used for impairment testing with those used for the forecasts and analysing the reasonableness of any discrepancies; — analysing the expected cash flows and main assumptions used to calculate the CGUs' value in use, especially the key assumptions, which include: the revenue increase in the United States, India and France, expected synergies and the calculation of the discount and long-term growth rates;

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Key audit matter	Audit procedures addressing the key audit matter
— estimates of the long-term growth rate and the discount rate applied to the projected cash flows, which require a high level of directors' judgement. For the above reasons, we believe that the recoverability of the goodwill allocated to the North America", "DOMS Industries Pvt Ltd"and "Canson- Group" CGUs is a key audit matter.	— analysing the reasonableness of the valuation methods and key assumptions used, and especially: - the application of the discounted cash flow model; - checking whether the right-of-use assets (IFRS 16) had been appropriately included in the carrying amounts considered and whether the cash flows had been identified consistently for the purposes of determining the recoverable amount; - the criteria and parameters used to calculate the discount rate applied to the projected cash flows and the long-term growth rate; - checking the sensitivity analysis presented in the notes in relation to the key assumptions used for impairment testing. — comparing the group's market capitalisation to its reported equity; — assessing the appropriateness of the disclosures provided in the notes about goodwill and related impairment tests.

First-time adoption of IFRS 16

Notes to the consolidated financial statements: sections "Basis of preparation" and "Change in accounting policies"

Key audit matter	Audit procedures addressing the key audit matter
The F.I.L.A. Group adopted IFRS 16 "Leases" as of 1 January 2019. As a first-time adopter, the group opted to apply IFRS 16 using the modified retrospective approach and, therefore, it did not restate the comparative figures and applied certain practical expedients provided for by the standard.	Our audit procedures, which also involved our own specialists, included: — assessing the appropriateness of the accounting treatments applied on the basis of the requirements of IFRS 16, including the options and practical expedients available for its first-time adoption;

Key audit matter	**Audit procedures addressing the key audit matter**
As disclosed in the notes to the consolidated financial statements, following the initial application of the new standard on 1 January 2019, the group recognised right-of-use assets and lease liabilities of €80.4 million and €87.8 million, respectively, at the reporting date. The transition to IFRS 16 required complex valuations and the use of estimates which, by their very nature, are subjective, about: — the assessment of whether a contract is, or contains, a lease; — the determination of the lease term, considering the non-cancellable period and any options to extend or terminate the lease; — the initial measurement of the lease liability at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or the incremental borrowing rate; — the determination of the useful life of the right-of-use assets for depreciation purposes and their impairment testing, if required; — the recognition of any lease modifications that occurred during the year; — the remeasurement of the lease liability in the cases required by the standard other than lease modifications. Considering the complexity and subjectivity of the above valuations, the first-time adoption of IFRS 16 was a key audit matter.	— understanding the internal process for the transition to the new standard and the related IT environment; — for a sample of contracts that are or contain a lease: - assessing the appropriateness of the lease term determination; - checking the calculation of the lease payments; - analysing the reasonableness of the rate used to discount the lease payments to present value; — checking the right of use assets' useful lives applied for depreciation/amortisation purposes; — performing checks in relation to the impairment tests, as described in the "Recoverability of goodwill" section; — assessing management's identification of the events that require the remeasurement of the lease liability and, if any, recalculating it; — assessing the appropriateness of the disclosures provided in the notes about the first-time adoption of IFRS 16.

Inventories

Notes to the consolidated financial statements: section "Basis of preparation " and note 8 "Inventories"

Key audit matter	Audit procedures addressing the key audit matter
The carrying amount of inventories at 31 December 2019 is €258.4 million, net of the allowance for inventory write-down of €6.4 million. Recognising and measuring inventories are a complex and structured process considering the various underlying activities and estimates, including taking into account the group's market sector and the related geographical stratification. Recognising and measuring inventories are complex and entail a high level of judgement by the directors as they are affected by many factors, including: — the inventory management policy; — requirement planning and integration with sales planning; — the sales' seasonality; — price volatility. For the above reasons, we believe that the recognition and measurement of inventories are a key audit matter.	Our audit procedures included: — understanding the process for the recognition and measurement of inventories and the related IT environment and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; — performing substantive analytical procedures for the most significant discrepancies compared to the previous year figures and discussing the outcome with the relevant internal departments; — analysing inventory turnover and discussing the outcome with the relevant internal departments; — checking, on a sample basis, whether sales and purchases had been correctly recognised on an accruals basis; — for a representative sample of purchase and sale invoices, checking whether inventory item quantities had been correctly recorded; — for a sample of inventory items, performing physical counts of quantities and reconciling them with the related accounting records; — analysing the reasonableness of the assumptions used to measure the allowance for inventory write-down through discussions with the relevant internal departments and checks of the supporting documentation; comparing the assumptions with historical figures and our knowledge of the group and its operating environment; — assessing the appropriateness of the disclosures provided in the notes about inventories.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 20 February 2015, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2015 to 31 December 2023.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2019 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2019 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2019 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of F.I.L.A. S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Milan, 30 March 2020

KPMG S.p.A.

(signed on the original)

Angelo Pascali
Director of Audit

IV - Separate financial statements of F.I.L.A. S.p.A. at December 31, 2019

Separate financial statements of F.I.L.A. S.p.A.

Statement of Financial Position

in Euro		December 31, 2019	December 31, 2018
Assets		**491,282,976**	**593,812,010**
Non-Current Assets		**383,016,038**	**371,768,797**
Intangible Assets	Note 1	6,599,172	5,970,112
Property, Plant and Equipment	Note 2	10,498,578	9,327,617
Non-Current Financial Assets	Note 3	11,454,168	12,576,786
Investments	Note 4	348,744,147	337,139,275
Deferred Tax Assets	Note 5	5,719,973	6,755,007
Current Assets		**108,266,938**	**222,043,213**
Current Financial Assets	Note 3	31,634,274	42,687,951
Current Tax Assets	Note 6	2,978,285	3,067,686
Inventories	Note 7	25,152,052	29,071,865
Trade Receivables and Other Assets	Note 8	16,923,328	25,969,057
Cash and Cash Equivalents	Note 9	31,578,999	121,246,654
Liabilities and Equity		**491,282,976**	**593,812,010**
Equity	Note 12	**271,080,143**	**265,689,281**
Share Capital		46,876,272	46,799,406
Reserves		134,563,201	136,169,718
Retained Earnings		78,318,869	76,087,577
Profit for the year		11,321,802	6,632,580
Non-Current Liabilities		**184,703,932**	**289,574,309**
Non-Current Financial Liabilities	Note 13	177,218,053	284,278,035
Financial Instruments	Note 17	3,796,903	1,568,852
Post-Employment Benefits	Note 14	1,700,084	1,693,995
Provisions for Risks and Charges	Note 15	652,742	567,301
Deferred Tax Liabilities	Note 16	1,336,150	1,466,126
Current Liabilities		**35,498,901**	**38,548,420**
Current Financial Liabilities	Note 13	14,969,443	7,472,987
Provisions for Risks and Charges	Note 15	35,855	554,913
Current Tax Liabilities	Note 18	725,297	953,171
Trade Payables and Other Liabilities	Note 19	19,768,306	29,567,349

Statement of Comprehensive Income

in Euro		December 31, 2019	December 31, 2018
Revenue from Sales and Service	Note 20	74,883,614	78,869,677
Other Revenue and Income	Note 21	6,769,487	11,436,764
Total Revenue		**81,653,101**	**90,306,441**
Raw Materials, Consumables, Supplies and Goods	Note 22	(34,600,156)	(40,277,677)
Services and Use of third party assets	Note 23	(19,534,410)	(27,585,763)
Other Costs	Note 24	(437,604)	(506,031)
Change in Raw Materials, Semi-Finished, Work-in-progress & Finished Prod.	Note 22	(3,919,813)	948,271
Personnel expenses	Note 25	(11,714,893)	(12,525,298)
Amortisation and Depreciation	Note 26	(4,924,811)	(2,656,179)
Impairment gains (losses) on trade receivables and other assets	Note 27	(593,096)	434,230
Total Operating Costs		**(75,724,783)**	**(82,168,447)**
Operating Profit		**5,928,318**	**8,137,993**
Financial Income	Note 29	13,917,883	15,489,017
Financial Expense	Note 30	(6,822,883)	(14,870,026)
Impairment gains (losses) on financial assets	Note 31	111,080	(200,000)
Impairment losses on Investments	Note 32	-	(650,775)
Net Financial Income (Expense)		**7,206,081**	**(231,785)**
Pre-Tax Profit		**13,134,398**	**7,906,209**
Income Taxes		(591,676)	(619,182)
Deferred Taxes		(1,220,922)	(654,446)
Income Taxes	Note 33	**(1,812,598)**	**(1,273,628)**
Profit for the Year		**11,321,801**	**6,632,581**
Other Comprehensive Income (Expense) which may be reclassified subsequently to Profit or Loss		**(2.228.051)**	**(2.621.398)**
Adjustment of Fair value of Hedges		(2,228,051)	(2,621,398)
Other Comprehensive Income (Expense) which may not be reclassified subsequently to Profit or Loss		**(67,791)**	**(29,685)**
Actuarial Losses on Employee Benefits recorded directly in Equity		(103,043)	(47,463)
Income Taxes on income and expenses recorded directly in Equity		35,252	17,778
Other Comprehensive Expense (net of tax effect)		**(2,295,824)**	**(2,651,083)**
Comprehensive Income		**9,025,959**	**3,981,498**

Statement of changes in Equity

STATEMENT OF CHANGES IN EQUITY								
Euro thousands	Share capital	Legal Reserve	Share Premium Reserve	IAS 19 Reserve	Other Reserves	Retained Earnings	Profit for the year	Equity
December 31, 2017	**37,261**	**7,434**	**65,348**	**(352)**	**26,003**	**25,655**	**6,933**	**168,282**
Profit for the year	-	-	-	-	-	-	6,633	6,633
Share Capital Increase	9,538	-	90,422	-	-	-	-	99,960
Charges relateto do Capital Increase (Net of Fiscal effect)	-	-	(4,002)	-	-	-	-	(4,002)
Other Changes in the year	-	-	-	(47)	(1,416)	-		(1,463)
Profit for the year recorded directly in equity	**9,538**	**-**	**86,420**	**(47)**	**(1,416)**	**-**	**6,633**	**101,128**
Allocation of the 2017 profit	-	-	-	-	-	6,933	(6,933)	-
Dividends	-	-	-	-	-	(3,720)	-	(3,720)
December 31, 2018	**46,799**	**7,434**	**151,768**	**(399)**	**24,587**	**28,868**	**6,633**	**265,690**
Profit for the year	-	-	-	-	-	-	11,322	11,322
Share Capital Increase	77	-	1,839	-	-	-	-	1,916
Other comprehensive income	-	-	-	(103)	(2,193)	-	-	(2,296)
Other changes of the year	-	-	-	-	(1,480)	-	-	(1,480)
Gains/(losses) recorded directly in equity	**77**	**-**	**1,839**	**(103)**	**(3,673)**	**-**	**11,322**	**9,461**
Allocation of the 2018 profit	-	332	-	-	-	6,301	(6,633)	-
Dividends	-	-	-	-	-	(4,070)	-	(4,070)
December 31, 2019	**46,876**	**7,766**	**153,606**	**(502)**	**20,914**	**31,099**	**11,322**	**271,081**

Statement of Cash Flows

Euro thousands		December 31, 2019	December 31, 2018
Profit for the Year		**11,322**	**6,633**
Non-monetary and other adjustments:		**1,288**	**3,904**
Amortisation and Depreciation	Note 1 - 2	4,451	2,656
Depreciation of right-of-use assets	Note 1 - 2	474	
Net impairment losses on intangible assets and property, plant and equipment	Note 1 - 2	5	
Impairment gains/losses on Trade Receivables and write-downs of Inventory	Note 9	573	(434)
Accruals for Post-Employment and Employee Benefits		1,181	926
Accruals to/reversals of the Provisions for Risk and Charges		-	(773)
Exchange losses on foreign currency trade receivables and payables	Note 24	3	45
Net gain on the sale of intangible assets and property, plant and equipment	Note 21 - 24	(5)	(22)
Net Financial Income/Expense	Note 29 - 30	7,206	(619)
Impairment gains (losses) on financial assets	Note 31	-	200
Impairment losses on equity Investments	Note 32	-	651
Income Taxes	Note 33	1,813	1,274
Additions for:		**(601)**	**(23)**
Income Taxes Paid	Note 7 - 18	(730)	(1,609)
Unrealised Exchange gains (losses) on foreign currency Assets and Liabilities	Note 28 - 29	(2)	164
Realised Exchange gains on foreign currency Assets and Liabilities	Note 28 - 29	131	1,422
Cash Flows from Operating Activities Before Changes in NWC		**12,009**	**10,514**
Changes in net working capital:		**240**	**(8,769)**
Change in Inventories	Note 8	3,935	(868)
Change in Trade receivables and Other Assets	Note 9	8,300	(7,344)
Change in Trade payables and Other Liabilities	Note 19	(10,805)	152
Change in Other Assets/Liabilities	Note 15-16-6	(451)	-
Change in Post-Employment and other Employee Benefits	Note 14	(740)	(709)
Cash Flow from Operating Activities		**12,249**	**1,745**
Net increase in Intangible Assets	Note 1	(3,576)	(4,397)
Net increase in Property, Plant and Equipment	Note 2	(651)	(1,363)
Net increase in equity investments	Note 4	(8,346)	(53,192)
Net increase/decrease in Other Financial Assets	Note 3	9,243	(3,110)
Dividends from Group companies		11,703	7,383
Interest Received		2,352	1,535
Cash Flows from (used in) Investing Activities		**10,725**	**(53,144)**
Total Change in Equity	Note 12	(4,070)	98,050
Lease expense	Note 29	(102)	
Interest Paid	Note 29	(5,640)	(10,864)
Net Increase/Decrease in Loans and borrowing and Other Financial Liabilities	Note 13	(102,931)	87,463
Cash Flows from (used in) Financing Activities		**(112,743)**	**174,650**
Other non-monetary changes		101	429
NET CASH FLOWS FOR THE YEAR		**(89,668)**	**123,679**
Opening Cash and Cash Equivalents net of current account Overdrafts		118,247	(5,432)
Closing Cash and Cash Equivalents ne t of current account Overdrafts		**28,579**	**118,247**

1. *Cash and cash equivalents at December 31, 2019 totalled Euro 31,579 thousand; current account overdrafts amounted to Euro 3,000 thousand net of relative interest.*
2. *Cash and cash equivalents at December 31, 2018 totalled Euro 121,247 thousand; current account overdrafts amounted to Euro 3,000 thousand net of relative interest.*

Euro thousands	December 31, 2019	December 31, 2018
Opening Cash and Cash Equivalents	**118,247**	**(5,432)**
Cash and cash equivalents	121,247	6,996
Current account overdrafts	(3,000)	(12,428)
Closing Cash and Cash Equivalents	**28,579**	**118,247**
Cash and cash equivalents	31,579	121,247
Current account overdrafts	(3,000)	(12,428)

Reference should be made to the "Directors' Report" for comment and analysis.

Statement of Financial Position pursuant to CONSOB Resolution No. 15519 of July 27, 2006

Euro thousands		December 31, 2019	*of which:* Related Parties	December 31, 2018	*of which:* Related Parties
Assets		**491,283**		**593,812**	
Non-Current Assets		**383,016**		**371,769**	
Intangible Assets	Note 1	6,599		5,970	
Property, Plant and Equipment	Note 2	10,499		9,328	
Non-Current Financial Assets	Note 3	11,454	11,444	12,577	12,567
Equity investments	Note 4	348,744	348,741	337,139	337,109
Deferred Tax Assets	Note 5	5,720		6,755	
Current Assets		**108,267**		**222,043**	
Current Financial Asset	Note 3	31,634	31,559	42,688	42,610
Current Tax Assets	Note 6	2,978		3,068	
Inventories	Note 7	25,152	7,573	29,072	8,315
Trade receivables and Other Assets	Note 8	16,923	5,651	25,969	12,554
Cash and Cash Equivalents	Note 9	31,579		121,247	
Liabilities and Equity		**491,283**		**593,812**	
Equity	Note 12	**271,080**		**265,689**	
Share Capital		46,876		46,799	
Reserves		134,563		183,389	
Retained Earnings		78,319		28,869	
Profit for the year		11,322		6,633	
Non-Current Liabilities		**184,704**		**289,574**	
Non-Current Financial Liabilities	Note 13	177,218		284,278	
Financial Instruments	Note 17	3,797		1,569	
Post-Employment Benefits	Note 14	1,700		1,694	
Provisions for Risks and Charges	Note 15	653		567	
Deferred Tax Liabilities	Note 16	1,336		1,466	
Current Liabilities		**35,499**		**38,548**	
Current Financial Liabilities	Note 13	14,969		7,473	
Provisions for Risks and Charges	Note 15	36		555	
Current Tax Liabilities	Note 18	725		953	
Trade payables and Other Liabilities	Note 19	19,768	2,290	29,567	4,283

Statement of Comprehensive Income pursuant to CONSOB Resolution No. 15519 of July 27, 2006

Euro thousands		December 31, 2019	*of which:* Related Parties	*of which:* Non-Recurring Charges	December 31, 2018	*of which:* Related Parties	*of which:* Non-Recurring Charges
Revenue from Sales and Service	Note 20	74,884	12,721		78,870	13,908	
Other Revenue and Income	Note 21	6,769	(6,342)		11,437	10,988	
TOTAL REVENUE		**81,563**			**90,306**		
Raw Materials, Consumables, supplies and Goods	Note 22	(34,600)	(15,580)		(40,278)	(18,274)	
Services and use of third-party assets	Note 23	(19,534)	(454)	(1,411)	(27,586)	(640)	(3,199)
Other Costs	Note 24	(438)			(506)	(41)	
Change in Raw Materials, Semi-Finished products, Work-in-progress and goods	Note 22	(3,920)			948		
Personnel expense	Note 25	(11,715)		102	(12,525)		(324)
Amortisation and Depreciation	Note 26	(4,925)			(2,656)		
Impairment gains (losses) on Trade Receivables and Other assets	Note 27	(593)			434		
TOTAL OPERATING COSTS		**(75,725)**			**(82,168)**		
OPERATING PROFIT		**5,928**			**8,138**		
Financial Income	Note 29	13,918	13,317		15,489	12,856	1,433
Financial Expense	Note 30	(6,823)			(14,870)		(2,810)
Impairment gains (Impairment losses) on Financial Assets	Note 31	111					
Impairment losses on equity investments	Note 32	0			(651)		
NET FINANCIAL INCOME (EXPENSE)		**7,206**			**(232)**		
PRE-TAX PROFIT/(LOSS)		**13,134**			**7,906**		
Income Taxes		(592)		365	(619)		1,072
Deferred Taxes		(1,221)			(654)		
TOTAL INCOME TAXES	Note 33	**(1.813)**			**(1.274)**		
PROFIT (LOSS) FOR THE YEAR		**11,322**			**6,633**		
Other Compre he nsive expense which may be reclassified subsequently toProfit or Loss		**(2,228)**			**(2,621)**		
Fair value losses on hedging derivatives		(2,228)			(2,621)		
Other Comprehensive expense which may not be reclassified subsequently to Profit or Loss		**(68)**			**(30)**		
Actuarial Losses on Employee Benefits recorded directly in Equity		(103)			(47)		
Income Taxes and expenses recorded directly in Equity		35			18		
Other Comprehensive expense (net of tax effect)		**(2,296)**			**(2,651)**		
Total Comprehensive Income/(expenses)		**9,026**		**(944)**	**3,981**		**(3,829)**

Notes to the Separate Financial Statements of F.I.L.A. S.p.A.

Introduction

The separate financial statements of the Parent F.I.L.A. S.p.A. (hereafter also “Parent” or “Company”) as at and for the year ended December 31, 2019, prepared by the Board of Directors of F.I.L.A. S.p.A., were drawn up in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.
The IFRS were applied consistently for all reporting periods presented in this document.
For the separate financial statements of F.I.L.A. S.p.A. the first year of application of IFRS was 2013.

The separate financial statements of F.I.L.A. S.p.A. are comprised of the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and the Notes.
The presentation of these financial statements as at and for the year ended December 31, 2019, in line with the consolidated financial statements, is as follows:
Statement of Financial Position: in accordance with IAS 1, the assets and liabilities must be classified as current and non-current or, alternatively, according to the liquidity order. The Company chose the classification between current and non-current;
Statement of Comprehensive Income: IAS requires alternatively classification based on the nature or destination of the items. The Company chose the classification by nature of income and expense; Statement of Changes in Equity: IAS 1 requires that this statement illustrates the changes in the year of each individual equity caption or that it illustrates the nature of income and expense recorded in the financial statements. The Company chose to use the latter in the statement of changes in equity, reconciling the opening and closing amounts of each caption in a statement in the Notes;
Statement of Cash Flows: IAS 7 requires that the statement of cash flow includes the cash flows for the year for operating, investing and financing activities. The cash flows from operating activities may be represented using the direct method or the indirect method. The Company decided to use the indirect method.

The financial statements of F.I.L.A. S.p.A. are accompanied by the Directors’ Report, to which reference should be made in relation to the business activities, subsequent events and transactions with related parties, the statement of the cash flow, the reclassified statement of comprehensive income and statement of financial position and the outlook.

The separate financial statements of F.I.L.A. S.p.A. were prepared in accordance with the general historical cost criterion.

During the year, no special circumstances arose requiring recourse to the exceptions allowed under IAS 1.

The preparation of the financial statements and the relative notes in application of IFRS require that management make estimates and assumptions. These estimates and relative assumptions are based on historical experience and other factors considered reasonable and were adopted to determine the carrying amount of the assets and liabilities which are not easily obtained from other sources, are reviewed periodically and the effects of each change are immediately reflected in profit or loss. However as they concern estimates, it should be noted that the actual results may differ from such estimates included in the financial statements.

The estimates are used to measure the loss allowance, depreciation and amortisation, impairment losses on assets, employee benefits, income taxes and other provisions.

The accounting policies used in the preparation of the financial statements and the composition and changes of the individual captions are illustrated below.

For a better comparison of the data, the figures for the prior year were adjusted where necessary.

All amounts are expressed in thousands of Euro, unless otherwise stated.

Basis of preparation

Intangible assets

An intangible asset is a clearly identifiable non-monetary asset without physical substance, subject to control and capable of generating future economic benefits. They are recognised at acquisition cost where acquired separately and are capitalised at fair value at the acquisition date where acquired through business combinations.

The interest expense on loans required for the purchase and the development of intangible assets, which would not have been incurred if the investment had not been made, is not capitalised.

Intangible assets with finite useful lives

Intangible assets with finite useful lives are amortised on a straight-line basis over their useful life to take account of the residual possibility of use. Amortisation commences when the asset is available for use.

The amortisation policies adopted by the Company provide for the following useful lives:

- Trademarks: based on the useful life;
- Concessions, Licences and Patents: based on the duration of the right under concession or license and based on the duration of the patent;
- Other intangible assets: 3 years.

Research and development costs

Research and development costs are recognised in profit or loss in the year they are incurred, with the exception of development costs recorded under "Intangible assets", when they satisfy the following conditions:

- The project is clearly identified and the related costs are reliably identifiable and measurable;
- The technical feasibility of the project is demonstrated;
- The intention to complete the project and sell the assets generated from the project are demonstrated;
- A potential market exists or, in the case of internal use, the use of the intangible asset is demonstrated for the production of the intangible assets generated by the project;
- The technical and financial resources necessary for the completion of the project are available;
- The intangible asset will generate probable future economic benefits.

Amortisation of development costs recorded under "intangible assets" begins from the date in which the outcome of the project is commercialised. Amortisation is calculated, on a straight-line basis, over the estimated useful life of the project.

Property, plant and equipment

Property, plant and equipment are measured at purchase cost, net of accumulated depreciation and any impairment losses. The cost includes all charges directly incurred for the purchase and/or production. The interest expense on loans for the purchase and the construction of Property, Plant and Equipment, which would not have been incurred if the investment had not been made, are not capitalised but expensed in the year it is incurred. Where an item of property, plant and equipment is composed of various components with differing useful lives, these components are recorded separately (significant components) and depreciated separately. Property, plant and equipment acquired through business combinations are recognised in the financial statements at fair value at the acquisition date.
The expense incurred for maintenance and repairs is directly charged to profit or loss in the year in which it is incurred. The costs for improvements, modernisation and transformation are recognised in the statement of financial position as an increase to the carrying amount of Property, Plant and Equipment.

The purchase price or construction cost is net of public grants which are recognised when the conditions for their granting are confirmed. At the reporting date, there are no public grants recorded as a decrease of "Property, Plant and Equipment".

The initial carrying amount of property, plant and equipment is adjusted for depreciation on a systematic basis, calculated on a straight-line basis monthly, when the asset is available and ready for use, based on its estimated useful life.

The estimated useful lives for the current and previous years are as follows:

- Buildings 25 years
- Plant and machinery 8.7 years
- Equipment 2.5 years
- Other assets:
    - Office equipment 8.3 years
    - Furniture and EDP 5 years
    - Transport vehicles 5years
    - Motor vehicles 4 years
    - Other 4 years

Leases

The Company has adopted IFRS 16 using the modified retrospective method. Therefore, the comparative information has not been restated and continues to be presented as per IAS 17 and IFRIC 4.

At the commencement of the contract the Company assesses whether the contract is – or contains – a lease. The 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. In order to assess whether a contract grants the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16. This criterion is applicable to contracts for periods beginning on or after January 1, 2019.

F.I.L.A. S.p.A. adopts a single recognition and measurement model for all leases, except for short-term leases and low value leases. The Company recognises the lease liabilities and the right-of-use asset representing the right to use the asset underlying the contract.

Right-of-use assets

The Company recognises right-of-use assets at the initial leasing date (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, net of accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liabilities. The cost of the right-of-use assets includes the amount of the lease liabilities recognised, the initial direct costs incurred and the lease payments made at the commencement date or before, net of any incentives received.

Right-of-use assets are depreciated on a straight-line basis from the effective date to the end of the useful life of the asset consisting of the right of use, or the end of the lease term, whichever is earlier.

Lease liabilities

At the lease commencement date, the Company recognises the lease liabilities measuring them at the present value of the future lease payments not yet settled at that date. The payments include the fixed payments net of any lease incentives to be received, the variable lease payments which depend on an index or a rate and the amounts expected to be paid as guarantee on the residual amount. The lease payments include also the exercise price of a purchase option where it is reasonably certain that this option will be exercised by the Company and the lease termination penalty payments, where the lease duration takes account of the exercise by the Company of the termination option on the lease.

In calculating the present value of the payments due, the Company uses the incremental borrowing rate at the commencement date where the implicit interest rate cannot be readily determined. The Company's incremental borrowing rate is calculated on the basis of the interest rates obtained from various external funding sources by making certain adjustments reflecting the terms of the lease and the type of asset leased.

After the commencement date, the amount of the lease liability increases to take account of the interest on the lease liabilities and reduces to consider the payments made. In addition, the carrying amount of the lease liabilities are restated in the case of any changes to the lease or a review of the contractual terms with regards to the change in the payments; it is also restated in the event of changes in the valuation of the option to purchase the underlying asset or for changes in future payments resulting from a change in the index or rate used to determine those payments.

Where the lease liabilities are remeasured, the lessee correspondingly alters the right-of-use asset. If the carrying amount of the asset for the right-of-use is reduced to zero, the lessee recognises the change in profit or loss.

In the statement of financial position, the Company presents right-of-use assets that do not meet the definition of investment property under “Property, plant and equipment” and lease liabilities under “Financial liabilities”.

Short-term leases and low value asset leases

F.I.L.A. S.p.A. applies the exemption for the recognition of leases relating to low value assets such as PCs, printers, electronic equipment and contracts that have a duration of 12 months or less and do not contain purchase options (short-term leases). The short-term lease instalments and those for low value assets are recognised as costs on a straight-line basis over the lease duration.

For contracts entered into before January 1, 2019, the Company determined whether the agreement was or contained a lease by verifying whether (i) performance of the agreement depended on the use of one or more specific assets; (ii) the agreement transferred the right to use the asset. In the comparative year, the Company classified as finance leases those that transferred substantially all the risks and benefits associated with ownership. In this case, assets acquired through lease were initially recognised at their fair value or, if lower, at the present value of the future lease payments. Future lease payments are the payments over the lease term that the lessee is required to make, excluding contingent rent. These assets were subsequently recognised in accordance with the accounting standard adopted for each asset.

Impairment losses on non-financial assets

At each reporting date, the intangible assets and property, plant and equipment are analysed to identify the existence of any indicators, either internally or externally to the Group, of impairment. Where these indications exist, an estimate of the recoverable amount of the above-mentioned assets is made, recording any impairment losses in profit or loss. In the case of goodwill and other intangible assets with indefinite useful lives, this estimate is made annually independently of the existence of such indicators. The recoverable value of an asset is the higher between the fair value less costs to sell and its value in use. The fair value is estimated on the basis of the values in an active market, from recent transactions or on the basis of the best information available to reflect the amount which the entity could obtain from the sale of the asset. The value in use is the present value of the expected future cash flows to be derived from an asset. In defining the value in use, the expected future cash flows are discounted using a pre- tax discount rate that reflects the current market assessment of the time value of money, and the specific risks of the asset.

For an asset that does not generate sufficient independent cash flows, the realisable value is determined in relation to the cash-generating unit to which the asset belongs. An impairment loss is recognised in profit or loss when the carrying amount of the asset, or of the cash-generating unit to which it is allocated, is higher than the recoverable amount.

Impairment losses on cash generating units are firstly allocated as a decrease in the carrying amount of any goodwill allocated to the cash generating unit and, thereafter, as a decrease in other assets, in proportion to their carrying amount. Impairment losses on goodwill may not be reversed. In relation to assets other than goodwill, where the reasons for the impairment loss no longer exist, the carrying amount of the asset is reversed up to the amount at which the asset would have been recognised if no impairment loss had taken place and amortisation had been recorded.

Equity investments

Investments in companies represent investments in the share capital of enterprises.

Investments in companies are carried at acquisition or subscription cost, adjusted for any impairment losses, and measured under the cost method. Where the reasons for the impairment loss no longer exist, the original carrying amount is reinstated.

Financial assets and loans and receivables

Trade receivables and debt securities issued are recognised as they arise.

All other financial assets and liabilities are initially recognised on the trading date, i.e. when the Company becomes a contractual party to the financial instrument.

With the exception of trade receivables without a material financing component, financial assets are initially recognised at fair value, plus or minus, in the case of financial assets or liabilities not at FVTPL, the transaction costs directly attributable to the acquisition or issue of the financial asset. Upon initial recognition, trade receivables without a material financing component are measured at their transaction price.

Upon initial recognition, a financial asset is classified according to how it is measured: at amortised cost, at fair value through other comprehensive income (FVOCI) for debt and equity securities, or at fair value through profit or loss (FVTPL). Financial assets are not reclassified following initial recognition unless the Company modifies the business model within which the financial assets are held. In such cases, all the affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Loans and receivables are measured at amortised cost, taking the interest to profit or loss according to the effective interest rate method or applying a rate that results in a nil balance of the present values of the net cash flows generated by the financial instrument. Losses are recognised in profit or loss when they become apparent or when the loans and receivables are derecognised. Loans are tested for impairment and then recognised at their estimated realisable value (fair value) by setting aside a specific loss allowance deducted directly from the carrying amount of such assets. Loans are impaired when there is objective evidence of a probable default on the loan and on the basis of past experience and historical data (expected credit losses). When, in subsequent periods, the reasons for the impairment no longer exist, the carrying amount of the asset is restated up to the amount deriving from the application of the amortised cost as if no impairment loss had been recognised.

Other non-current equity instruments are initially measured at cost (the fair value of the initial consideration paid), plus any directly attributable transaction costs. Changes in fair value and any gains or losses on disposal of an equity investment are taken to other comprehensive income and never pass through profit or loss. Since this election is irrevocable and may be made on an investment- by-investment basis, any exceptions upon initial recognition will be disclosed in the notes to the caption. All equity instruments must be measured at fair value. The fair value of securities traded in active markets is determined by reference to the exchange prices recorded at the end of trading at the reporting date.

The fair value of investments for which no active market exists is determined on the basis of the price in recent transactions between independent parties of essentially similar instruments or the use of other valuation techniques such as methods based on income or an analysis of discounted cash flows. However, in certain limited circumstances, cost may represent an adequate estimate of fair value if, for example, the most recent information available to assess fair value is insufficient, or if there is a wide range of possible fair values. Cost is never the best estimate of fair value for investments in quoted equity instruments. Financial assets designated at fair value through profit or loss upon initial recognition are measured with reference to their market value at the reporting date. The value of non- quoted instruments is determined through generally accepted financial valuation techniques based on market data. Gains or losses deriving from the fair value measurement of assets classified in this category are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents principally include cash, bank deposits on demand and other highly liquid short-term investments (convertible into liquidity within ninety days). These are recorded at their nominal value.

For the purposes of the classification of financial instruments according to the criteria set out in IFRS 9, as required by IFRS 7, cash and cash equivalents have been classified as financial assets at amortised cost for credit risk purposes. Current account overdrafts are classified under "Current Financial Liabilities".

Trade receivables and other assets

Trade receivables and other assets are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method. They are impaired to reflect estimated impairment losses, which are recognised in profit or loss. If, in subsequent periods, the reasons for the impairment loss no longer exist, the carrying amount of the assets is reinstated up to the amount deriving from the application of the amortised cost where no impairment loss had been applied.

The loss allowance is recognised to measure receivables at realisable amount, including impairment losses for any indicators of an impairment losses on trade receivables. The impairment losses, which are based on the most recent information and on the best estimates of the Directors, are made so that the assets are discounted to the present value of the expected future cash flows.

The loss allowance is recorded as a direct reduction of trade receivables and other assets. These provisions are classified in the profit or loss caption "Impairment losses"; the same classification was used for any utilisations and impairment losses on trade receivables.

Inventories

Inventories of raw materials, semi-finished products and finished goods are measured at the lower of purchase or production price, including related charges, determined in accordance with the weighted average cost method, and the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs to sell.

Obsolete and slow-moving inventories are written down in relation to their possible use or realisable value.

The purchase cost is used for direct and indirect materials, purchased and used in the production cycle. The production cost is however used for finished goods or in work in progress.

For the determination of the purchase price, consideration is taken of the actual costs incurred net of commercial discounts.

Production cost includes, in addition to the costs of the materials used, as defined above, the direct and indirect production costs allocated. The indirect costs were allocated based on the normal production capacity of the plant.

Distribution costs were excluded from purchase cost and production cost.

Provisions for risks and charges

Provisions for risks and charges are recognised where the Company has a current obligation, legal or constructive, deriving from a past event and it is probable that fulfilment of the obligation will result in an outflow of resources and the amount of the obligation can be reasonably estimated.

Provisions are recorded at the value representing the best estimate of the amount that the entity would pay to discharge the obligation or transfer it to a third party. When the time value of money is significant and the payment dates of the obligations can be reliably estimated, the provision is discounted. The rate used in the determination of the present value of the liability reflects the current market values and includes the further effects relating to the specific risk associated with each liability. The increase in the provision due to the passage of time is recognised in profit or loss under “Financial income/(expense)”.

The provisions are periodically updated to reflect the changes in the estimate of the costs, of the time period and of the discount rate; the revisions of estimates are recorded in the same profit or loss caption in which the provision was recorded, or when the liability relates to an asset, against the asset caption to which it refers.

The notes illustrate the contingent liabilities represented by: (i) possible obligations (but not probable) deriving from past events, whose existence will be confirmed only on the occurrence or otherwise of one or more uncertain future events not fully under the control of the entity; (ii) current obligations deriving from past events whose amount cannot be reliably estimated or whose fulfilment will likely not generate an outflow of resources.

Restructuring provisions

Restructuring provisions are recognised where a detailed formal programme has been approved which has raised a valid expectation among third parties that the entity will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Employee benefits

All employee benefits are measured and reflected in the financial statements on an accruals basis.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions to a separate entity and will not have a legal or constructive obligation to pay further contributions. The contributions to be paid to defined contribution plans are recognised as costs in profit or loss when incurred. Contributions paid in advance are recognised under assets up to the extent the advance will determine a reduction in future payments or a reimbursement.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The net obligation of the Company deriving from defined benefit plans is calculated separately for each plan estimating the amount of the future benefit which the employees matured in exchange for the services provided in the current and previous years; this benefit is discounted to calculate the present value, while any costs relating to past service not recorded in the financial statements and the fair value of any plan assets is deducted from liabilities. The discount rate is the return, at the reporting date, of the primary obligations whose maturity date approximates the terms of the obligations of the Company and which are expressed in the same currency in which it is expected the benefits will be paid. The calculation is made by an independent actuary using the projected credit unit method. Where the calculation generates a benefit for the Company, the asset recognised is limited to the total, net of all costs relating to past services not recognised and the present value of all economic benefits available in the form of refunds from the plan or cultailments in future contributions to the plan. Where improvements are made to the plan benefits, the portion of increased benefits relating to past service is recognised as an expense on a straight-line basis over the average period until the benefits vest. If the benefits vest immediately, the cost is recognised immediately in profit or loss.

The Company records all actuarial gains and losses from a defined benefit plan directly and immediately in equity.

In relation to the Post-Employment Benefits, following the amendments to Law No. 296 of December 27, 2006 and subsequent Decrees and Regulations (“Pension Reform”) issued in the first months of 2007, the Parent F.I.L.A. S.p.A. adopted the following accounting treatment:

- The Post-Employment Benefits accrued to December 31, 2006 are considered a defined benefit plan as per IAS 19. The benefits guaranteed to employees, under the form of the Post-Employment Benefit Provision, paid on the termination of employment, are recognised in the period the right vests;
- The Post-Employment Benefits accruing from January 1, 2007 are considered a defined contribution plan and therefore the contributions accrued in the period were fully recognised as a cost and recorded as a liability in the caption “Post-Employment Benefits”, after deduction of any contributions already paid.

Other long-term employee benefits

The net obligation of F.I.L.A. S.p.A. for long-term employee benefits, other than those deriving from pension plans, corresponds to the amount of the future benefits which employees accrued for service in current and previous years. This benefit is discounted, while the fair value of any assets is deducted from the liabilities. The discount rate is the return, at the reporting date, on the primary obligations whose maturity date approximates the terms of the obligations of the Company. The obligation is calculated using the projected unit credit method. Any actuarial gains or losses are recorded in the statement of financial in the year in which they arise.

Short-term employee benefits

Short-term employee benefits are recognised as undiscounted expenses when the services that generate them are provided.

F.I.L.A. S.p.A. records a liability for the amount that it expects will be paid in the presence of a present obligation, legal or constructive, as a consequence of past events and for which the obligation can be reliably estimated.

Financial liabilities

Financial liabilities are initially recognised at fair value, which essentially coincides with the sum received, less directly attributable transaction costs. Management determines the classification of financial liabilities according to the criteria laid down in IFRS 9 and cited in IFRS 7 on initial recognition.

Subsequent to initial recognition, such liabilities are measured at amortised cost, as defined in IFRS 9. Financial liabilities measured at amortised cost are measured at amortised cost, taking the interest to profit or loss according to the effective interest rate method or applying a rate that results in a nil balance of the present values of the net cash flows generated by the financial instrument. Nominal value is used as an approximation of amortised cost for instruments maturing within twelve months.

Financial instruments

Financial instruments are initially recognised at fair value and, subsequent to initial recognition, are measured on the basis of their classification, as per IFRS 9.

IFRS 9 classifies financial assets into three principal categories: at amortised cost, at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL). According to the standard, classification is usually based on the entity's business model for the financial assets and the contractual cash flow characteristics of each financial asset. The categories under IAS 39, that is, held-to-maturity, loans and receivables and available-for-sale, are eliminated. Under IFRS 9, derivatives embedded in contracts where the host contract is a financial asset falls within the scope of the standard are never to be separated. Rather, the hybrid instrument is examined as a whole to determine its classification.

IFRS 9 essentially maintains the provisions of IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 did not have significant impacts on the accounting policies applied by F.I.L.A. S.p.A. to financial liabilities and derivative financial instruments.

Derivative financial instruments

Derivatives are classified in the category "Hedging derivatives" if they satisfy the requisites for the application of so-called hedge accounting, otherwise, although in place in order to manage exposure to risk, they are recognised as "Non-hedging derivatives".

In accordance with IFRS 9, F.I.L.A. S.p.A. has elected to continue to apply the hedge accounting method and requirements set out in the standard previously in force, IAS 39, and thus to determine the hedge effectiveness of the derivative financial instrument. In particular, financial instruments are only accounted for under the hedge accounting methods adopted by the Company when the relationship between the derivative and the hedged item is formally documented and the hedge is highly effective (effectiveness test).

The effectiveness of hedges is documented both at the beginning of the transaction and periodically (at least at the annual or interim reporting dates).

When the hedging derivatives cover the risk of change in the fair value of the instruments subject to the hedge (fair value hedge), the derivatives are recognised at fair value with the effects in profit or loss When the derivatives hedge the risk of changes in the cash flows of the hedged instrument (cash flow hedge), the effective part of the changes in the fair value of the derivatives is recognised in the statement of comprehensive income and presented in the hedging reserve. The ineffective part of the changes in the fair value of the derivative instrument is immediately recognised in profit or loss.

The methods for the calculation of the fair value of these financial instruments, for accounting or disclosure purposes, are summarised below with regards to the main categories of financial instruments:

- derivative financial instruments: the pricing models are adopted based on the market values of the interest rates;
- unlisted financial assets and liabilities: for financial instruments with maturity greater than 1 year the discounted cash flow method was applied, i.e., the discounting of expected cash flows in consideration of current interest rate conditions and credit ratings, for the determination of the fair value on "first-time recognition". Subsequent measurements are made based on the "amortised cost" method;
- listed financial instruments: the market value at the reporting date is used.

In relation to financial instruments measured at fair value, IFRS 13 requires the classification of these instruments according to hierarchy levels, which reflect the significance of the inputs used in establishing the fair value. The following levels are used:

- Level 1: unadjusted asset or liability prices 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.

Trade payables and other liabilities

Trade payables and other liabilities are initially recognised at fair value, normally equal to the nominal amount, net of discounts, returns or invoice adjustments, and are subsequently measured at amortised cost. When there is a change in the cash flows and it is possible to estimate them reliably, the liabilities are recalculated to reflect this change, based on the present value of the cash flows and on the internal rate of return initially determined.

Current, deferred and other taxes

Income taxes include all the taxes calculated on the taxable income of the Company applying the tax rates in force at the reporting date.

Income taxes are recognised in profit or loss, except those relating to items directly credited or debited to equity, in which case the tax effect is recognised directly in equity.

Other taxes not related to income, such as taxes on property and capital gains, are included under other operating costs ("Services", "Use of third-party assets" and "Other charges"). The liabilities related to indirect taxes are classified under "Other Liabilities".

Deferred tax assets and liabilities are determined in accordance with the global assets/liability method and are calculated on the basis of the temporary differences arising between the carrying amounts of the assets and liabilities and the corresponding amounts recognised for tax purposes, taking into account the tax rate under current tax legislation for the years in which the differences will reverse, with the exception of non-tax deductible goodwill and those differences deriving from investments in subsidiaries which are not expected to reverse in the foreseeable future, and on the tax losses to be carried forward.
"Deferred Tax Assets" are classified under non-current assets and are recognised only when there is a high probability of future taxable profit to recover these assets.

The recovery of the "Deferred Tax Assets" is reviewed at each reporting date and those for which recovery is no longer probable are taken to profit or loss.

Revenue and costs

Revenue recognition

The revenue and income are recorded, as per IFRS 15, net of returns, discounts, rebates and premiums as well as direct taxes related to the sale of products and services. In particular, revenue is measured taking into account the consideration specified in the contract with the customer and is recognised when control of the good or service is transferred. As it concerns the sale of goods, revenue is recognised at a point in time, i.e. when control of the goods is transferred to the buyer, which generally coincides with their physical delivery.

Recognition of costs

Costs are recognised when relating to goods and services acquired or consumed in the year or when there is no future utility.
The costs directly attributable to share capital transactions are recorded as a direct reduction of equity.
Commercial costs relating to the acquisition of new customers are expensed when incurred.

Financial income and expense

Financial income includes interest income on liquidity invested, dividends received and income from the sale of available-for-sale financial assets. Interest income is recorded in profit or loss on an accruals basis using the effective interest method. Dividend income is recorded when the right of the Company to receive the payment is established which, in the case of listed securities, corresponds to the coupon date.

Financial expense includes interest on loans, discounting of provisions, dividends distributed on preference shares reimbursable, changes in the fair value of financial assets through profit or loss and impairment losses on financial assets. Borrowing costs are recognised in profit or loss using the effective interest method. Exchange differences are shown on a net basis.

Dividends

Dividends to be paid to shareholders are recognised on the date of the shareholders' resolution.

Earnings per share

The basic earnings/(loss) per share are calculated by dividing the Company's profit or loss by the weighted average shares outstanding during the year.
In order to calculate the diluted earnings/(loss) per share, the average weighted number of shares outstanding is adjusted assuming the conversion of all shares with potential dilutive effect.
The profit or loss for the year is also adjusted to account for the effects of the conversion, net of taxes.
The diluted earnings/(loss) per share are calculated by dividing the Company's profit or loss for the year by the weighted average number of ordinary shares outstanding during the year and those potentially arising from the conversion of all potential ordinary shares with dilutive effect.

Use of estimates

The preparation of the financial statements requires the directors to apply accounting principles and methods that, in some circumstances, are based on judgements and estimates based on experience and assumptions which are from time to time considered reasonable and realistic based on the relative circumstances. The application of these estimates and assumptions impact the carrying amount of the assets and liabilities and of the costs and revenue and the disclosure upon contingent assets and liabilities at the reporting date. Actual results may differ from these estimates.

The captions which require greater judgement by the Directors in the preparation of the estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the combined financial figures are briefly described below.

Measurement of receivables: trade receivables are adjusted by the loss allowance, taking into account the effective recoverable amount. The calculation of the impairment losses requires the directors to make judgements based on the documentation and the information available relating to the solvency of the customers, and from market and historical experience.

Measurement of goodwill and intangible assets with indefinite useful life: in accordance with the accounting principles applied by the Company, goodwill and the indefinite intangible assets are subject to impairment testing at least annually in order to verify whether a reduction in value has taken place. This assessment requires the directors to make judgements based on the information available within the Company and from the market, as well as from historical experience; this depends in addition on factors which may change over time, affecting the judgements and estimates made by the directors. In addition, when it is determined that there may be a potential impairment loss, the Company determines this through using the most appropriate technical valuation methods available.

Risk provisions: the identification of the existence of a present obligation (legal or constructive) in some circumstances may be difficult to determine. The directors evaluate these factors case-by-case, together with the estimate of the amount of the economic resources required to fulfil the obligation. When the directors consider that a liability is only possible, the risks are disclosed in the notes under the section on commitments and risks, without any provision.

Measurement of closing inventories: inventories of products which are obsolete or slow moving are periodically subject to impairment testing and written down where the recoverable amount is lower than the carrying amount. The write-downs are made based on assumptions and estimates of management deriving from experience and historic results.

Pension plans and other post-employment benefits: Management uses multiple statistical assumptions and valuation techniques with the objective of anticipating future events for the calculation of the charges, liabilities and assets relating to these plans. The assumptions relate to the discount rate, the expected return of the plan assets and the rate of future salary increases. In addition, the actuarial consultants of the Company use subjective factors, for example mortality and employee turnover rates.

The calculation of deferred tax assets is supported by a recoverability plan prepared on the basis of the assumptions which the directors consider reasonable. The transition to IFRS 16 introduces some elements of professional judgment that entail the use of assumptions and estimates with regard to the lease term and the definition of the incremental borrowing rate.

Introduction

F.I.L.A. S.p.A. operates in the creativity tools market, producing writing and design objects such as crayons, paints, modelling clay and pencils, etc..

F.I.L.A. S.p.A., Fabbrica Italiana Lapis ed Affini (hereafter "the Company") is a limited liability company 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.

The separate financial statements of the F.I.L.A. S.p.A. were prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union.

The information relating to the shareholding structure following the share capital increase fully subscribed in December 2018 is shown below:

For further details regarding the share capital increase, see Note 12 – Share capital and equity to F.I.L.A. S.p.A.'s financial statements as at and for the year ended December 31, 2019.

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

Shareholder	Ordinary shares	%
Pencil S.p.A.	13,694,564	31.95%
Venice European Investment Capital S.p.A.	3,875,832	9.04%
Sponsor	361,291	0.84%
Market Investors	24.935.253	58.17%
Total	**42,866,940**	

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	24,935,253		24,935,253	37.14%
Total	**42,866,940**	**8,081,856**	**50,948,796**	

These financial statements as at and for the year ended December 31, 2019, are presented in Euro, as the functional currency in which the Company operates and comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and the Notes and are accompanied by the Directors' Report.

Changes of accounting standards

F.I.L.A. S.p.A. has adopted IFRS 16 Leases from January 1, 2019, using the modified retrospective application method, on the basis of which the cumulative effect from initial application is recognised under retained earnings at January 1, 2019. Therefore, the 2018 comparative figures were not restated i.e. they were presented as previously, as per IAS 17 and the relative interpretations. In addition, the disclosure obligations imposed by IFRS 16 generally have not been applied to comparative information. The Company previously established at the commencement of the contract whether it was, or contained, a lease according to IFRIC 4. As per IFRS 16, in the presence of a lease, the Company assesses whether the contract is a lease or contains a lease according to the new definition of leases. According to IFRS

16 the 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.

At the initial application date of IFRS 16, the Company decided not to adopt the practical expedient which exempts re-examining which operations contain leases. IFRS 16 was applied by evaluating both all contracts that had previously been identified as leases and contracts that had not been identified as leases, by applying IAS 17 and IFRIC 4.

The Company has many assets under lease, such as buildings, production machinery and IT equipment. As lessee, previously the Company classified leases as operating or finance leases, assessing whether the lease transferred substantially all risks and benefits related to ownership of the underlying asset. According to IFRS 16, the Company recognises right-of-use assets and lease liabilities for the majority of leases.

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

Previously the Company recognised property leases as operating leases as per IAS 17. At the initial application date of these leases, the lease liabilities were calculated at the present value of the residual future lease payments, discounted according to the Company's incremental borrowing rate at January 1, 2019.

The Company 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 Company used the following practical expedients to apply IFRS 16 to leases classified previously as operating leases as per IAS 17. Specifically:

- exemption was applied from recognising right-of-use assets and lease liabilities for contracts whose duration is less than 12 months;
- right-of-use assets and lease liabilities were not recognised for leases of low value (e.g. EDP);
- initial direct costs were excluded in the measurement of right-of-use assets at the initial

application date; and

- past experience was used in determining the duration of leases.

The Company presents the right-of-use assets which do not satisfy the definition of investment property under "property, plant and equipment", the same caption used to present the underlying assets of the same type which it holds. The Company presents lease liabilities under financial liabilities in the statement of financial position.

At the commencement date of the lease, the Company records the right-of-use asset and the lease liability. Right-of-use assets are initially measured at cost, and subsequently at cost net of cumulative depreciation and impairment losses, adjusted to reflect lease liability revaluations. The Company measures the lease liabilities at the present value of the future payments 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 lease payments and is revalued in the case of changes to future lease payments deriving from a change in the index or rate or where the Company changes its assessment on the exercise or otherwise of a purchase, renewal or termination option. The Company has estimated the lease duration of some contracts in which it acts as lessee and which have renewal options. The Company's assessment of the existence or otherwise of a reasonable certainty of exercising the option influences the estimated lease duration, impacting the amount of the lease liabilities and the right-of-use assets recognised.

A reconciliation is shown below 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 deriving from operating leases at December 31, 2018	5,648
Lease extension options (net of short term and low value leases and discounting effect)	(3,384)
Financial liabilities deriving from the first adoption of IFRS 16	**2,264**
Finance lease liabilities at December 31, 2018	-
Total lease liabilities at January 1, 2019	**2,264**

Following the initial application of IFRS 16, for leases previously classified as operating leases, the Company recognised a right-of-use asset and lease liabilities of respectively Euro 2,024 thousand and Euro 2,089 thousand at December 31, 2019. In relation to leases recognised as per IFRS 16, at December 31, 2019 the Company recognised depreciation and interest instead of operating lease costs of respectively Euro 474 thousand and Euro 102 thousand. The Company in addition recognised the positive effect of Euro 510 thousand from the reversal of the operating lease instalments of the Company in 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. There was no material impact on F.I.L.A. S.p.A.'s statement of cash flows for 2019.

Statement of Financial Position

in Euro	December 31, 2019 After Adjustments	IFRS Adjustments	December 31, 2019 Before Adjustments
Assets	**491,283**	**2,043**	**489,240**
Non-Current Assets	**383,016**	**2,043**	**385,059**
Intangible Assets	6,599	-	6,599
Property, Plant and Equipment	10,499	2,024	12,523
Non-Current Financial Assets	11,454	-	11,454
Equity investments	348,744	-	348,744
Deferred Tax Assets	5,720	18	5,738
Current Assets	**108,267**		**108,267**
Current Financial Asset	31,634	-	31,634
Current Tax Assets	2,978	-	2,978
Inventories	25,152	-	25,152
Trade Receivables and Other Assets	16,923	-	16,923
Cash and Cash Equivalents	31,579	-	31,579

Liabilities and Equity	**491,283**	**2,042**	**489,240**
Equity	**271,080**	**(47)**	**271,033**
Share Capital	46,876	-	46,876
Reserves	134,563	-	134,563
Retained Earnings	78,319	-	78,319
Profit for the year	11,322	(47)	11,275
Non-Current Liabilities	**184,704**	**1,685**	**183,018**
Non-Current Financial Liabilities	177,218	1,685	175,533
Financial Instruments	3,797	-	3,797
Employee Benefits	1,700	-	1,700
Provisions for Risks and Charges	653	-	653
Deferred Tax Liabilities	1,336	-	1,336
Current Liabilities	**35,499**	**404**	**38,548**
Current Financial Liabilities	14,969	404	14,565
Provisions for Risks and Charges	36	-	36
Current Tax Liabilities	725	-	725
Trade Payables and Other Liabilities	19,768	-	19,768

Statement of Comprehensive Income

Euro thousand	**December 31, 2019 After Adjustments**	**IFRS Adjustments**	**December 31, 2019 Before Adjustments**
Revenue from Sales and Service	74,884	-	74,884
Other Revenue and Income	6,769	-	6,769
Total Revenue	**81,563**		**81,563**
Raw Materials, Consumables, Supplies and Goods	(34,600)	-	(34,600)
Services and Use of Third-Party Assets	(19,534)	(510)	(20,045)
Other Costs	(438)	-	(438)
Change in Raw Materials, Semi-Finished products, Work-in-progress & Finished	(3,920)	-	(3,920)
Personnel expense	(11,715)	-	(11,715)
Amortisation and Depreciation	(4,925)	474	(4,451)
Impairment losses on trade receivables and other assets	(593)	-	(593)
Total Operating Costs	**(75,725)**	**(37)**	**(75,762)**
Operating profit	**5,928**	**(37)**	**5,892**
Financial Income	13,918	-	13,918
Financial Expense	(6,823)	102	(6,721)
Impairment gains on financial assets	111	-	111
Impairment losses on equity-accounted investees	-	-	-
Net financial income	**7,206**	**102**	**7,308**
Pre-Tax Profit (loss)	**13,134**	**65**	**13,200**
Income Taxes	(592)	-	(592)
Deferred Taxes	(1,221)	(18)	(1,239)
Total Income Taxes	**(1,813)**	**(18)**	**(1,831)**
Profit for the Year	**11,322**	**47**	**11,369**
Other Comprehensive Expense which may be reclassified subsequently to Profit or Loss	**(2,228)**	-	**(2,228)**
Adjustment Fair value of Hedges	(2,228)	-	(2,228)
Other Comprehensive Expense which may not be reclassified subsequently to Profit or Loss	**(68)**	-	**(68)**
Actuarial Gains/(Losses) on Employee Benefits recorded directly in Equity	(103)	-	(103)
Income Taxes and expenses recorded directly in Equity	35	-	35
Other Comprehensive Income Items (net of tax effect)	**2,296**	-	**2,296**
Total Comprehensive Income	**9,026**	**47**	**9,073**

Note 1 - Intangible Assets

"Intangible Assets" at December 31, 2019 amount to Euro 6,599 thousand (Euro 5,970 thousand at December 31, 2018) and consist only of intangible assets with finite useful lives.

The table below shows the changes in the year:

Note 1 - INTANGIBLE ASSETS WITH FINITE LIFE					
Euro thousands	Industrial Patents & Intellectual Property Rights	Concessions, Licenses, Trademarks & Similar Rights	Assets under development	Other Intangible Assets	Total
Change in Historical Cost					
December 31, 2017	**190**	**3,082**	**2,008**	**2,515**	**7,795**
Increases	**9**	**17**	**1,352**	**3,019**	**4,397**
Investments	9	17	3,068	1,303	4,397
Transfers from assets under development	-	-	(1,716)	1,716	-
December 31, 2018	**200**	**3,099**	**3,360**	**5,533**	**12,192**
Increases	-	**51**	**(1,570)**	**5,095**	**3,576**
Investments	-	51	1,756	1,769	3,576
Transfers from assets under development	-	-	(3,326)	3,326	-
December 31, 2019	**200**	**3,151**	**1,790**	**10,627**	**15,768**
Accumulated amortisation					
December 31, 2017	**(147)**	**(2,707)**	**-**	**(2,111)**	**(4,965)**
Increases	**(10)**	**(73)**	**-**	**(1.174)**	**(1.257)**
Amortisation of the year	(10)	(73)	-	(1,174)	(1,257)
December 31, 2018	**(158)**	**(2,780)**	**-**	**(3,284)**	**(6,222)**
Increases	**(10)**	**(73)**	**-**	**(2,864)**	**(2,947)**
Amortisation of the year	(10)	(73)	-	(2,864)	(2,947)
December 31, 2019	**(168)**	**(2,853)**	**-**	**(6,148)**	**(9,169)**
Carrying Amount at December 31, 201	**43**	**376**	**2,008**	**403**	**2,830**
Carrying Amount at December 31, 201	**42**	**320**	**3,360**	**2.248**	**5,970**
Carrying Amount at December 31, 201	**31**	**298**	**1,790**	**4.480**	**6,599**
Change 2019 - 2019	**(11)**	**(22)**	**(1,570)**	**2.232**	**629**

"Industrial patents and intellectual property rights" amount to Euro 31 thousand at December 31, 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 December 31, 2019, is 5 years.

"Concessions, Licenses, Trademarks and Similar Rights" amount to Euro 298 thousand at December 31, 2019 (Euro 320 thousand at December 31, 2018) and include the costs incurred for the registration and acquisition of trademarks necessary for the marketing of F.I.L.A. products.

The average residual useful life of the "Concessions, Licenses, Trademarks and Similar Rights", recorded in the financial statements at December 31, 2019, is 10 years.

“Assets under development” totalled Euro 1,790 thousand at December 31, 2019 (Euro 3,360 thousand at December 31, 2018) and include costs relating to the capitalisation of software licenses owned for the SAP system, although not activated in 2019, in addition to consultancy costs incurred for the roll out and development of the Group ERP.
“Other” amount to Euro 4,480 thousand at December 31, 2019 (Euro 2,248 thousand at December 31, 2018) and include costs relating to the capitalisation of the software licenses related to the SAP system activated for the full year 2019 and the consultancy and personnel expense incurred to implement and develop the Company’s ERP system. The average residual useful life of other intangible assets recorded in the financial statements at December 31, 2019, is 3 years.

There are no intangible assets whose usage is subject to restrictions (for further details, reference should be made to the “Directors’ Report - Commitments and Guarantees”).

Note 2 - Property, Plant and Equipment

"Property, Plant and Equipment" at December 31, 2019 amounts to Euro 10,498 thousand (Euro 9,328 thousand at December 31, 2018), comprising for Euro 8,474 thousand Property, Plant and Equipment ("Note 2.A - Property, Plant and Equipment") and for Euro 2,023 thousand Right-of-Use Assets ("Note 2.B - Right-of-Use Assets").

The table below shows the changes in the year:

Note 2.A - Property, Plant and Equipment

Note 2 - PROPERTY, PLANT AND EQUIPMENT							
Euro thousands	Land	Buildings	Plant and Machinery	Industrial & Commercial Equipment	Other Assets	Assets under construction	Total
Change in Historical Cost							
December 31, 2017	**1,977**	**9,573**	**17,792**	**8,821**	**1,226**	**11**	**39,400**
Increases	**-**	**-**	**178**	**145**	**38**	**1,025**	**1,386**
Investments	-	-	151	131	38	1,066	1,386
Transfers from assets under construction	-	-	27	14	-	(41)	-
Decreases	**-**	**-**	**(44)**	**(3)**	**(20)**	**-**	**(67)**
Divestments	-	-	(44)	(3)	(20)	-	(67)
December 31, 2018	**1,977**	**9,573**	**17,925**	**8,963**	**1,245**	**1,036**	**40,719**
Increases	**-**	**103**	**1,039**	**383**	**52**	**(920)**	**657**
Investments	-	6	94	80	52	425	657
Transfers from assets under construction	-	97	945	303	-	(1,345)	-
Decreases	**-**	**-**	**(11)**	**-**	**(12)**	**-**	**(23)**
Divestments	-	-	(11)	-	(7)	-	(18)
Impairment Losses					(5)		(15)
December 31, 2019	**1,977**	**9,676**	**18,954**	**9,346**	**1,284**	**115**	**41,352**
Change in Accumulated Depreciation							
December 31, 2017		**(6,868)**	**(13,862)**	**(8,377)**	**(951)**		**(30,058)**
Increases		**(369)**	**(726)**	**(227)**	**(77)**		**(1,399)**
Depreciation of the year		(369)	(726)	(227)	(77)		(1,399)
Decreases		**-**	**44**	**3**	**20**		**67**
Divestments		-	44	3	20		67
December 31, 2018		**(7,237)**	**(14,544)**	**(8,601)**	**(1,009)**	**0**	**(31,391)**
Increases		**(372)**	**(745)**	**(314)**	**(73)**	**-**	**(1,504)**
Depreciation of the year		(372)	(745)	(314)	(73)	-	(1,504)
Decreases		**-**	**11**	**-**	**6**	**-**	**18**
Divestments		-	11	-	6	-	18
December 31, 2019		**(7,608)**	**(15,278)**	**(8,914)**	**(1,078)**	**0**	**(32,877)**
Carrying Amount at December 31, 2017	**1,977**	**2,705**	**3,929**	**444**	**275**	**11**	**9,341**
Carrying Amount at December 31, 2018	**1,977**	**2,336**	**3,381**	**362**	**236**	**1,036**	**9,328**
Carrying Amount at December 31, 2019	**1,977**	**2,068**	**3,676**	**432**	**206**	**115**	**8,474**
Change 2019 - 2018	**-**	**(268)**	**295**	**70**	**(30)**	**(921)**	**(854)**

"Land" at December 31, 2019, amounting to Euro 1,977 thousand (Euro 1,977 thousand at December 31, 2018), is comprised of land adjacent to the building owned at the production site in Rufina Scopeti (Florence, Italy).

"Buildings" at December 31, 2019 totalling Euro 2,068 thousand (Euro 2,336 thousand at December 31, 2018) concern the company's buildings located in Rufina Scopeti (Florence, Italy).
"Plant and Machinery" amounts to Euro 3,676 thousand at December 31, 2019 (Euro 3,381 thousand at December 31, 2018) and mainly includes investments in machinery for the production plant at Rufina Scopeti (Florence, Italy).
At the same time, the caption increased due to investments in new plant and machinery to expand the current production capacity and to streamline production (Euro 295 thousand).

"Industrial and Commercial Equipment" amount to Euro 432 thousand at December 31, 2019 (Euro 362 thousand at December 31, 2018) and mainly relates to investments in production moulds and the updating of the production plant at Rufina Scopeti (Florence, Italy).

"Other Assets" amount to Euro 206 thousand at December 31, 2019 (Euro 236 thousand at December 31, 2018) and include furniture and office equipment, electronic office equipment and cars.

"Assets under construction" amounts to Euro 115 thousand at December 31, 2019 and mainly include the costs incurred for investments in new plant and machinery not yet operational at the reporting date, intended to expand current production capacity and increase the efficiency of the production process at the Rufina plant.

Note 2.B - Right-of-Use Assets

Nota 2.B RIGHT-OF-USE ASSETS				
Euro thousands	**Buildings**	**Plant and machinery**	**Other assets**	**Total**
Historic cost				
December 31, 2018	-	-	-	-
Increases	**1,777**	**53**	**667**	**2,497**
Investments	1,777	53	667	2,497
December 31, 2019	**1,777**	**53**	**667**	**2,497**
Accumulated depreciation				
December 31, 2018	-	-	-	-
Initial recognition	**(271)**	**(15)**	**(187)**	**(473)**
Depreciation	(271)	(15)	(187)	**(473)**
December 31, 2019	**(271)**	**(15)**	**(187)**	**(473)**
Carrying amount at December 31, 2018	-	-	-	-
Carrying amount at December 31, 2019	**1,506**	**38**	**480**	**2,024**
Change	**1,506**	**38**	**480**	**2,024**

The adoption of IFRS 16 according to the amended retrospective method resulted in the recognition from January 1, 2019 of right-of-use assets without restatement of previous periods. Right-of-use assets at December 31, 2019 amounted to Euro 2,023 thousand and mainly refer to the buildings rented at the registered office in Pero and to company car leases.

Note 3 – Financial Assets

"Financial Assets" amount to Euro 43,089 thousand at December 31, 2019 (Euro 55,263 thousand at December 31, 2018).

The breakdown of the "Financial Assets" at December 31, 2019 and at December 31, 2018 is shown below:

Note 3.A - FINANCIAL ASSETS					
Euro thousands		**Loans and Receivables - Subsidiaries**	**Derivative Financial Instruments**	**Other Financial Assets - Third Parties**	**Total**
December 31, 2018		**54,976**	**-**	**287**	**55,265**
	non-current portion	12,567	-	9	12,576
	current portion	42,409	-	278	42,688
December 31, 2019		**42,867**	**-**	**221**	**43,089**
	non-current portion	11,310	-	145	11,455
	current portion	31,557	-	76	31,634
Change		**(12,109)**	**-**	**(66)**	**(12,175)**
	non-current portion	(1,257)	-	136	(1,121)
	current portion	(10,852)	-	(202)	(11,054)

The account "Loans and Receivables - subsidiaries -non-current portion" includes:

- Loans granted in favour of FILA Stationery O.O.O. (Russia) for Euro 633 thousand, as conversion of the trade payable to the Parent. The loan accrues interest equal to Euribor at 3 months, plus a spread of 375 basis points (floor 0);
- Loans granted in favour of Daler Rowney Ltd. (United Kingdom) for Euro 4,200 thousand in 2017, 2018 and 2019. The amount does not include Euro 88 thousand interest reclassified to current assets. The loan accrues interest at a variable rate equal to Euribor at 3 months, plus a spread of 350 basis points (floor 0);
- Loan granted to Dixon Ticonderoga (U.S.A.) of Euro 3,136 thousand in 2018. The amount does not include Euro 30 thousand of interest reclassified to current assets. The loan vests interest at a variable rate equal to Euribor at 3 months, plus a spread of 300 basis points (floor 0);
- Loan granted to Industria Maimeri (Italy) of Euro 113 thousand in 2014. The amount does not include Euro 1 thousand interest reclassified to the current portion. The loan accrues interest at a variable rate equal to Euribor at 6 months, plus a spread of 200 basis points;
- Loan granted in favour of Canson SaS (France) for Euro 3,245 thousand during 2019 relating to a previous loan to Canson do Brasil following the share capital increase of the Brazilian

company. The amount does not include Euro 33 thousand of interest reclassified to the current portion. The loan accrues interest at a variable rate equal to Euribor at 3 months, plus a spread of 315 basis points (floor 0);

- Recognition of a loss allowance (IFRS 9) on the above long-term loans, calculated on the basis of their average term (three years) and the country risk, in the amount of Euro 17 thousand.

The caption "Loans and Receivables - subsidiaries -current portion" includes:

- the current portion of the non-interest-bearing loan, granted to Industria Maimeri S.p.A. (Italia) in 2014 of Euro 550 thousand decreased by Euro 300 thousand, following the waiver by F.I.L.A. S.p.A. for the recapitalisation of the company. This loan did not accrue interest as it is a non-interest-bearing loan;
- the current portion, for a total of Euro 22,016 thousand, of loans issued in favour of Canson Sas (France – Euro 19,156 thousand), Canson Australia Pty Ltd. (Australia – Euro 1,661 thousand) and Lodi 12 Sas (France - Euro 422 thousand). During the year, EuroHoldham's share of Euro 10,153 thousand and Canson Inc.'s (now Dixon Ticondroga) share of Euro 1,874 thousand were reimbursed. The amount includes Euro 232 thousand of accrued interest. The loans bear interest at a variable rate equal to the three-month Euribor, plus a spread of 375 basis points;
- the current portion of the loan, amounting to Euro 1,373 thousand, granted to the subsidiary Canson Brasil I.P.E. Ltda (Brazil - formerly Licyn Mercantil Industrial Ltda). The amount includes Euro 390 thousand of accrued interest. During 2019, the principal portion of the previous loan of Euro 4,245 thousand was assumed by the company Canson SaS for the recapitalisation of Canson Brasil I.P.E. Ltda, as previously outlined. The loan accrues interest at a variable rate equal to Euribor at 3 months, plus a spread of 315 basis points (floor 0);
- the current portion of the loan, amounting to Euro 11 thousand, granted to FILA SA PTY Ltd. (South Africa) regarding only the payable for interest on the old loan repaid in 2019;
- the current portion of the loan, amounting to Euro 916 thousand, granted to FILA Stationary O.O.O. (Russia). The amount includes Euro 120 thousand of accrued interest. The loan accrues interest at a variable rate equal to Euribor at 3 months, plus a spread of 280 basis points and 375 basis points (floor 0);
- the current portion of the non-interest-bearing loan, granted to Industria Maimeri S.p.A. (Italia) in 2014 of Euro 550 thousand decreased by Euro 300 thousand, following the waiver by F.I.L.A. S.p.A. for the recapitalisation of the company. This loan did not accrue interest as it is a non-interest-bearing loan;
- the current portion of the loan, amounting to Euro 113 thousand, granted to Industria Maimeri S.p.A. (Italy) for a total of Euro 225 thousand. The amount includes Euro 1 thousand of accrued

interest. The loan accrues interest at a variable rate equal to Euribor at 6 months, plus a spread of 200 basis points;

- the current portion of the loan, amounting to Euro 403 thousand, granted to Industria Maimeri S.p.A. (Italy). The amount includes Euro 3 thousand of interest accrued. The loan accrues interest at a variable rate equal to Euribor at 3 months, plus a spread of 300 basis points (floor 0);
- the current portion of the loan, amounting to Euro 880 thousand, granted to Daler Rowney Ltd. (United Kingdom) in 2016. The amounts are reported net of repayments in 2019 totalling Euro 200 thousand. The amount includes Euro 88 thousand of accrued interest. The loan accrues interest at a variable rate equal to Euribor at 6 months, plus a spread of 350 basis points (floor 0);
- the current portion of the loan, amounting to Euro 1,122 thousand, granted to Daler Rowney Ltd. (United Kingdom) in 2019. The loan does not accrue interest;
- the current portion of the loan, amounting to Euro 1,902 thousand, granted to Daler Rowney Ltd. (United Kingdom) in 2019. The amount includes Euro 1 thousand of accrued interest. The loan accrues interest at a variable rate equal to Euribor at 3 months, plus a spread of 300 basis points (floor 0);
- the current portion of the loan, amounting to Euro 221 thousand, granted to FILA Art Product AG (Switzerland) in 2017. The amounts are reported net of repayments in 2019 totalling Euro 18 thousand. The loan accrues interest at a variable rate equal to Euribor at 6 months, plus a spread of 300 basis points (floor 0);
- the current portion of the loan, amounting to Euro 2,283 thousand, granted to Dixon Ticonderoga (USA) totalling Euro 3,801 thousand in 2018, in addition to the residual portion of the loan previously undertaken by Canson Inc. The amount includes Euro 30 thousand of accrued interest. The loan accrues interest at a variable rate equal to Euribor at 3 months, plus a spread of 300 basis points (floor 0) and at a variable Euribor 3-month rate plus 375 basis points;
- the current portion of the loan, amounting to Euro 604 thousand, granted to Fila Art & Craft (Israel) in 2018. The amount includes Euro 10 thousand of accrued interest. The amounts are reported net of repayments in 2019 totalling Euro 20 thousand. The loan accrues interest at a variable rate equal to Euribor at 3 months, plus a spread of 270 basis points.

“Other Financial Assets - Third Parties” of Euro 220 thousand (Euro 361 thousand at December 31, 2018) include:
Deposits paid to third parties as contractual guarantees for the provision of services and goods (Euro 10 thousand);

A loan disbursed in 2017 to Gianni Maimeri, a non-controlling interest of Industria Maimeri S.p.A., in the amount of Euro 276 thousand. In 2019, a partial repayment of Euro 67 thousand was made. The amount includes Euro 8 thousand of accrued interest. The loan accrues interest at a fixed rate of 200 basis points.

Details on the timing of cash flows and financial assets at December 31, 2019 are illustrated in the following table:

Note 3.B - FINANCIAL ASSETS

Description	General information								Amount					Guarantees Received	Guarantees Granted
	Amount		Total	Year	Currency	Country	Interest		Current Financial Assets	Non-Current Financial Assets					
Euro thousands	Principal	Interest					Variable	Spread	2020	2021	2022	2023	After 2023		
Security Deposits	10	-	10	2004-15-19	EUR	Italy	0%	0.00%	-	-	-	-	10	None	None
Loan to third parties	203	8	211	2015	EUR	Italy	0%	2.00%	76	68	68	-	-	None	None
Loan Canson Sas (France)	22,214	187	22,401	2016	EUR	France	Euribor 3 mesi	3.75% - 3.15%	19,156	1,200	1,400	645,00	-	None	None
Loan Lodi 12 Sas (France)	418	4	422	2016	EUR	France	Euribor 3 mesi	3.75%	422	-	-	-	-	None	None
Loan Canson Australia (Australia)	1,619	42	1,661	2016	EUR	Australia	Euribor 3 mesi	3.75%	1,661	-	-	-	-	None	None
Loan Daler Rowney Ltd. (UK)	5,000	88	5,088	2016-2019	EUR	UK	Euribor 3 mesi	3.50%	888	4,200	-	-	-	None	None
Loan Daler Rowney Ltd. (UK)	1,122		1,122	2019	EUR	UK		0.00%	1,122	-	-	-	-		
Loan Daler Rowney Ltd. (UK)	1,901	1	1,902	2019	EUR	UK	Euribor 3 mesi	3.00%	1,902	-	-	-	-		
Loan Industria Maimeri S.p.A. (Italy)	550		550	2014-2015	EUR	Italy		0.00%	550	-	-	-	-	None	None
Loan Industria Maimeri S.p.A. (Italy)	400	3	403	2014	EUR	Italy	Euribor 3 mesi	3.00%	403	-	-	-	-	None	None
Loan Industria Maimeri S.p.A. (Italy)	225	1	226	2018	EUR	Italy	Euribor 6 mesi	2.00%	113	56	56	-	-	None	None
Loan Dixon Ticonderoga (U.S.A.)	5,388	30	5,418	2018	EUR	U.S.A.	Euribor 3 mesi	3.00% - 3.75%	2,283	665	950	1,521	-	None	None
Fila Sud Africa	-	11	11	2018	USD	South Africa	0	0.00%	11					None	None
Loan Canson Brasil I.P.E. Ltda (Brazil)	983	390	1,373	2012	EUR	Brazil	Euribor 3 mesi	3.50%	1,373	-	-	-	-	None	None
Loan FILA Stationery O.O.O. (Russia)	1,429	120	1,549	2013-2017	EUR	Russia	Euribor 3 mesi	2.80% - 3.75%	916	70	70	493	-	None	None
Loan F.I.L.A. Art & Craft (Israel)	600	4	604	2018	EUR	Israel	Euribor 3 mesi	2.7%	604					None	None
Loan FILA Art & Product AG (Switzerland)	221		221	2017	EUR	Switzerland	Euribor 6 mesi	3.00%	221	-	-	-	-	None	None
Allowance for impairment (IFRS9)	- 84		- 84						- 67	- 17					
Total amount	**42,199**	**889**	**43,087**						**31,633**	**6,242**	**2,544**	**2,659**	**10**		

As per IFRS 7, the accounting treatment by class of financial assets at December 31, 2019 was as follows:

Euro thousands		December 31, 2019	Asset and liabilities measurement at FVOCI	Assets and Liabilities at Amortised Cost	Total
Non-Current assets					
Non-Current financial assets	Note 3	**11,454**		11,454	**11,454**
Current assets					
Current financial assets	Note 3	**31,634**		31,634	**31,634**
Trade Receivables and Other Assets	Note 8	**16,923**		16,923	**16,923**
Cash and Cash Equivalents	Note 9	**31,579**		31,579	**31,579**

Euro thousands		December 31, 2018	Asset and liabilities measurement at FVOCI	Assets and Liabilities at Amortised Cost	Total
Non-Current assets					
Non-Current financial assets	Note 3	**12,577**		12,577	**12,577**
Current assets					
Current financial assets	Note 3	**42,688**		42,688	**42,688**
Trade Receivables and Other Assets	Note 8	**20,242**		20,242	**20,242**
Cash and Cash Equivalents	Note 9	**19,193**		19,193	**19,193**

Note 4 - Equity Investments

"Equity Investments" at December 31, 2019 amount to Euro 348,743 thousand (Euro 337,139 thousand at December 31, 2018). The changes of the year are shown below:

Note 4.A - EQUITY INVESTMENTS

Euro thousands	Investments in Subsidiaries	Investments in Associates	Investments in Other Companies	Total Amount
December 31, 2018	**337,109**	**28**	**2**	**337,139**
Increases in the year	11,605	-	-	11,605
December 31, 2019	**348,713**	**28**	**2**	**348,743**
Change in year	**11,604**	**-**	**-**	**11,605**

The increase of the year totalling Euro 11,604 thousand relates to the following:
The effect of the early closure of the "2017-2019 Performance Shares Plan" concerning ordinary F.I.L.A. S.p.A. shares reserved for Group executives and managers (Euro -324 thousand);
The effect of the recognition of the new "2019-2021 Performance Shares Plan" concerning ordinary F.I.L.A. S.p.A. shares reserved for Group executives and managers (Euro 946 thousand);
SBP shares held by overseas managers are recognised as equity investments against the future subscription of company shares.
The share capital increase of F.I.L.A. Stationary and Office Equipment Industry Ltd Co. (Turkey) for Euro 3,351 thousand, of which Euro 1,614 thousand to cover prior year losses and Euro 1,737 thousand for share capital increases.
Increase due to share capital increase of F.I.L.A. SA PTY Ltd (South Africa) for Euro 3,748 thousand.
Furthermore, 50% of the shares in the company Fila Hellas were purchased for a total of Euro 2,784 thousand, in addition to the issue of new shares for Euro 1 thousand.
Finally, the company Fila-Arches was opened as a preparatory step to the acquisition of the Arches Group at the start of March, with an initial capital injection of Euro 10 thousand.
Increase for recapitalisation of Industria Maimeri S.p.A. by waiving the short-term loan portion, as explained in Note 2, for an amount of Euro 300 thousand
In addition, as part of the group reorganisation, the shareholding in Dixon Ticonderoga Company increased due to the incorporation of Eurholdham Inc. for an amount of Euro 17,093 thousand, and an increase in the shareholding in Canson SAS due to the incorporation of Omyacolor for Euro 3,417 thousand, of which Euro 789 thousand relating to the purchase of non-controlling interests in Omyacolor prior to the incorporation.

Investments in subsidiaries at December 31, 2019 and the changes of the year are illustrated in the table below:

Current Financial Assets				
Euro thousands	**December 31, 2018**	**Increases**	**Decreases**	**December 31, 2019**
F.I.L.A.	204	14	-	218
Omyacolor	2,667	789	(3,456)	-
Dixon Ticonderoga Co.(U.S.A.)	90,048	17,670	-	107,718
F.I.L.A. Chile Ltda (Chile)	62	-	-	62
Lyra Bleistift-Fabrik GmbH & Co. KG	12,454	-	-	12,454
FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey)	717	3,352	-	4,069
FILA Art & Craft (Israel)	-	-	-	-
FILA Stationery O.O.O. (Russia)	95	-	-	95
Industria Maimeri S.p.A.	946	300	-	1,246
FILA S.A. (Pty) Ltd. (South Africa)	-	3,747	-	3,747
FILA Hellas S.A. (Greece)	12	2,785	-	2,797
FILA Australia Pty Ltd (Australia)	-	-	-	-
Fila Polska Sp. Z.o.o (Polond)	44	-	-	44
DOMS Industries PTV Ltd (India)	57,278	-	-	57,278
Renoir Topco Limited (UK)	97,270	11	-	97,281
St. Cuthberts Holdings Limited (UK)	6,727	-	-	6,727
Canson SAS (France)	34,312	3,475	-	37,787
Lodi 12 SAS (France)	17,133	-	-	17,133
Eurholdham USA Inc. (U.S.A.)	17,093	-	(17,093)	-
Canson Brasil Industria Papeis Especiais Ltda (Brazil)	-	-	-	-
Fila Arches (France)	-	10	-	10
Fila Art Products AG (Switzerland)	48	-	-	48
Total	**337,109**	**32,153**	**(20,549)**	**348,715**

For further details, reference should be made to the “Significant events in the year” paragraph.

A comparison between equity investments and the share of equity of the subsidiaries at December 31, 2019 is illustrated in the table below:

Subsidiaries *Euro thousands*	**Equity at December 31, 2019**	**Net profit (loss) for the year**	**Total percentage of investment****	**Equity Share**	**Net carrying amount**
Dixon Ticonderoga Company (U.S.A.)*	178,092	22,134	100,00%	178,092	107,718
F.I.L.A. Iberia S.L. (Spain)	8,363	2,916	96,77%	8,093	218
Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG (Germany)	11,715	1,652	100,00%	11,715	12,454
FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey)	2,072	194	99,99%	2,072	4,070
Fila Polska Sp. Z.o.o (Poland)	1,098	408	51,00%	560	44
Fila Hellas SA (Greece)	1,483	584	100,00%	1,483	2,797
Industria Maimeri S.p.A. (Italy)	(203)	(739)	51,00%	(104)	1,246
Fila SA PTY LTD (South Africa)	2,514	(145)	90,00%	2,263	3,747
Fila Stationary O.O.O. (Russia)	(277)	348	90,00%	(249)	95
DOMS Industries PVT LTD	48,857	3,649	51,00%	24,917	57,278
Ronoir Topo Ltd (United Kingdom)	78,429	(677)	100,00%	78,429	97,281
St. Cuthbert Holding (England)	6,547	106	100,00%	6,547	6,726
Canson SAS (France)	49,413	3,481	100,00%	49,413	37,787
Lodi 12 SAS (France)	418	22	100,00%	418	17,133
Canson Brasil Industria Papeis Especiais Ltda (Brazil)	2,827	(734)	0,04%	1	0
Fila Art and Craft Ltd (Israel)	152	175	51,00%	78	0
Fila Art Products AG (Swizerland)	32	7	52,00%	17	48

Figures concern approved financial statements at December 31, 2019
** includes 1% of F.I.L.A CHILE LTDA held by F.I.L.A. S.p.A.*

The investments held by F.I.L.A. S.p.A. in subsidiaries were subject to impairment tests where indicators highlighted a possible impairment loss, comparing the carrying amount in the financial statements with the recoverable amount from the financial statements approved by the Board of Directors as per the Impairment Tests ("Equity Value"), at least on an annual basis. The "Value in use" was used to establish the recoverable value of investments. The Value is use as per IAS 36 is calculated as the present value of expected cash flows.

The expected cash flows for the calculation of the "Value in use" of each subsidiary are developed based on the information received from and approved by the Boards of Directors of the individual subsidiaries in the 2020 Group Budget and the Business Plan approved by the Board of Directors on February 15, 2019.

In particular, the cash flows were determined based on the assumptions in the plan and applying the growth rate identified for each subsidiary in line with the long-term assumptions relating to the growth rate of the sector and the specific country risk in which each company operates. The "Terminal Value" was calculated applying the perpetuity growth method. These financial estimates were subject to approval by the Boards of Directors of the individual Group companies subject to impairment testing.

The discount rate (W.A.C.C.) is the weighted average cost of risk capital and borrowing cost considering the tax effects generated by the financial leverage.

The table below outlines the main assumptions for the impairment test on the investments held. The discount rate is different from December 31, 2018 to reflect the changed market conditions at December 31, 2019, as commented upon below:

IMPAIRMENT TEST - VALUE IN USE CALCULATION ASSUMPTIONS

Euro thousands	Discount Rate (W.A.C.C.)	Growth Rate (g rate)	Cash flow horizon	Terminal Value Calculation Method
FILA SA (South Africa)	12.72%	4.7%	5 years	Perpetuity growth rate
Fila Stationary O.O.O. (Russia)	12.12%	3.8%	5 years	Perpetuity growth rate
Fila Stationary and Office Equipment Industry Ltd. Co (Turkey)	18.11%	7.7%	5 years	Perpetuity growth rate
DOMS Industries Pvt Ltd (India)	11.89%	4.2%	5 years	Perpetuity growth rate
Industria Maimeri S.p.A. (Italy)	7.63%	1.5%	5 years	Perpetuity growth rate
Renoir Topco Ltd (UK) (1)	6.79%	2.0%	5 years	Perpetuity growth rate
St. Cuthberts Holding (UK) (4)	6.79%	2.0%	5 years	Perpetuity growth rate
FILA Art Products AG (Switzerland)	5.49%	1.0%	5 years	Perpetuity growth rate
Fila Hellas	12.06%	1.5	5 years	Perpetuity growth rate
Lodi 12 (France) (2)	5.89%	2.0%	5 years	Perpetuity growth rate
Johan Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG (Germania)(4)	5.60%	1.9%	5 years	Perpetuity growth rate

(1) - 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);Brideshore srl (Dominican Republic); Daler USA Ltd (USA) Daler Designs Ltd (UK); Daler Rowney GmbH (Germany); Lukas-Nerchau GmbH (Germany); Nerchauer Malfarben GmbH (Germany); Lastmill Ltd (UK); Rowney & Company Pencils Ltd (UK); Rowney (Artists Brushes) Ltd (UK).

(2) - Lodi 12 SAS (France); Canson Australia PTY LTD (Australia); Canson Qingdao Ltd.(China) Fila Yixing (China); Canson Italy (Italy).

(3) - St. Cuthberts Holding (UK); St. Cuthberts Mill (UK)

(4) - Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG (Germania); FILA Nordic AB (Svezia); PT. Lyra Akrelux (Indonesia)

** Source Bloomberg (source of tax rate: KPMG tax advisory)*

With regard to the main considerations on the changes of the year in the discount rates used, reference should be made to "Note 1 - Intangible assets" of the Notes to the consolidated financial statements at December 31, 2019.

Considering the existence of indicators of impairment, impairment tests were carried out on the following subsidiaries:

- Industria Maimeri S.p.A. (Italy);
- F.I.L.A. SA PTY LTD (South Africa);
- FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey);
- Fila Stationary O.O.O. (Russia);
- Renoir Topco Ltd (United Kingdom);
  Eurholdham USA Inc. (U.S.A.);
- Canson Brasil I.P.E. LTDA (Brazil);
- DOMS Industries Pvt Ltd (India);
- St. Cuthberts Holding (UK);
- Fila Art Products AG (Switzerland);
- Canson SAS (France);
- Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. Kg (Germany);
- Lodi 12 (France).

No impairment losses emerged on the companies subject to testing and no impairment losses were recognised. The Group is planning the required recapitalisation measures for companies presenting negative equity.

Note 5 – Deferred Tax Assets

“Deferred Tax Assets” amount to Euro 5,720 thousand at December 31, 2019 (Euro 6,755 thousand at December 31, 2018).

Note 5.A - CHANGES IN DEFERRED TAX ASSETS

Euro thousands	
December 31, 2018	**6,755**
Provisions	1,057
Utilisations	(2,372)
Increase recognised in Equity	281
December 31, 2019	**5,720**
Change	**(1,035)**

“Deferred Tax Assets” at December 31, 2019 refer to temporary differences deductible in future years, recognised as there is a reasonable certainty of the existence, in the years in which they will reverse, of taxable profit not lower than the amount of these differences.

The breakdown of “deferred tax assets” is illustrated below:

NOTE 5.B - BREAKDOWN OF DEFERRED TAX ASSETS	Statement of Financial Position		Profit or loss		Equity	
Euro thousands	2019	2018	2019	2018	2019	2018
Deferred tax assets relating to:						
Intangible Assets	97	97	-	(7)	-	-
Property, Plant and Equipment	120	197	(77)	(77)	-	-
Directors Remuneration	264	332	(68)	(22)	-	-
Loss allowance, taxed	293	579	(286)	-	-	-
Inventory	115	97	18	(22)	-	-
Agent Leaving indemnities	220	220	-	(14)	-	-
Exchange gains (losses)	-	-	-	(127)	-	-
Provisions for risks and charges	-	107	(107)	(165)	-	-
Other	-	-	-	-	-	-
Deferred deductible costs	-	51	(51)	(51)	-	-
IFRS9	143	79	29	29	50	-
IFRS16	18	-	0	-	-	-
Capital Increase Expenses	1,154	1,549	(675)	-	281	-
ACE	3,295	3,447	(152)	181	-	-
Total deferred tax assets	**5,719**	**6,755**	**(1,369)**	**(275)**	**331**	**-**

The “ACE” caption includes deferred tax assets calculated on the excess of the ACE tax deduction which may be carried forward to subsequent years, for a total amount of Euro 809 thousand, in addition to the portion used in coverage of IRES taxable profit generated in 2019 (Euro 89 thousand).

The “Deferred deductible costs” related to deferred tax assets on costs for the listing incurred by the company Space S.p.A. in the years 2013 and 2014 and subject to deferred tax deduction and broken down into fifths. This amount reduced to zero with these financial statements.

The “Capital increase expenses” include the value of the deferred taxes calculated on the costs incurred in connection with the capital increase, deductible on a deferred basis in the amount of Euro 281 thousand, in addition to the portion for the utilisation of own costs during the year for Euro 676 thousand.

The deferred tax asset calculation was made by F.I.L.A. S.p.A., evaluating the projected future recovery of these assets based on updated strategic plans, together with the relative tax plans.

In accordance with the 2016 Stability Law, reducing the IRES rate from 27.5% to 24% from the tax period subsequent to December 31, 2016, the Company, for the identifiable elements, applied the new rate for the calculation of deferred taxes.

Note 6 - Current Tax Assets

“Current Tax Assets” amount to Euro 2,978 thousand at December 31, 2019 (Euro 3,068 thousand at December 31, 2018). The change on December 31, 2018 principally concerns payments on account issued in June and November 2019 (Euro 492 thousand), offset by the IRAP tax charge calculated according to the existing legal provisions (Euro 319 thousand).

Note 7 - Inventories

Inventories at December 31, 2019 amount to Euro 25,152 thousand (Euro 29,072 thousand at December 31, 2018).

The breakdown of inventories is as follows:

Note 7.A - INVENTORIES

Euro thousands	Raw Materials, supplies and Consumables	Work-in-progress and Semi-finished Products	Finished Products and Goods	Total
December 31, 2018	**4,273**	**3,225**	**21,573**	**29,071**
December 31, 2019	**4,173**	**2,803**	**18,176**	**25,152**
Change	**(100)**	**(422)**	**(3,398)**	**(3,920)**

Product inventory reduced significantly due to the close management of stock. The values reported in the previous table are shown net of the allowance for inventory write-down for raw materials, work in progress and finished goods, amounting respectively at December 31, 2019 to Euro 50 thousand (Euro 45 thousand at December 31, 2018), Euro 50 thousand (Euro 34 Thousand at December 31, 2018) and Euro 230 thousand (Euro 266 thousand at December 31, 2018), which refer to obsolete or slow moving materials for which it is not considered possible to recover their value through sales.

No inventory is provided as a guarantee on liabilities.

The changes in the allowance for inventory write-downs in the year were as follows:

Note 7.B- CHANGE IN THE ALLOWANCE FOR INVENTORY WRITE-DOWNS

Euro thousands	Raw Materials, supplies and Consumables	Work-in-progress and Semi-finished Products	Finished Products and Goods	Total
December 31, 2017	**47**	**90**	**288**	**425**
Provisions	35	15	26	76
Utilisations	(37)	(71)	(48)	(156)
December 31, 2018	**45**	**34**	**266**	**345**
Provisions	50	50	70	170
Utilisations	(45)	(34)	(106)	(185)
December 31, 2019	**50**	**50**	**230**	**330**
Change 2019 - 2018	**5**	**16**	**(36)**	**(15)**

During 2019 the provision was used for disposals and product scrapping. The allocation in the year was made against obsolete materials and slow-moving inventories at December 31, 2019.

Note 8 – Trade Receivables and Other Assets

These totalled Euro 16,923 thousand and decreased on the previous year by Euro 9,046 thousand.

The breakdown is illustrated below:

Note 8.A - TRADE RECEIVABLES AND OTHER ASSETS

Euro thousands	December 31, 2019	December 31, 2018	Change
Trade Receivables	10,149	11,600	(1,451)
Tax Assets	115	607	(492)
Other Assets	137	237	(100)
Prepayments and Accrued Income	872	972	(100)
Third parties	**11,272**	**13,415**	**(2,143)**
Trade Receivables - Subsidiaries	5,651	12,554	(6,903)
Subsidiaries	**5,651**	**12,554**	**(6,903)**
Total	**16,923**	**25,969**	**(9,046)**

Trade receivables from subsidiaries amount to Euro 5,651 thousand at December 31, 2019 (Euro 12,554 thousand at December 31, 2018). The decrease of Euro 6,903 thousand mainly concerned the payment of the invoice issued in 2018 to the company Dixon Ticonderoga (USA) regarding the recharge of expenses for the issue of the loan in June 2018 for Euro 6,272 thousand. For further information, reference should be made to the “Directors’ Report - Transactions with Related Parties”.

The change is related to business dynamics, and in particular, in the reporting year, the reinvoicing undertaken with the Group companies concerning all expenses for the development of the SAP operating system incurred by F.I.L.A. S.p.A..

The amounts of the previous table are shown net of the loss allowance. At December 31, 2019, there were no trade receivables pledged as guarantees.

All of the above receivables are due within 12 months.

The breakdown by geographical segment of trade receivables (by customers) is illustrated in the table below:

Note 8.B - TRADE RECEIVABLES FROM THIRD PARTIES BY GEOGRAPHICAL SEGMENT

Euro thousands	December 31, 2019	December 31, 2018	Change
Europe	9,588	11,254	(1,666)
Asia	556	330	226
Rest of the World	5	16	(11)
Third parties	**10,149**	**11,600**	**(1,451)**

The changes in the loss allowance to cover doubtful positions are illustrated in the table below. During the year, positions now considered irrecoverable were closed for an amount of Euro 1,426 thousand, of which

Euro 60 thousand relating to current year positions.

Note 8.C - CHANGES IN THE LOSS ALLOWANCE

Euro thousands	Allowance for impairment
December 31, 2017	**2,512**
Provisions	63
Utilisations	(50)
Release	(497)
Other	627
December 31, 2018	**2,655**
Provisions	588
Utilisations	(1,428)
December 31, 2019	**1,815**
Change 2019 - 2018	**(840)**

"Tax assets" includes V.A.T. and other local taxes other than direct income taxes.
Current tax assets amount to Euro 115 thousand at December 31, 2019 (Euro 607 thousand at December 31, 2018) and include those arising from the reimbursement request for IRES relating to IRAP on personnel expense of previous years.
"Other assets" mainly include amounts due from social security institutions and payments on account to suppliers. At December 31, 2019 the caption amounts to Euro 137 thousand (Euro 237 thousand at December 31,
2018).

"Prepayments and accrued income" include costs incurred in 2019 but pertaining to the following year. In particular, the following are included: advance payment for Frankfurt trade fair (Euro 100 thousand), rent for the first quarter of 2019 (Euro 60 thousand), company car lease payments (Euro 72 thousand), insurance premiums (Euro 323 thousand) and EDP maintenance costs (Euro 57 thousand).
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 9 - Cash and Cash Equivalents

"Cash and Cash Equivalents" at December 31, 2019 amount to Euro 31,579 thousand (Euro 121,247 thousand at December 31, 2018).
In January 2019, F.I.L.A. S.p.A. repaid Euro 100,000 thousand of the TLC line of the Senior Facility Agreement agreed in 2018 for the acquisition of the Pacon Group. The breakdown and comparison with

the previous year is illustrated in the table below:

Note 9.A - CASH AND CASH EQUIVALENTS

Euro thousands	Bank and Postal Deposits	Cash in hand and other cash equivalents	Cheques	Total
December 31, 2018	**121,007**	**7**	**233**	**121,247**
December 31, 2019	**31,571**	**8**	**0**	**31,579**
Change	**(89,436)**	**1**	**(233)**	**(89,668)**

"Bank and Postal Deposits" consist of temporary liquid funds as part of treasury management and concern the ordinary current accounts of F.I.L.A. S.p.A..

Bank and postal deposits are remunerated at rates which approximate the Euribor.
There are no bank and postal deposits subject to restrictions.

For comments on cash flows of the year reference should be made to the statement of cash flows.

Note 10 - Net Financial Debt

The “Net Financial Debt” at December 31, 2019 was as follows:

	Euro thousands	December 31, 2019	December 31, 2018	Change
A	Cash	8	7	1
B	Other cash equivalents	31,571	121,240	(89,669)
C	Securities held for trading	-	-	-
D	**Cash and Cash Equivalents (A + B + C)**	**31,579**	**121,247**	**(89,668)**
E	**Current loan assets**	**31,634**	**42,688**	**(11,055)**
F	Current bank loans and borrowings	(3,408)	(3,639)	231
G	Current portion of non-current debt	(9,375)	(3,750)	(5,625)
H	Other current loans and borrowings	(2,186)	(84)	(2,102)
I	**Current financial debt (F + G + H)**	**(14,968)**	**(7,473)**	**(7,495)**
J	**Net curre nt financial position (I + E+ D)**	**48,245**	**156,463**	**(108,217)**
K	Non-current bank loans and borrowings	(175,532)	(284,278)	108,746
L	Bonds issued	-	-	-
M	Other non-current loans and borrowings	(5,474)	(1,569)	(3,905)
N	**Non-current financial debt (K + L + M)**	**(181,006)**	**(285,847)**	**104,841**
O	**Net financial debt (J+N)**	**(132,761)**	**(129,385)**	**(3,376)**
P	**Loans issued to third parties**	**11,434**	**12,567**	**(1,133)**
Q	**Net financial debt (O + P) - F.I.L.A. S.p.A.**	**(121,327)**	**(116,818)**	**(4,510)**

Note:

1) The net financial debt calculated at point “O” complies with Consob Communication DEM/6064293 of July 28, 2006, which excludes non-current financial assets.

2) At December 31, 2019 there were no transactions with related parties which impacted the net financial debt.

The net financial debt increased Euro 4,510 thousand compared to December 31, 2018. As may be seen from the statement of cash flows, this change principally related to:

- the cash flows used for the reimbursement of line C of the loan signed in June 2018 for Euro 100,000 thousand (generation of cash totalling Euro 38,260 thousand in 2018);
- net investments in property, plant and equipment and intangible assets of Euro 4,233 thousand (Euro 5,760 thousand in 2018);
- the net cash flows used in "Investing Activities", amounting to Euro 8,346 thousand, related to the share capital increase in the subsidiaries FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey) for Euro 3,352 thousand, FILA SA PTY Ltd. (South Africa) for Euro 1,410 thousand and the subsidiary Omyacolor S.A. (France) before the merger into Canson SAS for Euro 789 thousand, as well as the purchase of 50% of the subsidiary Fila Hellas for Euro 2,785 thousand;
- the cash flows used for the distribution of dividends to shareholders of Euro 4,070 thousand;
- the cash flows totalling Euro 12,436 thousand from dividends and interest received from subsidiaries;
- the payment of financial expense of Euro 6,023 thousand.

We report the absence of balances concerning related parties both for 2019 and 2018.

Note 12 - Share Capital and Equity

Share capital

In June and July 2019, 63,177 ordinary Fila S.p.A. shares were assigned following the subscription of a number of "pacon warrants" by Pacon managers, in addition to the issue of 14,879 new Fila shares following the assignment and related subscription for the early closure of the SBP 2017-219 by group managers.

The resulting new breakdown of the share capital of F.I.L.A. S.p.A. is shown below:

Current Share Capital - December 31, 2019	No. of Shares	% of Share Capital	Euro	Listing
Ordinary shares	42,866,940	*84.14%*	39,440,428	MTA - STAR Segment
Class B Shares (multiple votes)	8,081,856	*15.86%*	7,435,844	Unlisted

Previous Share Capital	No. of Shares	% of Share Capital	Euro	Listing
Ordinary shares	42,788,884	*84.11%*	39,364,365	MTA - STAR Segment
Class B Shares (multiple votes)	8,081,856	*15.89%*	7,435,041	Unlisted

According to the available information, published by Consob and updated to December 31, 2019, the main shareholders of the Parent were:

Shareholder	Ordinary shares	%
Pencil S.p.A.	13,694,564	31.95%
Venice European Investment Capital S.p.A.	3,875,832	9.04%
Sponsor	361,291	0.84%
Market Investors	24.935.253	58.17%
Total	**42,866,940**	

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	24,935,253		24,935,253	37.14%
Total	**42,866,940**	**8,081,856**	**50,948,796**	

The availability and distributability of equity is outlined in the following table:

NOTE 12.A ORIGIN, POSSIBILITY OF USE AND DISTRIBUTION OF THE EQUITY

Euro thousand Equity items	December 31, 2019	Possibility of use	Available portion	Summary of the use in the past: to cover losses	Summary of the use in the past: other reasons
Share Capital	**46,876**			-	
Reserves					
Legal Reserve	7,766	**B**	7,766	-	
Share Premium Reserve	153,608	**A, B, C**	138,556	-	-
IAS 19 Reserve	(503)		-	-	-
Other Reserves	20,912	**A, B, C**	20,912	-	(6,543)
Profit for the year	31,099	**A, B, C**	31,099	-	(7,790)
	259,758		**198,333**	**-**	**(14,333)**

Legend:
A: for share capital increase
B: to cover losses
C: for distribution of shareholders

Legal Reserve

At December 31, 2019 this caption amounted to Euro 7,766 thousand. A provision of Euro 332 thousand was made during the year in compliance with Article 2430 of the Italian Civil Code

Share Premium Reserve

The balance at December 31, 2019 amounted to Euro 153,608 thousand (Euro 151,769 thousand at December 31, 2018). The increase is due to the recognition of the subscription of the SBP 2017-2019 for Euro 1,965 thousand, the subscription of Pacon Warrants by American managers for Euro 599 thousand and the recognition of costs relating to the share capital increase in December 2018, net of deferred taxes, for Euro 725 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 controlling interest.

IAS 19 Reserve

Following the application of IAS 19, the equity reserve is negative for Euro 503 thousand, decreasing in the year by Euro 103 thousand.

Other Reserves

At December 31, 2019, the reserve is positive for Euro 18,220 thousand, decreasing Euro 6,367 thousand on December 31, 2018. The movements concern the following events:

The “Share Based Premium” reserve, which relates to the accounting treatment of the “2017-2019

Performance Shares Plan" concerning ordinary F.I.L.A. S.p.A. shares reserved for Group executives and managers for a total of Euro 2,831 thousand, decreasing due to the early closure of the plan;

The share based premium reserve, which relates to the accounting treatment of the "2019-2021 Performance Shares Plan" concerning ordinary F.I.L.A. S.p.A. shares reserved for Group executives and managers for a total of Euro 2,047 thousand, increased;

The reserve for future capital increases to service the Warrants assigned free of charge to certain managers employed by the subsidiary Pacon Holding Company, as approved on October 11, 2018 by F.I.L.A. S.p.A.'s shareholders in an extraordinary meeting, decreased Euro 662 thousand against the subscription of a portion of the Warrants; the present amount is therefore Euro 1,147 thousand;

The "Hedging" reserve, recognised to account for fair value changes in the hedging instruments (IRSs) entered into by F.I.L.A. S.p.A., amounted to a negative Euro 3,797 thousand at December 31, 2019. The decrease for the year amounted to Euro 2,228 thousand against the recognition of the change in the fair value of the IRSs hedging the new loan agreement entered into to finance the Pacon Holding Company deal.

In relation to utilisations, in addition, we report the presence in other reserves of reserves taxable on distribution for Euro 3,885 thousand at December 31, 2018.

Retained Earnings

This caption amounts to Euro 31,099 thousand at December 31, 2019 (Euro 28,868 thousand at December 31, 2018). The increase of Euro 2,231 thousand relates to the application of the shareholders' resolution of April 18, 2019 concerning the allocation of the 2018 net profit of Euro 6,632 thousand to "Retained earnings" for Euro 2,231 thousand, net of the dividend distributed for Euro 4,069 thousand and the allocation to the legal reserve for Euro 332 thousand.

Dividends

In 2019, F.I.L.A. S.p.A. distributed dividends totalling Euro 4,069 thousand to the company's shareholders.

F.I.L.A. S.p.A. expects to receive approx. Euro 13 million from subsidiaries in 2020.

Over the last three years and in its forecasts, the F.I.L.A. Group coordinates its dividend policy in line with the financial needs of its non-recurring transactions.

………………….

The Board of Directors of F.I.L.A. S.p.A. have proposed:

- to allocate Euro 566,090.10 to the legal reserve, as established in Article 2430 of the Italian Civil Code, and to allocate the remainder of Euro 10,755,711.89 to "retained earnings";

Note 13 - Financial Liabilities

The balance at December 31, 2019 was Euro 192,186 thousand (Euro 209,868 thousand at December 31, 2018).

This caption includes both the current portion of other loans and borrowings and current account overdrafts concerning ordinary operations. The balance at December 31, 2019 was Euro 192,186 thousand (Euro 209,868 thousand at December 31, 2018).

It includes both the current portion of other loans and borrowings and current account overdrafts concerning ordinary operations.
The breakdown at December 31, 2019 is illustrated below:

Note 13.A - FINANCIAL LIABILITIES

Euro thousands	Banks loans		Other loans and borrowings Third Parties		Current account Overdrafts		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
December 31, 2018	**291,504**	**(3,476)**	**84**	**-**	**3,000**	**639**	**209,868**
non-current portion	287,754	(3,476)	-	-	-	-	284,277
current portion	3,750	-	84	-	3,000	639	7,472
December 31, 2019	**187,438**	**(2,531)**	**3,871**	**-**	**3,000**	**408**	**192,186**
non-current portion	178,063	(2,531)	1,685	-	-	-	177,217
current portion	9,375	-	2,186	-	3,000	408	14,969
Change 2019-2018	**(104,066)**	**945**	**3,787**	**-**	**-**	**(231)**	**(17,682)**
non-current portion	(109,691)	945	1,685	-	-	-	(107,060)
current portion	5,625	-	2,102	-	-	(231)	7,497

The main change of the year concerns the repayment of a portion of the loan agreed by F.I.L.A. S.p.A. and Dixon Ticonderoga Company (U.S.A.) on June 4, 2018 for Euro 100,000 thousand. The structured loan in question was agreed by the two companies with a banking 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.
The loan was issued through three differing facilities with a set repayment plan and a total amount of Euro 520,000 thousand, in addition to a Revolving Credit Facility with a maximum Euro 50,000 thousand.

Financial liabilities – Bank loans and borrowings – Non-current portion amounted to Euro 178,063 thousand, broken down as follows:

- the non-current portion of Facility A for Euro 61,875 thousand (amortising line);
- the non-current portion of Facility B for Euro 90,000 thousand (bullet line);
- the non-current portion of Facility C for Euro 25,000 thousand (bullet line);
- the fair value of the negotiation charges related to the derivative financial instruments of Euro 1,188 thousand agreed in 2018

Financial liabilities – Bank loans and borrowings – Current portion amounted to Euro 9,375 thousand, broken down as follows:
the current portion of Facility A1 for Euro 9,375 thousand (amortising line).

We indicate the repayment of a portion of the Facility C credit line for an amount of Euro 100,000 thousand in January 2019, following the share capital increase of December 2018.

The loan stipulates a Euribor at 3 months interest rate, plus a spread of 1.85% on Facility A, in addition to a spread of 2.15% on Facility B and C, with quarterly calculation of interest. The spread applied will be subject to changes based on compliance with the covenants established for the loan. During the year, the spread decreased by 0.45%.

The following is reported with regards to the loan repayment plan:

Note 13.B - BANK LOANS AND BORROWINGS INTEREST RATE AND MATURITY

Euro thousands	Interest Rate	Maturity	December 31, 2019
Non-current liabilities: bank loans and borrowings			
Facility A	Euribor a 3 months + spread	June 2023	61,875
Facility B	Euribor a 3 months + spread	June 2024	90,000
Facility C	Euribor a 3 months + spread	June 2023	25,000
Total non-current Financial liabilities			**176,875**
Current liabilities: bank loans and borrowings			
Facility A	Euribor a 3 months + spread	December 2019	9,375
Total current Financial liabilities			**9,375**
Total Financial liabilities			**186,250**

The repayment plan establishes for settlement by June 4, 2023 (“Termination Date”) through half-yearly capital instalments to be repaid from December 4, 2019.

The repayment plan by maturity is outlined below:

Note 13.C - BANK LOANS AND BORROWINGS: LOAN REPAYMENT PLAN

Euro thousands	Facility	Principal
June 4, 2020	Facility A	3,750
December 4, 2020	Facility A	5,625
Total current Financial liabilities		**9,375**
June 4, 2021	Facility A	5,625
December 6, 2021	Facility A	7,500
June 6, 2022	Facility A	7,500
December 5, 2022	Facility A	11,250
June 2, 2023	Facility A	30,000
Total non-current financial liabilities		**61,875**

F.I.L.A. S.p.A., exposed to future cash flow fluctuations in relation to the interest rate indexing mechanism under the loan agreed (hereafter "hedged instrument"), considered a hedge based on the payment of a fixed rate against the variable rate necessary (base parameter of the loan contract) to stabilise future cash flows.

The derivative instruments, qualifying as hedges and represented by Interest Rate Swaps, 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. Derivative financial instruments, in the form of 3 Interest Rate Swaps, were agreed with the same banks issuing the loan, concerning a total of 10 contracts.

"Financial Liabilities - Other loans and borrowings" includes the payables of F.I.L.A. S.p.A. to factoring companies for advances on the transfer of receivables (Ifitalia S.p.A.), of the amount advanced to Fila S.p.A. regarding the factoring contract agreed between SACE factoring and Fila Dixon Mexico for the discount of the Dixon Mexico trade receivable and the amount of the financial liabilities arising on the basis of IFRS 16.

The balance at December 31, 2019 of other loans and borrowings was Euro 3,871 thousand (Euro 84 thousand at December 31, 2018).

Details on the timing of cash flows and other loans and borrowings at December 31, 2019 concerning F.I.L.A. S.p.A. are illustrated in the following table:

Note 13.D - OTHER LOANS AND BORROWINGS

Description	General information								Loan Repayment plan	Guarantees Granted
	Amount		Total	Year	Curr.	Country	Interest		Current Financial Liabilities	
Euro thousands	Principal	Interest					Variable	Spread	2019	
Ifitalia S.p.A.	84	-	84	2019	EUR	Italy	0.75%	-	84	None
Dixon Mexico	1,757	-	1,757	2019	EUR	Italy			1,757	
IFRS16	2,090	-	2,090	2019	EUR	Italy			404	
Total	**3,931**	**-**	**3,931**						**2,245**	

"Current account Overdrafts" at December 31, 2018 amounted to Euro 3,408 thousand, inclusive of unpaid interest accrued.

Note 13.E - CURRENT ACCOUNT OVERDRAFTS

Description	General information								Loan Repayments	Guarantees Granted
	Amount		Total	Year	Curr.	Country	Interest		Cur. Fin. Liabilities	
Euro thousands	Principal	Interest					Variable	Spread	2019	
Banks	3,000	408	3,408	2019	EUR	Italy	0.10%	Included in Variable Interest rate	3,408	None
Total amount	**3,000**	**408**	**3,408**						**3,408**	

Reference should be made to "Note 10 - Net Financial Debt" and the "Directors' Report – Financial Highlights of the F.I.L.A. Group – Financial Debt" in relation to the net financial debt at December 31, 2019.

As per IFRS 7, the accounting treatment by class of financial liabilities at December 31, 2019 was as follows:

		December 31, 2019	Assets and liabilities at FVOCI	Amortised Cost	Total
Non-Current liabilities					
Non-Current financial liabilities	Note 13	**175,532**	-	175,532	**175,532**
Current liabilities					
Current financial liabilities	Note 13	**16,654**	-	16,654	**16,654**
Trade payables and other liabilities	Note 19	**19,768**	-	19,768	**19,768**

		December 31, 2018	Assets and liabilities at FVOCI	Amortised Cost	Total
Non-Current liabilities					
Non-Current financial liabilities	Note 13	**284,278**	-	284,278	**284,278**
Current liabilities					
Current financial liabilities	Note 13	**7,473**	-	7,473	**7,473**
Trade payables and other liabilities	Note 19	**29,567**	-	29,567	**29,567**

In accordance with the latest amendments to IAS 7, the following table shows the variations in liabilities (and any related assets) recorded in the statement of financial position, whose cash flows are or will be recorded in the statement of cash flows as cash flows from financing activities.

Euro thousands	Bank Loans and borrowing	Other Loans and borrowing	Current account Overdrafts	Hedging Derivatives	Total
	Note 13	*Note 13*	*Note 13*	*Note 13*	
December 31, 2018	**(288,028)**	**(84)**	**(3,639)**	**(1,569)**	**(293,320)**
Cash Flows	**103,121**	**3,787**	**231**	**(2,228)**	**104,911**
Other changes:					
Exchange gains (losses)	-	-	-	-	-
Fair Value variations	-	-	-	-	-
Consolidation scope changes	-	-	-	-	-
Retained Earnings	-	-	-	-	-
December 31, 2019	**(184,907)**	**(3,871)**	**(3,408)**	**(3,797)**	**(188,409)**

Note 14 - Employee Benefits

The benefits recognised to employees of 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 Post-Employment Benefits accrued at December 31, 2006 are considered a defined benefit plan as per IAS 19. The benefits guaranteed to employees, under the form of the Post-Employment Benefits, paid on the termination of employment, are recognised in the period the right vests. The relative liability is based on actuarial assumptions and the effective liability accrued and not settled at the reporting date. The discounting process, based on demographic and financial assumptions, is undertaken applying the "Projected Unit Credit Method" by professional actuaries.

The Post-Employment Benefits accrued since January 1, 2007 are considered a defined contribution plan and therefore contributions accrued in the period were fully recognised as a cost and recorded as a liability under "Other Current Liabilities", after the deduction of any contributions already paid.

The amounts at December 31, 2019 were as follows:

Note 14.A - POST-EMPLOYMENT BENEFITS	
Euro thousands	
December 31, 2018	**1,694**
Disbursements	(704)
Financial Expense	17
Pension Cost for Service	608
IAS 19 Reserve	85
December 31, 2019	**1,700**
Change	**6**

The actuarial revaluation recorded in 2019 amounts to Euro 13 thousand. The actuarial changes of the year, net of the tax effect, were taken directly to equity.

The tables below report that required under IFRS with regards to "Employee Benefits":

DEFINED BENEFIT PLANS

1. Obligations for Employee Benefits	December 31, 2019	December 31, 2018
Present Value of Obligations Not Covered by Plan Assets	1,700	1,694
Total	**1,700**	**1,694**

There are no financial assets at December 31, 2019 invested by F.I.L.A. S.p.A. to cover financial liabilities relating to Post-Employment Benefits.

The table below highlights the net cost recognised in profit or loss in 2019 and 2018:

2. Cost Recognised in Profit or Loss	December 31, 2019	December 31, 2018
Pension Cost for Service	608	602
Financial Expense	17	22
Cost Recognised in Profit or Loss	**625**	**624**

The obligations deriving from the above-mentioned plans are calculated based on the following actuarial assumptions:

For comparative purposes we illustrate the actuarial assumptions applied in 2019:

3. Main Actuarial Assumptions at Reporting Date (average values)	December 31, 2019	December 31, 2018
Annual Technical Discounting Rate	0.4%	1.1%
Increase in Cost of Living index	1.0%	1.5%
Future Increase in Pensions	2.3%	2.6%

Details on the timing of cash flows relating to post-employment benefits at December 31, 2019 are illustrated in the following table:

Note 14.B - POST-EMPLOYMENT BENEFITS: TIMING OF CASH FLOWS

Nature *Euro thousands*	Amount	Timing of cash flows				
		2020	2021	2022	2023	Beyond 2023
Post-Employment Benefits	1,700	132	105	130	169	1,164
Total	**1,700**					

Note 15 - Provision for Risks and Charges

"Provisions for Risks and Charges" amount to Euro 689 thousand at December 31, 2019 and decreased by Euro 433 thousand on the previous year.

The change in the provisions for risks and charges at December 31, 2019 was as follows:

Note 15.A - PROVISION FOR RISKS AND CHARGES

Euro thousands	Risks Provisions for Legal Disputes	Provisions for Pensions and Similar Obligations	Other Provisions	Total
Balance at December 31, 2018	**9**	**567**	**546**	**1,122**
non-current portion	-	567	-	567
current portion	9	-	546	555
Balance at December 31, 2019	**0**	**653**	**36**	**689**
non-current portion	-	653	-	653
Current Financial Asset	0	-	36	36
Change	**(9)**	**86**	**(510)**	**(433)**
non-current portion	0	86	0	86
current portion	(9)	0	(510)	(519)

The relative "Provisions for Risk and Charges" are classified, by nature, in the related profit or loss accounts.

Provisions for Tax Disputes

No accrual has been made to this provision. We note the use of the 2018 accrual against the settlement of the tax agency audit relating to 2015 for Euro 9 thousand.

Provisions for Agents

The provision for pensions and similar obligations concerns the agents' leaving indemnity. The use of the provision relates to the termination of contracts with three agents in 2019. The actuarial revaluation recorded in 2019 amounts to Euro 38 thousand. The actuarial changes in the period, net of the tax effect, were taken directly in equity.

Other Provisions

This provision was established, taking account of the information available and the best estimate made by management, for Euro 36 thousand, mainly against liabilities for legal expenses concerning the tax agency audit on 2004. This dispute saw Fila S.p.A. win in the first and second instance.

We indicate the use of other provisions against the settlement of the multi-year bonuses for company directors.

Details on the timing of cash flows relating to provisions at December 31, 2019 are illustrated in the following table:

Note 15.C - PROVISIONS FOR RISKS AND CHARGES: TIMING OF CASH FLOWS

Nature *Euro thousands*	Amount	Actuarial Value Year 2019	Discount Rate Applied for Actuarial Value	Timing of cash flows 2020	2021	Beyond 20121
Provisions for Tax Disputes						
Assessment Year 2004	0	-	-	-	-	-
Provisions for Pensions and similar obligations						
Agents' Leaving Indemnity	653	653	0.77%	60	-	593
Other Provisions						
Other Provisions for Risks and Charges	35	35	-	-	-	35
Total	**688**	**688**		**60**	**0**	**628**

Note 16 - Deferred Tax Liabilities

"Deferred Tax Liabilities" amount to Euro 1,366 thousand at December 31, 2019 (Euro 1,466 thousand at December 31, 2018).

Note 16.A CHANGES IN DEFERRED TAX LIABILITIES

Euro thousands	
December 31, 2018	**1,466**
Utilisations	(95)
Decrease recognised in Equity	(35)
December 31, 2019	**1,336**
Change	**(130)**

The nature of the deferred tax liabilities and the relative effects on the Statement of Financial Position, Profit or loss and Equity are illustrated in the table below:

NOTE 16.B - BREAKDOWN OF DEFERRED TAX LIABILITIES

	Statement of Financial Position		Profit or loss		Equity	
Euro thousands	2019	2018	2019	2018	2019	2018
Deferred tax liabilities relating to:						
Intangible Assets	(8)	(8)	-	-	-	-
Property, Plant and Equipment	1,055	1.150	(94)	(93)	-	-
Personnel - IAS 19	(37)	(2)	-	-	(35)	(15)
Dividends	289	289	-	-	-	-
Other	37	37	0	472	-	-
Total deferred tax liabilities	**1,336**	**1,466**	**(94)**	**378**	**(35)**	**(15)**

In 2019 deferred tax liabilities were taken directly to profit or loss for Euro 94 thousand (decrease) and to

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equity for Euro 35 thousand (decrease). The deferred tax liabilities recorded directly in Equity relate to "Actuarial Gains/Losses" on the Post-Employment Benefit Provision.

"Deferred Tax Liabilities" on "Property, Plant and Equipment" mainly relate to the application of international accounting standard IFRS 16 (Leases) to the production plant at Rufina Scopeti (Florence); the temporary differences refer to the difference between the lease payments deducted until the redemption date and the net carrying amount of the assets.
Deferred tax liabilities were recognised on expected dividends to be received in the 2017-2019 three-year period under the approved industrial plan.
In accordance with the 2016 Stability Law, reducing the IRES rate from the current 27.5% to 24% from the tax period subsequent to December 31, 2016, the Company, for the identifiable elements, applied the new rate for the calculation of deferred taxes.

Note 17 - Financial Instruments

"Financial Instruments" amounted to Euro 3,797 thousand, including the fair value of trading costs, expressed in terms of the discounted future cash flows at December 31, 2019, applied on inception by the banks, related to the elimination of the zero floor on the hedged instrument. The accounting treatment adopted for the hedging instruments, based on IAS 39, centres 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 with reference to pure cash flows (fixed and variable rate) which establishes the efficacy of the hedge (reference should be made to "Note 17 - Derivative Financial Instruments" and "Note 12 - Share Capital and Equity"), while the negotiating charges incurred against the contractual amendment to the hedged instrument (elimination of the floor to zero) were subject to amortised cost and bank financial liabilities, with subsequent reversal to profit or loss of the amount pertaining to each year until conclusion of the contract.

We break down below by bank the notionals subject to hedging under derivative instruments, the relative fair values, in addition to the relative contractual conditions:

Note 17 - FINANCIAL INSTRUMENTS

					Intesa Sanpaolo S.p.A.	Banco BPM	Mediobanca Banca di Credito Finanziario	Unicredit S.p.A.	
Euro thousands									
IRS	Date agreed	Loan%Hedge	Fixed Rate	Variable rate	Notional	Notional	Notional	Notional	Total
IRS 1	2018/29/06 TLA F.I.L.A. S.p.A.	100.00%	0.30%	-0.316%	8,250,000	27,750,000	19,500,000	19,500,000	75,000,000
IRS 2	2018/29/06 TLB F.I.L.A. S.p.A.	100.00%	0.54%	-0.316%	-	43,200,000	23,400,000	23,400,000	90,000,000
IRS 3	2018/29/06 TLC F.I.L.A. S.p.A.	20.00%	0.40%	-0.316%	-	12,000,000	6,500,000	6,500,00	25,000,000
					8,250,000	**82,950,000**	**49,400,000**	**49,400,000**	**190,000,000**

Financial liabilities are initially recognised at Fair Value, including directly attributable transaction costs. The initial carrying amount is subsequently adjusted to account for payments of principal and interest calculated under the effective interest rate method represented by the rate that at the moment of initial recognition renders the present value of expected cash flows equal to the initial carrying amount (amortised cost method) and the interest paid.

Nota 18 – Current Tax Liabilities

This account totalled Euro 724 thousand at December 31, 2019 (Euro 953 thousand at December 31, 2018) and includes the tax charge of Article 167 of Presidential Decree 917/1986 concerning "Controlled Foreign Companies".

An analysis was conducted on the foreign subsidiaries in order to establish whether concerning parties qualify as "Controlled Foreign Companies". For these companies, the national tax charge borne by FILA S.p.A. was calculated in relation to the income earned by them abroad (Euro 11 thousand).

Note 19 - Trade payables and other liabilities

The breakdown of "Trade payables and other liabilities" of F.I.L.A. S.p.A.is reported below:

Note 19.A - TRADE PAYABLES AND OTHER LIABILITIES

Euro thousands	December 31, 2019	December 31, 2018	Change
Trade payables	14,200	22,720	(8,520)
Tax Liabilities	1,172	449	723
Other Liabilities	2,430	2,981	(551)
Accrued expenses and deferred income	4	6	(2)
Third parties	**17,806**	**26,156**	**(8,350)**
Trade payables - Subsidiaries	1,724	3,091	(1,367)
Other liabilities - Subsidiaries	0	83	(83)
Accrued expenses and deferred income	239	237	2
Subsidiaries	**1,963**	**3,411**	**(1,448)**
Total	**19,768**	**29,567**	**(9,799)**

Trade payables and other liabilities at December 31, 2019 amount to Euro 19,768 thousand (Euro 29,567 thousand at December 31, 2018).

"Trade Payables" with third parties amount to Euro 14,200 thousand at December 31, 2019 (Euro 22,720 thousand at December 31, 2018), decreasing largely due to invoices for consultancy fees relating to the capital increase in 2019, in additional to purchases of goods in the normal course of business.

The breakdown of trade payables by geographical area segment reported below:

Note 19.B - TRADE PAYABLES THIRD PARTIES BREAKDOWN BY GEOGRAPHICAL SEGMENT

Euro thousands	December 31, 2019	December 31, 2018	Change
Europe	13,959	22,448	(8,489)
North America	11	212	(201)
Central/South America	-	-	-
Asia	230	60	170
Rest of the World	-	-	-
Total	**14,200**	**22,720**	**(8,520)**

The carrying amount of trade payables at the reporting date approximates their "fair value".

The trade payables reported above are due within 12 months.

Trade payables to subsidiaries at December 31, 2019 amount to Euro 1,724 thousand (Euro 3,091 thousand at December 31, 2018). For further information, reference should be made to the "Directors' Report - Transactions with Related Parties".

The change is related to business levels of the year.

Tax liabilities with third parties amount to Euro 1,172 thousand at December 31, 2019 (Euro 449 thousand at December 31, 2018) and primarily consist of tax liabilities other than current taxes. Other tax payables refer to withholding taxes on self-employed work.

"Other" amount to Euro 2,430 thousand at December 31, 2019 (Euro 2,981 thousand at December 31, 2018) and primarily include:

social security contributions to be paid of Euro 814 thousand (Euro 618 thousand at December 31, 2018);

accrued remuneration payable to employees of Euro 1,294 thousand (Euro 1,311 thousand at December 31, 2018).

The carrying amounts of "Other" and "Tax Liabilities" at the reporting date approximate their fair value.

Note 20 – Revenue from Sales and Services

Revenue from Sales and Services in 2019 amounted to Euro 74,884 thousand (Euro 78,870 thousand in 2018).

Revenue from Sales and Services was broken down as follows:

Note 20.A - REVENUE FROM SALES AND SERVICES

Euro thousands	December 31, 2019	December 31, 2018	Change
Revenue from Sales and Services	84,442	88,767	(4,325)
Adjustments to Sales	(9,558)	(9,897)	339
Returns on Sales	(4,145)	(4,334)	*189*
Discounts, Allowances and bonuses	(5,413)	(5,563)	*150*
Total	**74,884**	**78,870**	**(3,986)**

"Revenue from Sales and Services" of Euro 74,884 thousand decreased by Euro 3,986 thousand on the previous year.

The change relates to the lower revenue which resulted in a decrease in turnover of Euro 4,325 thousand.

The breakdown of revenue by geographical segment is reported in the following table:

Note 20.B -REVENUE FROM SALES AND SERVICES BY GEOGRAPHICAL AREA

Euro thousands	December 31, 2019	December 31, 2018	Change
Europe	74,244	74,609	(365)
North America	142	753	(611)
Central/South America	0	1,781	(1,781)
Rest of the World	498	1,727	(1,229)
Total	**74,884**	**78,870**	**(3,986)**

The following table illustrates the breakdown of revenue by strategic business area:

Euro thousands	December 31, 2019	December 31, 2018	Change
Fine Art, Hobby & Digital	599	522	77
Industrial	18	15	3
School & Office	74,267	78,333	(4,066)
Total	**74,884**	**78,870**	**(3,986)**

Note 21 – Other Revenue and Income

This caption includes other income related to ordinary operations and does not include the sale of goods and provision of services.

"Other Revenue and Income" in 2019 amounted to Euro 6,769 thousand (Euro 11,437 thousand in 2018).

Note 21 – OTHER REVENUE AND INCOME			
Euro thousands	December 31, 2019	December 31, 2018	Change
Gains on Sale of Property, Plant and Equipment	5	22	(17)
Unrealised Exchange Gains on Commercial Transactions	14	14	0
Realised Exchange Gains on Commercial Transactions	110	163	(53)
Other	6,641	11,238	(4,596)
Total	**6,769**	**11,437**	**(4,668)**

Other revenue and income (Euro 6,769 thousand) mainly includes:

- Recharges for services and consultancy provided by F.I.L.A. S.p.A., mainly in favour of Canson SAS (France - Euro 339 thousand), Canson Italy S.r.l. (Italy - Euro 221 thousand), Dixon Ticonderoga Company (U.S.A. - Euro 251 thousand), Canson Qingdao Co., Ltd (China - Euro 19 thousand), Daler Rowney Ltd. (United Kingdom - Euro 71 thousand), Grupo F.I.L.A.- Dixon, S.A. de C.V. (Mexico - Euro 50 thousand), Industria Maimeri S.p.A. (Italy - Euro 125 thousand), Fila Dixon Stationery (Kunshan) Co, Ltd. (China - Euro 89 thousand), Lyra KG (Germany - Euro 41 thousand), DOMS Industries Pvt Ltd (India - Euro 50 thousand), F.I.L.A. Iberia S.L. (Spain - Euro 20 thousand), Fila Benelux (Belgium - Euro 6 thousand), Fila Stationery O.O.O.(Russia - Euro 9 thousand), Fila Nordic AB (Scandinavia - Euro 5 thousand), PT Lyra Arkelux (Indonesia - Euro 3 thousand), Fila Hellas (Scandinavia - Euro 1 thousand), Fila SA (South Africa - Euro 5 thousand), Saint Cuthberts (Dominican Republic - Euro 7 thousand) and Canson Brasil (Brazil - Euro 10 thousand);
- Recharges for costs incurred by F.I.L.A. S.p.A. against Group insurance coverage principally related to the companies Canson SAS (France - Euro 230 thousand), Daler Rowney Ltd. (United Kingdom - Euro 72 thousand), Lyra KG (Germany - Euro 38 thousand), F.I.L.A. Iberia S.L. (Spain - Euro 12 thousand) , Dixon Ticonderoga Company (U.S.A. - Euro 17 thousand) and Saint Cuthberts (Dominican Republic - Euro 29 thousand);
- Recharges of costs incurred by F.I.L.A. S.p.A. related to the ERP roll out at the F.I.L.A. Group, principally related to Dixon Ticonderoga Company (U.S.A. – Euro 2,347 thousand), Canson Qingdao Ltd (China - Euro 111 thousand), Lyra KG (Germany - Euro 388 thousand), Canson Australia PTY Ltd. (Australia - Euro 68 thousand), Industria Maimeri S.p.A. (Italy - Euro 216 thousand), F.I.L.A. Iberia S.L. (Spain - Euro 107 thousand), Canson SAS (France - Euro 840 thousand), Daler Rowney Ltd. (United Kingdom - Euro 172 thousand), Canson Italy S.r.l. (Italy - Euro 30 thousand) and Canson Benelux (France - Euro 46 thousand).

Note 22 - Costs for Raw Materials, Consumables, supplies and Goods

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

The breakdown is provided below:

Note 22 - COSTS FOR RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS			
Euro thousands	**December 31, 2019**	**December 31, 2018**	**Change**
Raw materials, Consumables, Supplies and Goods	(30,292)	(35,644)	5,352
Transport costs	(1,223)	(1,735)	512
Packaging	(294)	(324)	30
Other purchase costs	(2,793)	(2,575)	(218)
Total	**(34,600)**	**(40,278)**	**5,678**

"Costs for Raw Materials, Consumables, supplies and Goods" includes purchases for production and the provision of adequate inventory for future sales.

"Other Purchase Costs" include all accessory charges, such as outsourcing and consortium fees.

"Raw Materials, Semi-Finished, Work in Progress and Goods" at for 2019 decreased by Euro 3,935 thousand (increase of Euro 948 thousand in 2018), due to:

- decrease in "Raw Materials, Consumables, supplies and Goods" for Euro 95 thousand;
- decrease in "Work-in-Progress and Semi-Finished Products" of Euro 407 thousand;
- decrease in "Finished Goods" of Euro 3,433 thousand.

Note 23 - Services and Use of Third-Party Assets

"Services and Use of Third-Party Assets" amount to Euro 19,534 thousand in 2019 (Euro 27,586 thousand in 2018). Services are broken down as follows:

Note 23 - SERVICE COSTS AND USE OF THIRD PARTY ASSETS

Euro thousands	December 31, 2019	December 31, 2018	Change
Sundry services	(596)	(470)	(126)
Transport	(3,678)	(3,855)	177
Maintenance	(1,990)	(1,488)	(502)
Utilities	(1,136)	(1,089)	(47)
Consulting fees	(2,698)	(11,391)	8,693
Directors' and Statutory Auditors Fees	(2,936)	(1,890)	(1,046)
Advertising, Promotions, Shows and Fairs	(1,393)	(1,735)	342
Cleaning costs	(53)	(58)	5
Bank Charges	(399)	(390)	(9)
Agents	(1,832)	(1,959)	127
Sales Representatives	(697)	(679)	(18)
Sales Commissions	(691)	(779)	88
Insurance	(605)	(627)	22
Other Service Costs	(202)	(130)	(72)
Rent	(325)	(791)	466
Royalties and Patents	(303)	(255)	(48)
Total	**(19,534)**	**(27,586)**	**8,052**

The decrease in services and use of third-party assets primarily relates to consulting (Euro 8,693 thousand). In 2019, no non-recurring costs were recorded regarding the services provided by consultants in connection with the acquisition of the Pacon Group.

Rent decreased due to the adoption of IFRS 16 and saw the reversal of charges recorded for leases against the recognition of depreciation.

Maintenance includes the contracts entered into at the end of the previous year and in force in the reporting period, governing software maintenance relating to the SAP project and amounting to approximately Euro 1,700 thousand. The sums concerned are recharged to Group companies on the basis of the number of users benefiting from the maintenance service.

"Directors' and statutory auditors' fees" included the SBP concerning directors recognised under the new SBP 2019-2021 for an amount of Euro 731 thousand. "Agents" and "Sales commissions" decreased due to the reduction in sales and the decrease in related fees for Euro 215 thousand.

Note 24 – Other Costs

"Other Costs" in 2019 totalled Euro 438 thousand (Euro 506 thousand in 2018).

Note 24 – OTHER COSTS

Euro thousands	December 31, 2019	December 31, 2018	Change
Unrealised Exchange Losses on Commercial Transactions	(15)	(6)	(9)
Realised Exchange Losses on Commercial Transactions	(111)	(216)	104
Other	(312)	(284)	(27)
Total	**(438)**	**(506)**	**68**

"Other" includes residual costs such as municipal property tax (IMU - Euro 76 thousand).

Note 25 – Personnel Expense

"Personnel Expense" includes all costs and expenses incurred for employees.

These costs are broken down as follows:

Note 25.A - PERSONNEL EXPENSES

Euro thousands	December 31, 2019	December 31, 2018	Change
Wages and Salaries	(8,320)	(8,523)	203
Social Security Charges	(2,750)	(2,836)	86
Post-employment benefits	(608)	(602)	(6)
Other	(37)	(565)	528
Total	**(11,715)**	**(12,525)**	**810**

From August 26, 2019 and for 13 weeks, the Company used a form of the zero-hours Extraordinary Temporary Lay-off Scheme with rotation that involved 126 workers at the production site in Rufina. This agreement was renewed from November 24, with conclusion on February 22, 2020, although it was stopped on January 31, 2020 and involved 121 workers. "Other" includes the costs related to the "2019-2021 Performance Shares Plan" concerning ordinary F.I.L.A. S.p.A. shares reserved for Group executives and managers and the early closure of the 2017-2019 Performance Shares Plan. Against the recognition of Euro 388 thousand for the 2019-2021 plan, lower costs for Euro 528 thousand were recorded for the 2017-2019 plan.

At December 31, 2019, the workforce of F.I.L.A. S.p.A. was as follows:

Note 25.B - PERSONNEL	Managers	White-collars	Blue-collars	Total Amount
Total at December 31, 2018	**12**	**87**	**115**	**214**
Increases	1	(9)	10	2
Decreases	(2)	10	(16)	(8)
Total at December 31, 2019	**11**	**88**	**109**	**208**
2018 Average headcount	**12**	**88**	**112**	**211**

Turnover in 2019 related to normal staffing changes, which mainly involved the blue-collar category.

Note 26 – Amortisation and Depreciation

Amortisation and depreciation in 2019 and 2018 are reported below:

Note 26 – AMORTISATION AND DEPRECIATION *Euro thousands*	December 31, 2019	December 31, 2018	Change
Depreciation of Property, Plant and Equipment	(1,504)	(1,399)	(105)
Amortisation of Intangible Assets	(2,947)	(1,257)	(1,690)
Depreciation of Right-of-Use Assets	(474)		(474)
Total	**(4,925)**	**(2,656)**	**(2,269)**

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

No impairment losses were recognised in the year.

Note 27 – Net Impairment Gains (Losses) on Trade Receivables and Other Assets

Total "Net Impairment Gains (Losses) on Trade Receivables and Other Assets" amounted to net impairment losses of Euro 588 thousand in 2019, compared to net impairment gains of Euro 434 thousand in 2018.

Nota 27 - NET IMPAIRMENT GAINS (LOSSES) ON TRADE RECEIVABLES AND OTHER ASSERTS *Euro thousands*	December 31, 2019	December 31, 2018	Change
Net impairment gains (losses) on Trade Receivables and Other Assets	(588)	434	(1,022)
Total	**(588)**	**434**	**(1,022)**

The decrease in this caption was primarily attributable to the negative effect at December 31, 2019 arising from the application of IFRS 9 for the amount of Euro 588 thousand.

Note 29 – Financial Income

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

Note 29 – FINANCIAL INCOME

Euro thousands	December 31, 2019	December 31, 2018	Change
Investment Income	11,703	7,384	4,320
Dividends	*11,703*	*7,384*	4,320
Interest and Income from Group Companies	1,614	1,651	(37)
Bank Interest Income	31	17	14
Other Financial Incomes	337	4,671	(4,335)
Unrealised Exchange Gains on Financial Transactions	0	156	(156)
Realised Exchange Gains on Financial Transactions	233	1,610	(1,377)
Total	**13,918**	**15,489**	**(1,571)**

"Investment Income" includes the dividends distributed by the subsidiaries Dixon Ticonderoga Co. (U.S.A. - Euro 5,927 thousand), Omyacolor S.A. (France – Euro 2,089 thousand), Lyra KG (Germany – Euro 1,241 thousand), F.I.L.A. Iberia S.L. (Spain – Euro 1,258 thousand), Fila Polska Sp z.o.o (Poland – Euro 155 thousand), Fila Hellas (Greece – Euro 800 thousand) and Saint Cuthbert (England – Euro 233 thousand).

"Interest and Income from Group companies" includes financial income recharged principally to the subsidiaries of the Canson Group (Euro 722 thousand), to the subsidiary Daler Rowney Ltd. (United Kingdom – Euro 172 thousand), to the subsidiary Dixon Ticonderoga (USA – Euro 306 thousand), to the subsidiary Canson Brasil I.P.E. Ltda (Brazil – Euro 103 thousand) and to the subsidiary FILA Stationery O.O.O. (Russia – Euro 45 thousand), calculated on the loans granted by F.I.L.A. S.p.A.

"Other financial income" includes the recharge of fees for the non-use of the RCF line of the new loan issued in June 2018 of the subsidiary Dixon Ticonderoga (U.S.A.) for Euro 207 thousand and to the costs to subsidiaries for sureties granted in favour of FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey - Euro 18 thousand), Dixon Ticonderoga Company (U.S.A. – Euro 139 thousand) and Canson Brasil I.P.E. LTDA (Brazil - Euro 7 thousand) by F.I.L.A. S.p.A., in guarantee of credit lines agreed with Banca Nazionale del Lavoro S.p.A. and in favour of FILA Stationary O.O.O. (Russia - Euro 10 thousand) in guarantee of the credit lines agreed with Banca Intesa Sanpaolo.

For further information, reference should be made to "Note 3 - Financial Assets".

Note 29.A - Foreign Currency Transactions

Exchange differences on financial and commercial transactions in foreign currencies in 2019 are reported below:

Note 29.A - FOREIGN CURRENCY TRANSACTIONS			
Euro thousands	**December 31, 2019**	**December 31, 2018**	**Change**
Unrealised Exchange Gains on Commercial Transactions	14	14	0
Realised Exchange Gains on Commercial Transactions	109	163	(54)
Unrealised Exchange Losses on Commercial Transactions	(15)	(6)	(9)
Realised Exchange rate Losses on Commercial Transactions	(111)	(216)	105
Net exchange losses on commercial transactions	**(3)**	**(45)**	**42**
Unrealised Exchange Gains on Financial Transactions	-	-	0
Realised Exchange Gains on Financial Transactions	233	1,610	(1,377)
Realised Exchange Losses on Financial Transactions	(100)	(135)	35
Net exchange gains on financial transactions	**133**	**1,475**	**(1,342)**
Net exchange gains	**130**	**1,430**	**(1,300)**

Exchange differences in 2019 arose from transactions in US dollars against the euro, in addition to the change in the year of assets and liabilities in foreign currencies, following commercial and financial transactions. For "Realised exchange gains on financial transactions", the decrease on the previous year relates to the foreign exchange (EUR-USD) hedging transaction in the previous year in conjunction with the June 2018 financing transaction, amounting to Euro 1,443 thousand.

Note 30 – Financial Expense

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

Note 30 - FINANCIAL EXPENSE			
Euro thousands	**December 31, 2019**	**December 31, 2018**	**Change**
Interest on current account Overdrafts	(50)	(28)	(22)
Interest on Bank Loans and borrowings	(5,360)	(6,503)	1,143
Other Financial Expense	(1,211)	(8,404)	7,193
Realised Exchange Rate Losses on Financial Transactions	(100)	(135)	35
Interest on right-of-use assets	(102)	0	(102)
Total	**(6,823)**	**(15,070)**	**8,247**

"Other Financial Expense" amounts to Euro 1,211 thousand in 2019 (Euro 8,404 thousand in 2018), with the difference mainly concerning the non-recurring loan transaction in 2018 for the acquisition of the Pacon Group. In 2019, we report the following:

the charges accruing in 2019 relating to the amortised cost of the new loan agreed by F.I.L.A. S.p.A.

amount to Euro 629 thousand and the recharges of commissions on the unused RCF line to Euro 427 thousand.

"Interest Expense on Bank Loans and Borrowings" include interest accrued on loans agreed by F.I.L.A. S.p.A. (Euro 3,855 thousand) against the acquisitions of 2017 and 2018. In addition, this caption includes the interest differentials paid following the agreement of interest rate hedges on the notional of the overall loan (Euro 1,503 thousand). For further details, reference should be made to "Note 13 - Financial Liabilities".

Nota 31 – Net Impairment Gains (Losses) on Financial Assets

Total "Net Impairment Gains (Losses) on Financial Assets" amount to Euro 111 thousand in 2019.

Nota 31 - NET IMPAIRMENT GAINS (LOSSES) ON FINANCIAL ASSETS

Euro thousands	December 31, 2019	December 31, 2018	Change
Net impairment gains (losses) on Financial Assets	111	(200)	311
Total	**111**	**(200)**	**311**

"Net Impairment Gains (Losses) on Financial Assets" mainly relate to the effect of the application of IFRS 9.

Note 32 – Impairment losses on equity-accounted investees

No impairment losses were recognised in the reporting period.

Note 33 – Income Taxes

Collectively they amount to Euro 933 thousand in 2019 (Euro 1,274 thousand in 2018) and consist of current taxes of Euro 581 thousand (Euro 619 thousand in 2018) and net deferred tax expense of Euro 352 thousand (Euro 654 thousand in 2018).

Note 33.A – Current Taxes

The breakdown is provided below:

Note 33.A - CURRENT INCOME TAXES			
Euro thousands	**December 31, 2019**	**December 31, 2018**	**Change**
Current taxes	(591)	(619)	28
Total	**(591)**	**(619)**	**28**

Current taxes in 2019 refer to IRAP calculated on assessable income in accordance with current legislation (Euro 317 thousand).

IRES was fully offset by the tax asset under the economic growth aid (ACE) program.

In addition, “Current Taxes” include tax assets for consolidated income produced overseas (principally dividends) for Euro 319 thousand under Article 165 of the Income Tax Act following the absence of an IRES tax charge. Euro 10 thousand was in addition recorded for the CFC calculation.

Note 33.B - Deferred tax income and expense

The breakdown is provided below:

Note 33.B DEFERRED TAX INCOME AND EXPENSE			
Euro thousands	**December 31, 2019**	**December 31, 2018**	**Change**
Change in deferred tax assets	95	(379)	474
Change in deferred tax liabilities	(1,334)	(275)	(1,059)
Change in deferred Tax assets on Right-of-Use Assets	18	0	18
Total	**(1,221)**	**(654)**	**(567)**

The overall tax effects in the year, compared to the previous year, are reported below:

Note 33.C TOTAL TAXES FOR THE YEAR			
	December 31, 2019		
Euro thousands	**I.R.E.S.**	**I.R.A.P.**	**Total Income Taxes**
Assessable Tax Base	13,134	18,964	-
Tax adjustments	(12,803)	(10,829)	-
Taxable profit	**331**	**8,135**	**-**
Total current income taxes	**-**	**(317)**	**(371)**
IRES tax asset on overseas income	10	-	10
Controlled Foreign Company	45	-	45
Other changes	(329)	-	(329)
Total current income taxes	**(274)**	**(317)**	**(591)**
Deferred Tax Income of the Year on Temporary Differences	113	0	113
Deferred Tax Expense of the Year on Temporary Differences	(1,334)	-	(1,334)
Total deferred taxes	**(1,221)**	**0**	**(1,221)**
Total income taxes	**(1,495)**	**(317)**	**(1,812)**

The breakdown of current and deferred taxes recognised in profit or loss was as follows:

Note 33.D - DEFERRED AND CURRENT TAXES

Euro thousands	December 31, 2019	December 31, 2018
Current taxes	(592)	(619)
Current taxes	**(592)**	**(619)**
Deferred Taxes	(1,221)	(654)
Deferred taxes	**(1,221)**	**(654)**
Total	**(1,813)**	**(1,273)**

In relation to deferred tax liabilities recorded through equity, reference should be made to “Note 16 - “Deferred Tax Liabilities”.

Subsequent events

- On March 2, 2020, F.I.L.A.- Arches S.A.S., a French company wholly-owned by F.I.L.A., completed the purchase of the fine art business unit of the company specialised in fine art operating through the ARCHES® brand, until then managed by the Ahlstrom-Munksjö Group. For over 500 years, the ARCHES® brand has been one of the best-known global brands in the production and distribution of premium fine art paper. The company creates its products using a particular "cylinder mould" technique which ensures the delivery of a highly crafted product and an inimitable natural appearance. Each production cycle is subject to numerous technical controls, which have always guaranteed the undisputed quality of the paper and its excellent brand reputation.

  The total price, on a debt-free cash-free basis, paid by F.I.L.A. - Arches S.A.S. for the business unit was Euro 43.6 million. The acquisition was funded by amending the current medium/long-term loan contract, through the granting of new lines for Euro 15 million and the partial use of the RCF line for Euro 25 million, through its conversion into a medium/long-term line.

- As known, since January 2020, on the Chinese market - and gradually from March 2020 across the rest of the world - the operating environment has been dominated by the spread of COVID-19 ("Coronavirus") and the resulting restrictive containment measures implemented by the public authorities of the countries affected. The current health emergency, in addition to the enormous social impacts, is having direct and indirect repercussions on the general economy and on the propensity to consume and invest, resulting in a generally uncertain environment. The F.I.L.A. Group is monitoring the developing situation in order to minimise its social and workplace health and safety impacts, in addition to the operating, equity and financial situation, by drawing up and rolling out flexible and timely action plans. In particular, from the beginning the F.I.L.A. Group has worked tirelessly to ensure maximum health and safety levels for its employees, customers and suppliers. The Group promptly introduced a series of protective measures for personnel and activated its Crisis Response Protocol, developing a specific crisis response plan and immediately rolled out a series of measures at all levels of the organisation - both at headquarters and overseas - at the operational sites and at the production plant. At the date of this report, the Group's plants are operational, in accordance with the regulations for each country, although not at full capacity in order to protect worker safety. Each subsidiary has already verified and, where extraordinary instruments are already available, has activated all the shock absorbers that can be used to deal with the decline in business. The impact on the business is not estimated to be significant in the first quarter of the current year as the decrease in sales on the Chinese market in February and part of March has a marginal impact on the Group's business, while the decrease in sales in the rest of the world has had a gradual impact only from the second half of March, especially in Europe, with the exception of customers selling online and Large-Scale Retail and Organised Distribution. It is highlighted that Group revenue in April, May and June does not correspond, especially for "school products", to the sell-out by our customers to end consumers, but in particular to the supply of the distribution chain ahead of sales for the reopening of schools. Based on current forecasts for the end of the emergency, the impacts on business could be partially offset by a recovery in the months leading up to the reopening of schools. With regard to potential financial stress scenarios, management is constantly monitoring both the Group's current and future liquidity. At the preparation date of this report, there were no significant impacts on collection or payment activities directly or indirectly related to the worldwide spread of the Coronavirus. It is clear that, in the absence of strong credit support throughout the distribution chain, the Group will necessarily have to implement a strict customer selection policy to limit financial difficulties. This policy, if implemented, could have an impact on the Group's business in the short-term; however, this impact is expected to be partially reabsorbed at a later date as consumer choices regarding the Group's products would lead to a redistribution of demand, also in light of the fact that the Group has demonstrated that it operates in an anti-cyclical business. At that date, the available liquidity is in line with financial planning and appears adequate to cover current and future operating needs. As at the reporting date, the Group is carrying out a further sensitivity analysis of the potential economic and financial impacts of the current crisis and is drafting a series of actions to limit these impacts. On the basis of the information available, the potential effects deriving from the spread of COVID-19, in line with the application of the international accounting standards (IAS 10), have been considered a "Non Adjusting" event. With reference to the valuations made for the purposes of the financial statements (recoverability of intangible assets with an indefinite useful life, recoverability of deferred tax assets, fair value of financial instruments, liabilities for employee defined benefits), the Directors consider that, given the information currently available, these factors of uncertainty are already included in the main sensitivity analyses provided with reference to the main financial statement captions subject to estimates. With particular reference to the uncertainty related to the developing Coronavirus epidemic, it may not be excluded however that, should the virus spread significantly at an international level, the general economic consequences and specific consequences for the Group could be more severe than that envisaged at present, requiring a new estimate to be made, with a negative impact on the financial statement captions subject to estimate and in terms of the scenarios considered for the sensitivity analysis at December 31, 2019.

The outlook for 2020 could be affected in the early months of 2020 by the instability resulting from the spread of the Coronavirus.

Transactions relating to Atypical and/or Unusual Operations

In accordance with Consob Communication of July 28, 2006, during 2019, F.I.L.A. S.p.A. did not undertake any atypical and/or unusual transactions as defined by this communication, whereby atypical and/or unusual transactions refers to operations which for size/importance, nature of the counterparties, nature of the transaction, method in determining the transfer price or time period (close to 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 interests.

The Board of Directors THE CHAIRMAN
Mr. Giovanni Gorno Tempini
(signed on the original)

Final Considerations

These notes, as is the case for the financial statements, as a whole, of which they are an integral part, provide a true and fair view of the financial position of F.I.L.A. S.p.A. at December 31, 2019 and the results of operations for the year ended.

These separate financial statements as at and for the year ended December 31, 2019 comprise the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the notes, and reflect the underlying accounting records.

Statement of the Manager in Charge of financial reporting and the Corporate Bodies

Fabbrica Italiana Lapis ed Affini

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

March 25, 2020

Statement of the Manager in Charge of Financial Reporting and the Corporate Bodies - Separate Financial Statements (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., confirm, and also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:

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

of the administrative and accounting procedures for the preparation of the financial statements as at and for the yeat ended December 31, 2019.

The assessment of the adequacy of the administrative-accounting procedures for the preparation of the separate financial statements at December 31, 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. The 2019 Separate Financial Statements of F.I.L.A. S.p.A.:
   - have been drawn up in conformity with the applicable IFRS endorsed by the European Union in conformity with Regulation (CE) No. 1606/2002 of the European Parliament and the Commission of 19 July 2002;
   - correspond to the underlying accounting documents and records;
   - provide a true and fair view of the financial position and results operations of the Issuer.
2. The Directors' Report includes a reliable analysis on the performance and operating result, as well as on the situation of the issuer, together with a description of the principal risks and uncertainties to which they are exposed.

The Chief Executive Officer

Massimo Candela
(signed in original)

Manager in Charge of
Financial Reporting
Stefano De Rosa
(signed in original)

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Il futuro ha i nostri colori. Da 100 anni.

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

Board of Statutory Auditors' Report on the separate financial statements as at and for the year ended December 31, 2019 prepared as per Article 153 of Legislative Decree No. 58/1998.

Dear Shareholders,

The Board of Statutory Auditors of F.I.L.A - Fabbrica Italiana Lapis ed Affini S.p.A (hereafter also "FILA S.p.A." or "the Company"), in accordance with Article 153 of Legislative Decree 58/1998 (hereafter the "CFA") is required to report to the Shareholders' Meeting, called for the approval of the financial statements as at and for the year ended December 31, 2019, on the profit for the year, on the supervisory activities carried out in execution of its duties, on any omissions and citable events, while in addition it is required to draw up observations and proposals regarding the financial statements, their approval and the matters within its scope.

The Board of Statutory Auditors has fulfilled its supervisory duties, as per Article 149 of the CFA and, in addition, the duties established by Article 19 of Legislative Decree 39/2010, as amended by Legislative Decree 135/2016, concerning its role as the Internal Control and Audit Committee, taking account also of the conduct rules for the Boards of Statutory Auditors of listed companies issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili). In addition, it carried out supervisory activities regarding the principles and communications issued by Consob regarding corporate controls and the activities of the Board of Statutory Auditors.

This Report was prepared in compliance with the indications provided by Consob with Communication DEM/1025564 of April 6, 2001 and subsequent amendments and rule Q.7.1. of the Conduct Rules of Boards of Statutory Auditors of listed companies issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).

The independent audit, as per Legislative Decree 58/1998 and Legislative Decree 39/2010, was undertaken by KPMG S.p.A. (hereafter also "KPMG" or "the Independent Auditors"), as awarded by the shareholders in their meeting of February 20, 2015 for a period of nine years (for the financial years 2015 to 2023 inclusive).

1. Board of Directors - appointment, duration of office and functioning

The Board of Directors in office at the date of this Report was appointed by the shareholders of FILA S.p.A. in their meeting of April 27, 2018 (with the sole exception of Mr. Alessandro Potestà, co-opted on November 13, 2018 and thereafter appointed by the Shareholders' Meeting of April 18, 2019, and Mr. Giovanni Gorno Tempini, as outlined below) for three financial years and specifically until the approval of the financial statements as at and for the year ending December 31, 2020.

The Board of Directors on August 6, 2019 co-opted as per Article 2386 of the Italian Civil Code, with the favourable opinion of the Board of Statutory Auditors, Mr. Giovanni Gorno Tempini as a new director and Chairman of the company until the next Shareholders' Meeting, in replacement of the outgoing Mr. Gianni Mion.

The Board of Directors on March 16, 2020 verified and confirmed the independence of directors Francesca Prandstraller, Paola Bonini, Gerolamo Caccia Dominioni, Alessandro Potestà and Filippo Zabban with regards to Article 148, paragraph 3, of the CFA, as restated in Article 147-ter, paragraph 4, of the CFA and Article 3 of Code of Conduct for listed companies (the "Code of Conduct"). On this occasion, the Board of Statutory Auditors verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its members, in accordance with application criterion 3.C.5 of the Code of Conduct.

The Board of Statutory Auditors noted the substantially positive outcomes of the assessments undertaken by the Board of Directors at the same meeting of March 16, 2020 concerning the size, composition and the functioning of the Board of Directors and the internal committees, presenting a number of improvement proposals which emerged from these assessments, concerning - in particular - the governance of the investees, the induction activities for directors and the timing with which the agenda support documentation is made available.

2. Board of Statutory Auditors - Appointment, duration of office and functioning.

The Board of Statutory Auditors in office at the date of this report was appointed by the shareholders' of FILA S.p.A. in their meeting of April 27, 2018 for three financial years and therefore until the approval of the financial statements as at and for the year ending December 31, 2020.

The Board of Statutory Auditors, on February 21 and March 4, 2020, verified the absence of causes of ineligibility, lapse and incompatibility of its members, as per Article 148 of the CFA and rule Q.1.1. of the conduct rules of Boards of Statutory Auditors of listed companies issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili), in addition to their satisfaction of the independence requirements as per application criterion 8.C.1. of the Code of Conduct, preparing, on the basis of the CNDCEC document of May 2019 entitled "The self- assessment of the Board of Statutory Auditors", the "Document" and the "Self-assessment report" cited therein.

On this occasion, the Board of Statutory Auditors in addition considered itself, overall, adequate to execute the appointment assigned to it regarding its composition, in addition to the expertise, professionalism, experience, gender and age profiles of its members and communicated, through the above Report, the outcome of the self-assessment to the Board of Directors for all the necessary requirements.

The members of the Board of Statutory Auditors have declared compliance with the limit on the number of offices envisaged by Art. 144-terdecies of the Issuers' Regulation and of the availability of the time and resources necessary to undertake the appointment.

In the undertaking its duties, the Board of Statutory Auditors met on 12 occasions in 2019, with the full attendance of all members, in addition to, informally, various other occasions to meet and consider particular matters, examine relevant documents, set out work schedules, and to prepare minutes and communications. In addition, the Board of Statutory has attended, always with its Chairperson and in many cases with at least one other member, the meetings of the Control, Risks and Related Parties Committee and of the Remuneration Committee (meeting respectively on 8 and 6 occasions in 2019), as outlined in greater detail in the table presented in the specific section of the 2019 Corporate Governance and Ownership Structure Report, and at the meeting of the Independent Directors (held on July 18, 2019) and the subsequent meeting with the Chief Executive Officer.

3. Compliance of the company with the Code of Conduct

The company adopted the Code of Conduct for listed companies with the resolution of the Board of Directors of March 15, 2016.

The Board of Statutory Auditors has monitored the correct application by the Company of the corporate governance rules outlined in the Code of Conduct and, to the extent of its scope, acted in compliance with the code.

4. Supervisory and control activities

During the year in question and with reference to duties and activities that fall within the scope of its responsibility, the Board of Statutory Auditors declares to have:

- attended the Shareholders' Meeting of April 18, 2019, which among other matters, approved the financial statements at December 31, 2018;
- attended 7 meetings of the Board of Directors, obtaining appropriate information from directors on the general performance of operations and the outlook, as well as on significant transactions in terms of size and characteristics, carried out by the Company and its subsidiaries;
- acquired the elements of information needed to verify compliance with the law, By-Laws, principles of good administration and suitability of the company's organisational structure of the company, through the acquisition and review of relevant documents, meetings with the heads of the

various company departments and periodical exchanges of information with the Independent Auditor;

- attended, as previously stated always with its Chairperson and on many cases also with at least one other member, the meetings of the Control, Risks and Related Parties Committee and of the Remuneration Committee;
- met the members of the Supervisory Board, also at the meetings of the Control, Risks and Related Parties Committee;
- monitored the functioning and effectiveness of internal control systems and the suitability of the administrative and accounting system, particularly in terms of the latter's reliability in representing accounting data;
- obtained from the directors at least on a quarterly basis in accordance with Article 150, paragraph 1, of the CFA, adequate information on the activities and significant economic, financial and equity transactions carried out by the Company and its subsidiaries;
- exchanged in a timely manner with the managers of the Independent Auditors the relevant data and information for the undertaking of the respective duties as per Article 150, paragraph 3, of the CFA, examining to the extent necessary the result of the work carried out and acquiring the auditor's report prepared in accordance with Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation (EU) No. 537/2014;
- exchanged information on administration and control systems and on the general operating performance with the Board of Statutory Auditors of the Italian subsidiaries in accordance with Article 151, paragraph 1 and 2 of the CFA and requested from the Executive Director, the Internal Audit function and the independent auditor information concerning the most significant matters regarding the main overseas investees of the FILA Group (hereafter also the "Group");

- reviewed (as outlined in greater detail below) the content of the Additional report to the Board of Statutory Auditors in its role as the Internal Control and Audit Committee prepared by the Independent Auditor as per Article 11 of Regulation (EU) 537/2014, whose review did not indicate any aspects requiring reporting herein;
- monitored the functionality of the control system on Group companies and the suitability of the instructions imparted to them, also pursuant to Article 114, paragraph 2 of the CFA;
- noted the preparation of the Remuneration Report pursuant to Article 123-ter of the CFA, as amended by Legislative Decree No. 49 of May 10, 2019, and Article 84-quater of the Issuers' Regulation, without any particular observations to report;
- declared compliance of the By-Laws with the legal and regulatory provisions;
- supervised the compliance of the internal procedure concerning Related Parties Transactions

according to the principles indicated in the Regulation approved by Consob with Resolution No. 17221 of March 12, 2010 and subsequent amendments, and its observance, pursuant to Article 4, paragraph 6 of this Regulation, attending, as stated, the periodic meetings of the Control, Risks and Related Parties Committee called to review these transactions;

- supervised the corporate information process, verifying the directors' compliance with procedural rules concerning the drafting, approval and publication of the statutory and consolidated financial statements;
- ascertained the methodological suitability of the impairment test implemented by the competent company functions and approved by the Board of Directors in order to verify the possible existence of impairment losses on the assets recognised in the financial statementsx;
- verified that the Directors' Report as at and for the year ended December 31, 2019 complies with applicable legislation and was consistent with the decisions taken by the Board of Directors and with the facts represented in the statutory and consolidated financial statements;
- noted the content of the Consolidated Half-Year Report, without the need to report any observations, and also ascertained that the latter was published in accordance with the procedures laid down;

- noted that the Company continued to publish on a voluntary basis the Quarterly Reports according to the deadlines established by the pre-existing rules;
- in its role as Internal Control and Audit Committee, pursuant to Art. 19, paragraph 1 of Legislative Decree 39/2010, as amended by Legislative Decree 135/2016, performed the specific information, monitoring, control and audit functions envisaged therein and accomplished the duties and tasks indicated by the aforesaid legislation;
- supervised compliance with the provisions set forth in Legislative Decree No. 254/2016 by examining, inter alia, the Consolidated Non-Financial Statement, while also ascertaining compliance with the provisions governing its preparation pursuant to the above-mentioned decree;
- attended, as part of the Board's activities, information sessions for Directors and Statutory Auditors, broadening therefore their knowledge on the sector in which the Company and the Group operate, of the main operating aspects and regarding the regulatory framework, and acquiring updates on the progress of the main initiatives;
- held, on its own initiative, meetings with the Chief Executive Officer, for a close examination (organisational structure, key roles, and operating aspects concerning activities, products, commercial organisation and relations with other Group companies) of the main overseas subsidiaries;
- supervised the activities concerning Regulation (EU) 2016/679 concerning personal data protection (GDPR).

Following the supervisory activities carried out within the scope of and in accordance with the methods described above, no facts emerged from which to deduce non-compliance with the law and the By- Laws, nor to justify reports to the Supervisory Authorities or a mention in this report.

In addition, the Board of Statutory Auditors, on the basis of the information and findings, reasonably considers that these operations comply with law and the By-Laws and were not manifestly imprudent, hazardous or against the resolutions taken by the Shareholders' Meeting or such as to compromise the integrity of the Company's assets.

In this regard, it is highlighted that the Board of Statutory Auditors, in accordance with its role, dedicated particular attention to a number of aspects concerning the acquisition (completed on March 2, 2020) of the business unit of Ahlstrom-Munksjö Arches S.A.S., which is engaged in the production and distribution of ARCHES® products, acquiring from the management of FILA S.p.A. and its consultants extensive information and adequate documentation on the strategic reasoning, price and funding of the transaction, and its sustainability from an economic-financial and operational viewpoint.

With regards to the other transactions undertaken in the recent past (Pacon Group on June 7, 2018, Daler-Rowney-Lukas on February 3, 2016, Canson Group - France on October 5, 2016 and St. Cuthberts Holding Limited on September 14, 2016), the Board of Statutory Auditors, within its supervisory activities regarding the adequacy of the organisational, administrative and accounting structure of the Company, consistently monitored the integration of the groups and the companies acquired, from an organisational and operating viewpoint and with regards to the collation of financial information and, on the basis of the findings and activities carried out, does not highlight any particular matters in this regard.

The Board of Statutory Auditors consistently supervised with particular attention the functioning of the processes and of the corporate governance bodies and, in this regard, highlights that the Company, in 2019, made further indications, while still in the completion phase, concerning the adoption of the best practices of listed companies.

5. Supervision of atypical or unusual transactions and related party transactions

In 2019, the Board of Statutory Auditors did not note any atypical or unusual transactions with Group companies, third parties or with other related parties.

The Board of Statutory Auditors had not received in 2019 and until the date of this report any communication from the corporate boards of the subsidiaries, associates or investees, or from the independent auditors containing issues which require disclosure in this report.

The Board of Statutory Auditors, in addition, noted that the statement of financial position and statement of comprehensive income balances of intragroup transactions and those with related parties undertaken by the Company and its subsidiaries in 2019, are respectively indicated in the "Statement of financial position with indication of transactions with related parties in accordance with Consob resolution No. 15519 of July 27, 2006", and in the "Statement of comprehensive income with indication of transactions with related parties in accordance with Consob resolution No. 15519 of July 27, 2006", and in greater detail in the "Related party transactions" paragraph of the Consolidated Financial Statements of the FILA Group at December 31, 2019, to which reference should be made. In particular, in this paragraph the transactions executed by the FILA Group with related parties in the course of ordinary operations and based on market conditions are outlined.

The Board of Statutory Auditors assesses the overall adequacy of the information, provided in the manner indicated above, concerning the above transactions and, also on the basis of the analyses and periodic checks carried out by the Control, Risks and Related Parties Committee, considers that they are adequate and in line with the Company's interests. The Related Party Transactions, identified on the basis of international accounting standards and Consob's provisions, were governed by an internal procedure (the "Procedure"), adopted by the Board of Directors of Space S.p.A. (now F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A.) on October 15, 2013 and amended, latterly, with the resolution of the Board of Directors of May 15, 2018.

The Board of Statutory Auditors examined the Procedure, ascertaining compliance with Consob Regulation No. 17221 of March 12, 2010, as amended by Resolution No. 17389 of June 23, 2010 and interpreted with Resolution No. 78683 of September 24, 2010.

6. Relations with the Independent Auditors, in accordance with Legislative Decree 39/2010 and observations on its independence

The Board of Statutory Auditors monitored the efficacy of the independent audit, discussing and examining through specific meetings with the Independent Auditors aspects concerning:

- the planning of activities, the methodological approach and the supervision and co-ordination of works carried out by the auditors of the overseas subsidiaries;
- the particularly significant areas in terms of audit risks;
- the efficacy and reliability of the internal control system;
- the periodic checks on the proper keeping of accounting records;
- the findings of the work carried out.

The Independent Auditors communicated the fees accruing in 2019 for audit services and non-audit services (NAS) provided to FILA S.p.A. and to the Group by KPMG S.p.A. and its network. These fees are summarised in the "Information provided as per Article 149-duodecies of the Consob Issuers' Regulation" of the Consolidated Financial Statements of the F.I.L.A. Group at December 31, 2019, in compliance with Article 149-duodecies of the Issuers' Regulation. In particular, the fees for non-audit services, according to that confirmed by the Independent Auditors, for 2019 totalled Euro 205 thousand, at consolidated level, of which Euro 87 thousand concerning the services provided by KPMG

S.p.A. and Euro 118 thousand for the services provided by parties belonging to the KPMG network in favour of the overseas Group subsidiaries. In this regard, in all of those cases in which, in accordance with Article 5, paragraph 4 of Regulation (EC) 537/2014, the prior approval of the Internal Control and Audit Committee was required, the Board of Statutory Auditors, in that role, reviewed in accordance with Articles 4, 5 and 6 of the above Regulation and considering the relative research and interpretation documents the requests received and adopted its decisions after assessing: i) the subject, method of execution of the appointment and fees; ii) the documents and relevant professional technical principles and iii) the declarations of the independent auditors concerning the absence of risks regarding its independence.

In carrying out its investigatory activities, the Board of Statutory Auditors took into consideration the overall rationale of the rules stated, and assumed a more prudent approach in order to guarantee the complete independence of the auditor.

Incidentally, it should be noted that the Company, at the request of the Board of Statutory Auditors, prepared and approved with Board of Directors' resolution of May 15, 2019, both the new procedure for the "Conferral on the independent auditors of non-audit services" and with regards to the "Selection of the Independent Audit" to which the audit appointment is assigned. With regards also to the independence of the independent auditors, the Board of Statutory Auditors, as previously indicated, in its role also as Internal Control and Audit Committee:

a) fulfilled the duties required of Article 19, paragraph 1, letter e) of Legislative Decree 39/2010, as amended by Legislative Decree 135/2016, verifying and monitoring i) the independence of the Independent Auditors, in accordance with Article 10, 10-bis, 10-ter and 10-quater and 17 of Legislative Decree 39/2010 and Article 6 of Regulation (EU) No. 537/2014; ii) the adequacy of the provision of non-audit services in accordance with Article 5 of the above Regulation;

b) examined the Additional Report for the Internal Control and Audit Committee established by Article 11 of Regulation (EU) 537/2014 and noted that contained in the Transparency Report published by the Independent Auditors on its website in compliance with the criteria outlined in the Regulation;

c) received as an annex to the above Additional Report, the "Annual confirmation of independence in accordance with Article 6, paragraph 2, letter a) of Regulation (EU) 537/2014 and in accordance with paragraph 17 of international audit principle (ISA Italy) 260" where the independent Auditor, among others, declares that, in the period between January 1, 2019 and the issue of the confirmation, no situations which would compromise its independence with regards to FILA S.p.A. arose in accordance with Articles 10 and 17 of Legislative Decree 39/2010 and Articles 4 and 5 of Regulation (EU) 537/2014;

d) discussed with the Independent Auditor, the risks regarding its independence and the measures taken to mitigate them, pursuant to Art. 6, para. 2(b) of EU Reg. No. 537/2014.

On the basis of the information acquired and the activities carried out, no aspects or situations emerged indicating risks to the independence of the Independent Auditor, and in this regard the Board of Statutory Auditors does not report any observations for the Shareholders' Meeting.

7. Financial disclosure process and the internal control system

The Board of Statutory Auditors supervised the adequacy of the administrative and accounting system, in addition to its reliability to correctly represent the operating events, obtaining information from the administrative department managers and exchanging information with the Control, Risks and Related Parties Committee, the Internal Audit department and the Independent Auditors.

The Board of Statutory Auditors in addition supervised, also through periodic meetings with the Manager in charge of financial reporting, the organisation and company procedures and the instruments adopted for the collation of the information and the data necessary for the drawing up of the statutory financial statements, the consolidated financial statements and the interim financial reports, in addition to other financial communications, in order to: i) assess the adequacy and the effective adoption and ii) verify the adequacy and the suitability of the powers and the means assigned by the Board of Directors to the Manager in charge of financial reporting for the undertaking of his/her role.

In this regard, the Board of Statutory Auditors notes that in relation to the statements issued by the Executive Bodies (specifically the Chief Executive Officer) and the Manager in charge of financial reporting in accordance with Article 154-bis, paragraph 5 of the CFA, on the statutory financial statements and on the consolidated financial statements of the Group at December 31, 2019, in addition to the Half-Year Financial Report at June 30, 2019 and on the quarterly reports, no citable matters or annotations emerged.

The Board of Statutory Auditors considers the administration and accounting system overall to be substantially adequate and reliable in view of the size and complexity of the Company and of the Group.

In this regard, in 2019 the activities to develop and adopt a single Group ERP system continued, while in the meantime concluded for the North American subsidiaries.

Considering that responsibility for the legally-required audit of the financial statements is assigned to the Independent Auditors, the Board of Statutory Auditors supervised the general lay-out of the statutory financial statements and the consolidated financial statements and their compliance with the rules governing their formation and structure. The Board of Statutory Auditors also verified their consistency with the events and information noted during the execution of their duties. In this regard, the Board of Statutory Auditors does not highlight any particular observations.

The Board of Statutory Auditors supervised, within the extent of its remit, the adequacy of the internal control and risk management system: a) obtaining information from the managers of the various company departments, so as to verify the existence, adequacy and proper implementation of the procedures; b) attended the meetings of the Control, Risks and Related Parties Committee; c) met periodically with the internal audit manager and acquired information regarding the results of work carried out, actions recommended and subsequent initiatives undertaken; ii) exchanged information with the Independent Auditors.

In this regard, the Board of Statutory Auditors noted the information provided periodically by the Executive Director as the Director in charge of setting up and maintaining an effective internal control system and the periodic reports prepared by the Control, Risks and Related Parties Committee in accordance with Application Criterion 7.C.2, letter f) of the Code of Conduct on the activities undertaken, whereby, inter alia, a favourable opinion was expressed with regards to the adequacy of the internal control and risk management system.

The Board of Statutory Auditors, on the basis of that reported above and considering the control activities put in place and the improvement actions being implemented, considers that the internal control system should be considered in overall terms adequate to the size, complexity and operations undertaken by the Company and by the Group.

In this regard and considering the major acquisitions of overseas companies in the recent past, and the consequent expansion of the FILA Group internationally, also in non-EU countries, the Board of Statutory Auditors in various circumstances expressed its opinion, underlining the need i) to complete in a short timeframe the current integration, also through the adoption of a single Group ERP system and ii) for a constant commitment, by senior management, to further strengthen the control functions and the governance system of the main subsidiaries.

8. Supervision of the non-financial disclosure process

As previously indicated, the Board of Statutory Auditors supervised compliance with Legislative Decree 254/2016 and the enactment regulation adopted by Consob with resolution No. 20267 of January 18, 2018, with regards to the Non-financial statement (“NFS”) and regarding the existence of an adequate organisational, administrative, reporting and control system of the Company to permit the correct and complete presentation of non-financial disclosure.

In this regard, the Board of Statutory Auditors met with the Executive Director, in addition to the various company structures and outsourcers which were part of the work group under its responsibility involved in the preparation of the NFS, acquiring information regarding the materiality analysis carried out by the Company to establish the relevant non-financial reporting scopes for the FILA Group, the involvement of the subsidiaries and the operating procedures and instruments adopted for the collation of data/information and their subsequent analysis, control and consolidation.

The Board of Statutory Auditors in addition discussed with the independent auditors the content of the Non-financial statement, in addition to the operating means for the planning and execution of works.

On the basis of the information and the evidence acquired and according to the terms reported above, the Board of Statutory Auditors considers the procedures, processes, and structures for the production, reporting, measurement and presentation of this information to be substantially adequate and does not highlight any particular matters for the Shareholders' Meeting.

9. Additional information requested by Consob Communication No. DEM/1025564 of April 6, 2001, as amended

In accordance with that required by Consob, the Board of Statutory Auditors also reports the following:

a) the Board of Statutory Auditors did not receive any petitions as per Article 2408 of the Italian Civil Code, nor notices from third parties;

b) the Company and the Board of Statutory Auditors, during 2019, did not receive any disclosure requests from Consob, either as per Article 115 of the CFA, or as per Article 114 of the CFA;

c) in 2019, the Board of Statutory Auditors issued opinions regarding i) Article 2389, paragraph 3 of the Italian Civil Code, concerning the remuneration of the executive directors and ii) Article 2386 of the Italian Civil Code concerning the co-option of a director;

d) expressed its opinion in view of the resolutions considered by the Board of Directors, as required by the Code of Conduct (Article 7, criterion 7.C.1. and 7.C.2.), in relation to i) the 2020 work plan prepared by the Internal Audit function; ii) the correct use of the accounting standards and their appropriateness for the separate and consolidated annual and half-year financial statements.

10. Significant events indicated in the Directors' Report, in the separate financial statements and in the consolidated financial statements

The significant events indicated by the company in the Directors' Report and statutory financial statements, as well as in the Consolidated Financial Statements at December 31, 2019, include in summary the following significant economic, financial and equity transactions (outlined in greater detail in the financial statements) made by the Company and its subsidiaries during 2019.

- 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 operations were undertaken in the US. Specifically: i) merger between Dixon Ticonderoga (U.S.A.) and Eurholdham (U.S.A.) and ii) Pacon Corporation (U.S.A.) and Canson Inc. (U.S.A.).
- In April 2019, FILA S.p.A. signed an exclusive global distribution agreement with ARCHES®, the renowned French premium paper for artists brand.
- 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 property, plant and equipment and intangible assets, in addition to inventories.
- In October 2019, corporate reorganisation transactions were undertaken in North America and in Europe, particularly concerning the: i) merger between Pacon Holding Company (U.S.A.) and Dixon

Ticonderoga (U.S.A.) and ii) merger between Canson SAS (Francia) and Omyacolor S.A. (France). On the basis of information provided by the Company and data acquired on the aforesaid transactions, the Board of Statutory Auditors ascertained its compliance with the law, the by-laws and the principles of correct administration, ensuring that these were not manifestly imprudent or risky, in possible conflict of interest, inconsistent with the resolutions taken by the shareholders or such as to compromise the integrity of corporate assets.

11. Subsequent events

The Board of Statutory Auditors noted and highlights the following subsequent events, as outlined in greater detail in the "Subsequent events" paragraph of the Directors' Report for 2019, to which reference should be made.

- On March 2, 2020, F.I.L.A.- Arches S.A.S., a French company wholly-owned by FILA S.p.A., completed the purchase of the business unit involved in the production of premium paper used in the fine art sector with the ARCHES® brand, finalising the non-binding memorandum of understanding signed on October 30, 2019 between FILA S.p.A. and Ahlstrom-Munksjö Oyj and its French subsidiary, Ahlstrom-Munksjö Arches. The total price, on a debt-free cash-free basis, paid by F.I.L.A. - Arches S.A.S. for the business unit was Euro 43.6 million. The acquisition was funded by amending the current medium/long-term loan contract, through the granting of new lines for Euro 15 million and the partial use of the Revolving Credit Facility line for Euro 25 million, through its conversion into a medium/long-term line.
- In relation to the emergency caused by the spread of Covid 19, the directors explain the measures adopted and the initiatives taken at all levels of the organisation to deal with the serious crisis that has arisen and to guarantee the health and safety of workers as much as possible. In addition, as this event occurred after the reporting date ("non adjusting"), they provide specific information, as far as reasonably foreseeable at the time, on the possible economic, equity and financial implications that could arise for the Company and the Group.

12. Independent Auditors' Report and related Board of Statutory Auditors' obligations

The Independent Auditor issued on March 30, 2020 the Reports as per Article 14 of Legislative Decree No. 39/2010 and Article 10 of Regulation (EU) 537/2014, on the separate financial statements and on the consolidated financial statements where, in particular, it certified that:

- the Company's separate financial statements and the Group's consolidated financial statements as at and for the year ended December 31, 2019 provide a true and fair view of the statement of financial position at December 31, 2019 and of the economic result and cash flows for the year ended at that date in compliance with the International Financial Reporting Standards adopted by the European Union and the provisions issued in implementation of Art. 9 of Legislative Decree 38/05;
- the Directors' Report and certain specific information contained in the Corporate Governance and Ownership Structure Report indicated in Article 123-bis, paragraph 4 of Legislative Decree 58/1998, are consistent with the Company's statutory financial statements and the Group's consolidated financial statements and are drawn up in accordance with the law;
- the opinion on the statutory financial statements and the consolidated financial statements is in line with that indicated in the Additional Report drawn up pursuant to Article 11 of Regulation (EU) 537/2014 and in accordance with Article 19 of Legislative Decree 39/2010.

It is recalled for informational purposes alone that in the above-stated Reports the Independent Auditors considered it beneficial to identify as key aspects of the audit, for the separate financial statements of FILA S.p.A., the measurement of the investments valued at cost while, with regards to the consolidated financial statements of the Group, a) the measurement of the recoverability of goodwill,
b) inventories and c) the initial adoption of IFRS 16.

In the Auditors' Report on the consolidated financial statements, the Independent Auditors also stated that it had verified the approval by FILA S.p.A.'s directors of the Consolidated Non-Financial Statement for the year 2019 for the FILA Group.

In the above Reports of the Independent Auditors, no issues or requests for disclosure were raised, nor were declarations issued in accordance with Article 14, paragraph 2, letters d) and e) of Legislative Decree 39/2010.

In addition, also on March 30, 2020, the Independent Auditors:

- sent to the Board of Statutory Auditors, as the Internal Control and Audit Committee, the additional report as per Article 11 of Regulation (EU) No. 537/2014, which does not contradict that outlined in the Reports on the financial statements indicated above and reports on other significant aspects, and that the Board of Statutory Auditors sends to the Board of Directors;
- issued, in accordance with Article 3, paragraph 10 of Legislative Decree 254/2016 and Article 5 of Consob Regulation 20267/2018, the Consolidated non-financial statement, regarding which the Independent Auditors declares that no matters came to its attention to suggest that the FILA Group's Non-Financial Statement for the year ended December 31, 2019 was not drawn up, in all significant aspects, in compliance with the requirements of Articles 3 and 4 of the Decree and selected GRI Standards.

The regular meetings held by the Board of Statutory Auditors with the Independent Auditors, pursuant to Article 150, paragraph 3 of Legislative Decree 58/1998, did not reveal aspects that should be highlighted in this Report.
Moreover, the Board of Statutory Auditors did not receive any disclosures from the Independent Auditors on reportable events detected during the audit activity on the separate and consolidated financial statements.

13. Considerations on the current health emergency

The Board of Statutory Auditors indicates that at the date of this Report, a major health emergency is ongoing due to the spread of the COVID-19 virus (which exploded in December 2019 in China), in view of which the Italian authorities have issued regulations, while reserving the right to raise the level of restrictions involved. They impose severe limitations on the movement of persons and bans on gatherings, while also circulating stringent health protocols for the protection of persons, particularly in the workplace.
On the date prior to the Board meeting of March 25, 2020 which approved the Company's separate financial statements, moreover, in view of the progressive deterioration of the situation - particularly in Lombardy and Veneto - the Authorities ordered the closure of all businesses open to the public and issued a general call to limit the movements of persons as far as possible. The consequent extensive use of remote working methods and the worsening of the health situation were followed by multiple closures of factories and offices in Northern Italy, and thereafter by law the entire country - including the production site of FILA S.p.A. in Tuscany, so as to protect the health and safety of workers and employees.
Furthermore, the news at the time of writing indicates that the spread of the COVID-19 virus is affecting not only the whole of Europe, but also the USA and South America and could affect all countries. In this case, it is likely that the competent foreign authorities concerned will issue restrictive measures similar to those already taken in Italy.
In this regard, the Board of Statutory Auditors notes that as of the date of issue of this Report and as of the date of the Board meeting held on March 25, 2020, extraordinary legal provisions and regulations were enacted to allow for a general recourse to the extended deadline for the approval of the financial statements of listed and unlisted companies, as well as for the holding of Shareholders' Meetings and the exercise of voting rights by shareholders, as appropriate at the time.
In this regard, the Board of Statutory Auditors will work in close coordination with the Board of Directors so that the Shareholders' Meeting, called for April 22, 2020, can be held properly held, and the rights of Shareholders duly exercised, in compliance with the above provisions.

The Board of Statutory Auditors, in close coordination with the Board of Directors, is focusing its utmost attention on understanding the operating and, in particular, the financial impact that the COVID- 19 pandemic will have on the global market and, therefore, for the Company and the Group.

14. Final considerations

Considering all that stated above, the Board of Statutory Auditors does not raise specific critical matters, omissions, reportable events or irregularities, nor observations or proposals to be submitted to the Shareholders' Meeting in accordance with Article 153 of Legislative Decree 58/1998, to the extent of its remit, and therefore does not indicate any reasons to prevent approval of the statutory financial statements at December 31, 2019 and the proposals for the allocation of the profit drawn up by the Board of Directors for the Shareholders' Meeting.

Rome, March 30, 2020

Gianfranco Consorti, Chairman of the Board of Statutory Auditors

(signed on the original)

Elena Spagnol, Standing Auditor

(signed on the original)

Pietro Michele Villa, Standing Auditor

(signed on the original)

Independent Auditors' Report pursuant to Article 14 of Legislative Decree No. 39 of January 27, 2010

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

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

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of F.I.L.A. S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of F.I.L.A. S.p.A. as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of equity investments

Notes to the separate financial statements: section "Basis of preparation " and note 4 "Equity investments"

Key audit matter	Audit procedures addressing the key audit matter
The carrying amount of equity investments measured at cost at 31 December 2019 is €348.7 million. Specifically: — as a result the merger of Eurholdam USA Inc. into the wholly-owned subsidiary Dixon Ticonderoga Company which became effective on 1 January 2019, the company's investment therein rose from €30.9 million to €107.7 million; — as a result of the 2016 acquisitions of 100% of the British company Renoir Topco Limited, holding company of the Daler-Rowney Lukas Group, and 100% of the French Canson Group, the company recognised equity investments of €97.3 million (Renoir Topco Limited) and €54.9 million (Canson group companies, namely Canson S.A.S. and Lodi 12 S.A.S.), respectively, at 31 December 2019; — as a result of the 2015 acquisition of 51% of the Indian company DOMS Industries Pvt Ltd., the company recognised an equity investment of €57.3 million at 31 December 2019; When they identify indicators of impairment and at least annually, the directors test these equity investments for impairment, checking their recoverability by comparing their carrying amounts with their value in use calculated using the discounted cash flow model. Calculating the recoverable amount of these equity investments is complex and requires significant estimates by directors. Specifically, in addition to the uncertainty inherent in any forecast, this process has the following characteristics:	Our audit procedures, which also involved our own specialists, included: — understanding the process adopted to prepare the impairment test approved by the company's board of directors; — understanding the process adopted to prepare the forecasts from which the expected cash flows used for impairment testing have been derived; — analysing the reasonableness of the assumptions used to prepare the forecasts; — checking any discrepancies between the previous year forecast and actual figures, in order to check the accuracy of the estimation process; — checking the consistency of the expected cash flows used for impairment testing with those used for the forecasts and analysing the reasonableness of any discrepancies; — analysing the expected cash flows and main assumptions used to calculate value in use, especially the key assumptions, which include: the revenue increase in the United States, the United Kingdom, France and India, expected synergies and the calculation of the discount and long-term growth rates; — assessing the appropriateness of the disclosures provided in the notes about the measurement of equity investments and the related impairment tests.

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Key audit matter	Audit procedures addressing the key audit matter
— valuation assumptions affected by the reference market trends, especially with reference to the US, UK, French and Indian markets, due to the specific economic and political conditions that are difficult to predict and unstable; — assumptions about the synergies expected, as set out by the directors in the business plan; — a high level of directors' judgement about the estimated long-term growth rate and the discount rate applied to the projected cash flows. For the above reasons, we believe that the measurement of the above equity investments is a key audit matter.	

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 20 February 2015, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2015 to 31 December 2023.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2019 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2019 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2019 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 30 March 2020

KPMG S.p.A.

(signed on the original)

Angelo Pascali
Director of Audit