

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



Il futuro ha i nostri colori. Da 100 anni.

F.I.L.A. GROUP
HALF-YEAR REPORT
AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2020

FILA – Fabbrica Italiana Lapis ed Affini S.p.A.

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DIRECTORS' REPORT

AT JUNE 30, 2020

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 and Risks and Related Parties Committee

Gerolamo Caccia Dominioni
Paola Bonini
Filippo Zabban
Alessandro Potestà

Remuneration Committee

Francesca Prandstraller
Annalisa Barbera
Filippo Zabban
Paola Bonini

Board of Statutory Auditors

Chairman	Gianfranco Consorti
Standing Auditor	Elena Spagnol
Standing Auditor	Pietro Michele Villa
Alternate Auditor	Stefano Amoroso
Alternate Auditor	Sonia Ferrero

Independent Auditors KPMG S.p.A.

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

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

At the reporting date, the F.I.L.A. Group operates through 21 production facilities and 35 subsidiaries across the globe and employs over 10,000, 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 “Parent”) has achieved strong international growth in the past 20 years, supported by a series of strategic acquisitions. Over the years, the Parent has acquired: (i) the Italian firm Adica Pongo in 1994, a leading producer of modelling clay for children; (ii) the Spanish firm Spanish Fila Hispania S.L. (formerly Papeleria Mediterranea S.L.) in 1997, the Group’s former exclusive distributor in Spain; (iii) the French firm Omyacolor S.A. in 2000, a leading manufacturer of modelling putties and clays; (iv) the U.S. Dixon Ticonderoga Group in 2005, a leading producer and distributor of pencils in North America, with subsidiaries operating on the Canadian, Mexican, Chinese and European markets; (v) the German LYRA Group in 2008, which allowed the Group to enter the German, Scandinavian and Eastern Asian markets; (vi) the business unit operated by Lapiceria Mexicana in 2010, one of the main local competitors in the budget coloured and graphite pencils market; and (vii) the business unit operated by Maimeri S.p.A. in 2014, a manufacturer and distributor of paints and accessories for arts and crafts. In addition to these operations, on the conclusion of an initiative which began with the acquisition of a 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

F.I.L.A. Fabbrica Italiana Lapis ed Affini. 1920 - 2020

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 (xii). On March 2, 2020, F.I.L.A.- Arches S.A.S., a French company wholly-owned by F.I.L.A. S.p.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, 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 (xiii).

Directors' Report

Financial Highlights

The F.I.L.A. Group's H1 2020 financial highlights are reported below.

<i>Euro thousands</i>	June 30, 2020	% revenue	June 30, 2019	% revenue	Change 2020 - 2019	IFRS 16 effects	Normalizations for Non-Recurring expenses
Revenue	307,518	100%	350,703	100%	(43,185)	-12.3%	(121)
Gross operating profit ⁽¹⁾	45,166	14.7%	59,938	17.1%	(14,772)	-24.6%	(7,673)
Operating profit	22,317	7.3%	39,692	11.3%	(17,375)	-43.8%	(7,673)
Net financial expense	(17,298)	-5.6%	(15,236)	-4.3%	(2,062)	-13.5%	(200)
Total taxes	(2,869)	-0.9%	(6,414)	-1.8%	3,545	55.3%	496
F.I.L.A. Group Profit attributable to the owners of the Parent	2,780	0.9%	16,968	4.8%	(14,188)	-83.6	(1,420)
<i>Earnings per share (€ cents)</i>							
	<i>basic</i>	0.05	0.35				
	<i>diluted</i>	0.05	0.34				

<i>NORMALISED Net of IFRS16 - Euro thousands</i>	H1 2020	% revenue	H1 2019 % revenue	Change 2020 - 2019	of which Fila Arches
Revenue from sales and services	307,639	100.0%	350,703	100.0%	(43,064)
Gross operating profit ⁽¹⁾	46,162	15.0%	58,226	16.6%	(12,064)
Operating profit	28,909	9.4%	43,081	12.3%	(14,172)
Net financial expense	(14,007)	-4.6%	(12,302)	-3.5%	(1,705)
Total taxes	(5,344)	-1.7%	(7,727)	-2.2%	2,383
Profit attributable to the owners of the Parent	9,545	3.1%	21,95	6.3%	(12,405)
<i>Earnings per share (€ cents)</i>					
	<i>basic</i>	0.19	0.45		
	<i>diluted</i>	0.18	0.44		

<i>Euro thousands</i>	H1 2020	H1 2019	Change 2020 - 2019
Cash flows from operating activities	(39,737)	(23,824)	(15,913)
Investments	(6,073)	(8,012)	1,939
% revenue	2.0%	2.3%	

<i>Euro thousands</i>	June 30, 2020	December 31, 2019	Change 2020 - 2019	IFRS 16 effects	of which Fila Arches
Net invested capital	946,673	855,501	91,172	83,701	43,522
Net Financial debt ⁽⁴⁾	(611,266)	(498,150)	(113,116)	(91,346)	773
Equity	(335,407)	(357,351)	21,944	7,645	963

⁽¹⁾ Gross Operating Profit (loss) is the operating profit (loss) 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 liabilities, 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 June 30, 2020 amount to Euro 2,727 thousand, of which Euro 179 thousand included in the calculation of the net financial position; therefore the F.I.L.A. Group financial indicator does not match for this amount, the net financial position as defined in the above-mentioned Consob communication.

⁽³⁾ The Group adopted IFRS 16 for the first time on January 1, 2019. According to first time adoption methods, the comparative information has not been restated.

2020 Adjustments:

- The adjustment to revenue from sales and services mainly concerns the return of goods as a result of disputes with customers, related to the economic and social effects of the Covid-19 pandemic and the North American reorganisation involving the introduction of the new SAP system, which impacted revenue by Euro 121 thousand;
- The adjustment to the H1 2020 gross operating profit relates to non-recurring operating expense of approx. Euro 7.7 million, mainly for the expense concerning the corporate transaction for the acquisition of the ARCHES® business unit, for Euro 4.5 million, the costs incurred to deal with the Covid-19 pandemic for Euro 2 million and, residually, reorganisation costs of the F.I.L.A. Group, particularly in North America for Euro 1.2 million;
- The overall adjustment to the operating profit was Euro 7.7 million, resulting from the aforementioned effects on the gross operating profit;
- The adjustment to Net Financial Expense refers to the financial expense incurred by the Parent F.I.L.A. S.p.A. for the signing of a new loan to support the M&A transaction;
- The adjustment to the H1 2020 Profit attributable to the owners of the parent concerns the aforementioned adjustments, net of the tax effect.

2019 Adjustments:

- The adjustment to the H1 2019 gross operating profit concerns non-recurring operating expense of approx. Euro 4.6 million, principally for the reorganisation of the F.I.L.A. Group in the first half of 2019 and particularly in North America;
- The adjustment to the H1 2019 Profit attributable to the owners of the parent concerns the above-stated 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 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 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 profit for H1 2020 and H1 2019 with the gross operating profit:

<i>Euro thousands</i>	H1 2020	H1 2019
Profit (loss) attributable to non-controlling interests	(630)	1,074
Profit attributable to the owners of the parent	2,780	16,968
Profit for the period	2,150	18,042
Income taxes	2,869	6,414
<i>Current taxes</i>	4,252	7,740
<i>Deferred taxes</i>	(1,383)	(1,326)
Amortisation, depreciation and impairment losses	22,848	20,246
Financial items	17,298	15,236
<i>Financial income</i>	(2,365)	(2,986)
<i>Financial expense</i>	19,597	18,311
<i>Share of profits (losses) of equity-accounted investees</i>	66	(89)
Gross operating profit	45,166	59,938

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

The following is a reconciliation between gross operating profit or EBITDA and adjusted gross operating profit or EBITDA and net of IFRS 16 effects:

<i>Euro thousands</i>	H1 2020	H1 2019
Gross operating profit	45,166	59,938
Non-recurring expense	7,673	4,603
IFRS 16 effect	(6,677)	(6,315)
Adjusted gross operating profit net of IFRS 16 effects	46,162	58,226

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

The Group defines adjusted operating profit or EBIT as operating profit or EBIT gross of: (i) non-recurring expense and (ii) and net of IFRS 16 effects.

<i>Euro thousands</i>	H1 2020	H1 2019
Operating profit	22,317	39,692
Non-recurring expense	7,673	4,603
IFRS 16 effect	(1,081)	(1,214)
Adjusted Operating profit net of IFRS 16 effects	28,909	43,081

F.I.L.A. Group profit for the period: profit for the period, adjusted for non-controlling interest items:

<i>Euro thousands</i>	H1 2020	H1 2019
Profit attributable to the owners of the parent	2,780	16,968
Non-recurring expense	5,345	3,745
IFRS 16 effect	1,420	1,237
Adjusted Profit attributable to the owners of the parent net of IFRS 16 effects	9,545	21,950

The Group defines the Adjusted profit attributable to the owners of the parent net of IFRS 16 effects as the Group profit for the period, gross of:

(i) non-recurring expense, (ii) and net of IFRS 16 effects.

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 liabilities 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 179 thousand at June 30, 2020 and to Euro 1,070 thousand at December 31, 2019. Accordingly, the F.I.L.A. Group financial indicator at June 30, 2020 and December 31, 2019 differs from the net financial position as defined in the above-mentioned Consob communication by those amounts.

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

The F.I.L.A. Group's H1 2020 Key Financial figures are reported below.

Normalised financial performance net of IFRS 16 effects

The H1 2020 normalised gross operating profit, net of IFRS 16 effects, decreased by 20.7% compared to H1 2019.

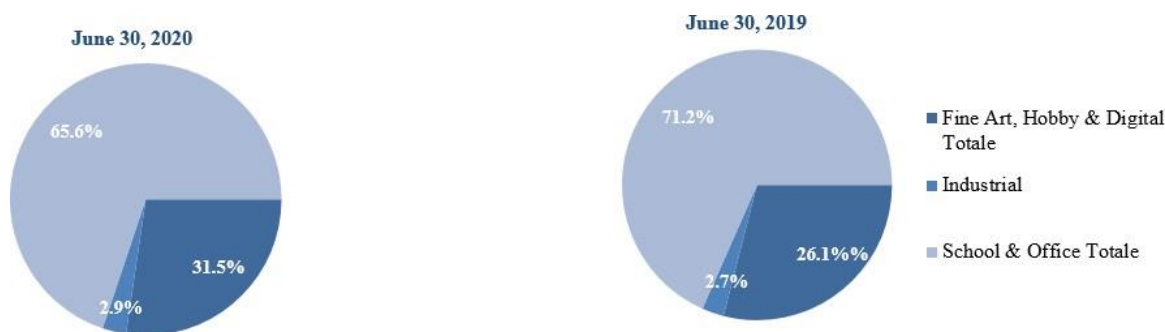
	H1 2020	% revenue	H1 2019	% revenue	Change 2020 - 2019	
<i>NORMALISED - Euro thousands</i>						
Revenue from sales and services	307,639	100%	350,703	100%	(43,064)	-12.3%
Other revenue and income	5,951		3,558		2,393	67.3%
Total revenue	313,590		354,261		(40,671)	-11.5%
Total operating costs	(267,428)	-86.9%	(296,035)	-84.4%	28,607	9.7%
Gross operating profit	46,162	15.0%	58,226	16.6%	(12,064)	-20.7%
Amortisation, depreciation and impairment losses	(17,253)	-5.6%	(15,145)	-4.3%	(2,108)	-13.9%
Operating profit	28,909	9.4%	43,081	12.3%	(14,172)	-32.9%
Net financial expense	(14,007)	-4.6%	(12,302)	-3.5%	(1,705)	-13.9%
Pre-tax profit	14,902	4.8%	30,779	8.8%	(15,877)	-51.6%
Total income taxes	(5,344)	-1.7%	(7,727)	-2.2%	2,383	30.8%
Profit for the period	9,558	3.1%	23,052	6.6%	(13,494)	-58.5%
Profit for the period attributable to non-controlling interests	13	0.0%	1,103	0.3%	(1,091)	-98.9%
Profit for the period attributable to the owners of the Parent	9,545	3.1%	21,950	6.3%	(12,405)	-56.5%

The principal changes compared to H1 2019 are illustrated below.

“Revenue from sales and services” of Euro 307,639 thousand decreased on H1 2019 by Euro 43,064 thousand (-12.3%). Net of exchange losses of Euro 164 thousand (mainly due to the weakening of the Indian Rupee and the Mexican Peso, only partially offset by the strengthening US Dollar) and the net negative M&A effect of Euro 1,964 thousand (from the joint impact of higher revenue of Euro 1,883 thousand following the acquisition in March 2020 of the new ARCHES® business unit and the lower revenue of Euro 3,847 thousand following the sale of the “Superior” brand business in October 2019), the organic contraction was Euro 40,936 thousand (-11.8%).

Looking to the geographical segments, this result was mainly due to the drop in consumption as a result of the Covid-19 pandemic in Europe for Euro 14,803 thousand (-13%), in Asia for Euro 14,036 thousand (-33.9%), in Central-South America for Euro 8,254 thousand (-29.3%) and in North America for Euro 4,071 thousand (-2.5%), while partially offset for Euro 228 thousand (17.12%) by increases in the Rest of the World.

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



This analysis also highlights the impacts of the Covid-19 pandemic and of the relative lockdown and remote working period, which resulted in a contraction in revenue mainly concerning school and office products, as their consumption is mainly linked to the physical presence of students at school and of personnel at their offices.

Other revenue and income of Euro 5,951 thousand increased by Euro 2,393 thousand compared to H1 2019, mainly due to higher exchange gains on commercial transactions.

Operating costs in H1 2020 of Euro 267,428 thousand decreased by Euro 28,607 thousand on the same period of 2019, due to the reduction in revenue, which was partly offset by management's commercial, marketing, administrative and personnel overhead cost-cutting measures, with the latter through the use of accrued vacations, mechanisms similar to the lay-off schemes and a downsizing of the workforce, mainly of temporary workers where possible.

Gross Operating Profit was Euro 46,162 thousand, a decrease of Euro 12,064 thousand on H1 2019 (-20.7%).

Amortisation, depreciation and impairment losses rose by Euro 2,108 thousand, mainly due to higher amortisation and depreciation resulting from investments and the increase from accruals to cover the greater doubtful debt risk as a result of Covid-19.

Net Financial Expense increased by Euro 1,705 thousand, mainly due to greater exchange losses on financial transactions.

Group Adjusted income taxes amounted to Euro 5,344 thousand, decreasing on H1 2019 by Euro 2,383 thousand, due to the reduced pre-tax profit.

Net of the profit attributable to non-controlling interests, the F.I.L.A. Group normalised profit in H1 2020 was Euro 9,545 thousand, compared to Euro 21,950 thousand in H1 2019.

Business seasonality

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

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

Seasonality is more significant when it is viewed in relation to working capital. In fact, in the school and office strategic business segment the group 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 H1 2020 and 2019 are reported below.

	2019			FY 2019	2020	
	First 3 mth. 2019	First 6 mth. 2019	First 9 mth. 2019		First 3 mth. 2020	First 6 mth. 2020
<i>Euro thousands</i>						
Revenue from sales and services	143,811	350,703	535,858	682,686	145,769	307,518
<i>% of entire year</i>	21.07%	51.37%	78.49%	100,00%	47.40%	100,00%
Gross operating profit	18,490	59,938	90,244	105,923	14,873	45,166
<i>% revenue from sales and services</i>	12.86%	17.09%	16.84%	15.50%	10.20%	14.69%
<i>% of entire year</i>	17.47%	56.64%	85.28%	100,00%	32.93%	100,00%
Adjusted gross operating profit	18,418	58,226	88,157	110,834	16,799	46,162
<i>% revenue from sales and services</i>	12.81%	16.60%	16.45%	16.10%	11.52%	15.01%
<i>% of entire year</i>	16.65%	52.63%	79.68%	100,00%	36.39%	100,00%
Net Financial Debt	(578,278)	(602,365)	(583,771)	(498,150)	(584,592)	(611,266)

Statement of Financial Position

The F.I.L.A. Group's financial highlights at June 30, 2020 are reported below:

<i>Euro thousands</i>	June 30, 2020	December 31, 2019	Change 2020 - 2019
Intangible assets	463,093	430,609	32,484
Property, plant & equipment	185,210	186,013	(803)
Financial assets	3,413	3,690	(277)
Net non-current assets	651,716	620,313	31,403
Other Non-Current Assets/Liabilities	18,990	18,347	643
Inventories	277,860	258,409	19,451
Trade receivables and other assets	199,385	141,339	58,046
Trade payables and other liabilities	(120,050)	(108,670)	(11,380)
Other current assets and liabilities	1,027	3,800	(2,773)
Net working capital	358,222	294,880	63,342
Provisions	(82,256)	(78,039)	(4,217)
Net invested capital	946,673	855,501	91,172
Equity	(335,407)	(357,351)	21,944
Net financial debt	(611,266)	(498,150)	(113,116)
Net sources of funds	(946,673)	(855,501)	(91,172)

The F.I.L.A. Group's "net invested capital" of Euro 946,673 thousand at June 30, 2020 was composed of net non-current assets of Euro 651,716 thousand (up by Euro 31,403 thousand on December 31, 2019), "net working capital" of Euro 358,222 thousand (up by Euro 63,342 thousand on December 31, 2019) and "other non-current assets/liabilities" of Euro 18,990 thousand (up by Euro 643 thousand on December 31, 2019), net of "provisions" of Euro 82,256 thousand (Euro 78,039 thousand at December 31, 2019).

"Intangible assets" increased on December 31, 2019 by Euro 32,484 thousand, mainly due to the acquisition of the ARCHES® brand products business unit which generated "Goodwill" of Euro 21,232 thousand, "Brands" of Euro 12,376 thousand and "Customer Relationships" of Euro 10,369 thousand. The above intangible assets were measured through Purchase Price Allocation, carried out as per the applicable reporting standards. In addition, net investments principally by the parent F.I.L.A. S.p.A. of Euro 1,165 thousand for the installation of the SAP system were recognised along with amortisation of the period of Euro 7,655 thousand and net exchange losses of the period of Euro 5,004 thousand.

"Property, plant and equipment" decreased on December 31, 2019 by Euro 803 thousand due to the decrease of Euro 2,751 thousand in Property, Plant and Equipment, partially offset by the increase in rights-of-use assets of Euro 1,948 thousand.

Net investments in "Property, Plant and Equipment" in the period amounted to Euro 4,908 thousand and were principally undertaken by DOMS Industries Pvt Ltd (India) and Dixon Ticonderoga Company (U.S.A.), for the extension and development of the local production and logistics sites. In addition, an

M&A related increase of Euro 4,283 thousand was recognised, including Euro 13 thousand of notary fees. This change is mainly offset by depreciation of Euro 8,335 thousand and net exchange losses of Euro 3,534 thousand.

“Financial assets” decreased by Euro 277 thousand compared to December 31, 2019 and mainly concerned loans.

The increase in “Net Working Capital” of Euro 63,342 thousand relates to the following:

- Inventories - increasing by Euro 19,451 thousand. This mainly followed the net increase in stock at the F.I.L.A. Group, for Euro 24,903 thousand, in particular North America, France, Mexico and India, in line with the school campaign business seasonality, an effect amplified by the postponed fulfilment of orders to subsequent quarters due to the Covid-19 pandemic, in addition to the impact of the change in the consolidation scope of Euro 2,702 thousand during the period. This increase was significantly offset by negative currency effects of approx. Euro 8,297 thousand;
 - “Trade Receivables and Other assets” - increasing Euro 58,046 thousand due to the seasonality of the F.I.L.A. Group’s business, with receivables at their highest during the middle months of the year as revenue is generated, although to a lesser extent than normally due to the contraction and deferment of revenue to the subsequent quarters of the year due to the Covid-19 pandemic. This change mainly concerned Dixon Ticonderoga Company (U.S.A.), F.I.L.A. S.p.A. and Canson SAS (France) and was offset by net exchange losses of Euro 10,392 thousand;
- “Trade Payables and Other liabilities” - increased Euro 11,380 thousand, principally due to the business seasonality of the F.I.L.A. Group, with procurement concentrated in the initial months of the year in support of production and supplies for the forecast peak in sales. The change principally concerned the North American subsidiary and was partially offset by the reduction at the Indian subsidiary DOMS Industries Pvt Ltd and net exchange gains of Euro 2,459 thousand.

The increase in “Provisions” on December 31, 2019 of Euro 4,217 thousand principally concerns the:

- Increase in “Deferred tax liabilities” of Euro 6,083 thousand, principally due to the tax effect concerning “Intangible Assets”, recognised as a result of the acquisition of the Arches business unit for Euro 7,513 thousand. The change was offset by net exchange gains of Euro 1,325 thousand;
- Decrease in “Provisions for Risks and Charges” of Euro 1,075 thousand, due to utilisations in the period, principally by the North American subsidiary;
- Decrease in “Employee Benefits” of Euro 790 thousand, mainly due to actuarial gains recorded in the period by the company Daler Rowney Ltd (United Kingdom).

The “Equity” attributable to owners of the Parent, amounting to Euro 335,407 thousand, decreased on

December 31, 2019 by Euro 21,944 thousand. Net of the profit for the period of Euro 2,150 thousand (of which a loss of Euro 630 thousand attributable to non-controlling interests), the residual movement mainly concerned the increase in the negative currency reserve of Euro 12,980 thousand and the fair value losses on IRSs of Euro 10,204 thousand, partially offset by the Actuarial reserve of Euro 1,041 thousand.

The F.I.L.A. Group's Net Financial debt at June 30, 2020 was Euro 611,266 thousand, an increase of Euro 113,116 thousand on December 31, 2019. For greater details, reference should be made to the "Net financial debt and cash flows" section.

Net financial debt and cash flows

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

The **Net Financial Debt** at June 30, 2020 is Euro 611,266 thousand.

	June 30,	December 31,	Change
<i>Euro thousands</i>	2020	2019	2020 - 2019
A Cash	172	135	37
B Other cash equivalents	80,806	100,057	(19,251)
C Securities held for trading	-	-	-
D Liquidity (A + B + C)	80,978	100,192	(19,214)
E Current loan assets	439	169	270
F Current bank loans and borrowings	(87,359)	(79,511)	(7,848)
G Current portion of non-current loans and borrowings	(26,111)	(15,008)	(11,103)
H Other current loans and borrowings	(11,209)	(8,187)	(3,022)
I Current financial debt (F + G + H)	(124,679)	(102,706)	(21,973)
J Net current financial debt (I + E+ D)	(43,262)	(2,345)	(40,917)
K Non-current bank loans and borrowings	(459,282)	(402,546)	(56,736)
L Bonds issued	-	-	-
M Other non-current loans and borrowings	(108,900)	(94,328)	(14,572)
N Non-current financial debt (K + L + M)	(568,182)	(496,874)	(71,309)
O Net financial debt (J+N)	(611,444)	(499,219)	(112,226)
P Loans issued to third parties	179	1,070	(891)
Q Net financial debt (O + P) - F.I.L.A. Group	(611,266)	(498,150)	(113,116)

Compared to December 31, 2019 (Euro 498,150 thousand), net financial debt increased Euro 113,116 thousand, as outlined below in the Statement of Cash Flows.

<i>Euro thousands</i>	H1 2020	H1 2019
Operating profit net of IFRS 16 effects	21,236	38,843
Non-monetary adjustments net of IFRS 16 effects	17,485	15,508
Income taxes	(1,419)	(3,632)
Cash Flows from Operating Activities Before Changes in NWC	37,302	50,719
Change in NWC	(81,580)	(81,683)
Change in Inventories	(24,523)	(15,486)
Change in Trade receivables and Other Assets	(70,856)	(78,163)
Change in Trade payables and Other Liabilities	15,449	14,747
Change in Other Current Assets/Liabilities	(1,651)	(2,781)
Net cash Flows used in Operating Activities	(44,278)	(30,963)
Investments in Property, Plant and Equipment and Intangible assets	(6,073)	(8,012)
Financial income	520	68
Net cash Flows used in Investing Activities	(5,553)	(7,943)
Change in Equity	(274)	(4,262)
Financial Expense	(11,408)	(13,091)
Net cash Flows used in Financing Activities	(11,683)	(17,353)
Exchange differences and other variations	(2,273)	(2,059)
Net cash flows from IFRS 16 effects	3,327	3,016
Total Net Cash Flows	(60,460)	(55,302)
Effect of exchange gains (losses)	9,894	(3,115)
Mark to mark hedging adj	(10,204)	(10,657)
NFD change due to IFRS 16 FTA	(8,746)	(80,521)
NFD from M&A Transactions (Change in Consolidation Scope)	(43,600)	-
Change in Net Financial Debt	(113,116)	(149,595)

The net cash flows used in operating activities of Euro 44,278 thousand in the first half of 2020 (Euro 30,963 thousand in H1 2019) are due to:

- Inflows of Euro 37,302 thousand (Euro 50,719 thousand in H1 2019) from operating profit, calculated as the difference of operating costs and revenue plus other operating items, excluding financial items;
- Outflows of Euro 81,580 thousand (Euro 81,683 thousand in H1 2019) attributable to Working capital movements, primarily related to the joint effect of an increase in Inventories and Trade Receivables and Other Assets and the increase in Trade Payables and Other Liabilities.

Investing activities used net cash flows of Euro 5,553 thousand (Euro 7,943 thousand in H1 2019), mainly due to the use of Euro 6,073 thousand (Euro 8,012 thousand in H1 2019) 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..

Financing activities used net cash flows of Euro 11,683 thousand (Euro 17,353 thousand used in H1 2019) due to interest paid on loans and credit lines granted to Group companies, mainly F.I.L.A. S.p.A., Dixon Ticonderoga Company (U.S.A.) and Grupo F.I.L.A. – Dixon, S.A. de C.V. (Mexico).

Excluding net exchange gains from the translation of the net financial positions in currencies other than the Euro (Euro 9,894 thousand), the Mark-to-Market hedging adjustments of Euro 10,204 thousand and the negative impact of the application of IFRS 16, equal to Euro 8,746 thousand, and the movement generated by corporate transactions of Euro 43,600 thousand related to the acquisition of the new business unit, the change in the Group's net financial debt was a negative Euro 113,116 thousand (Euro 149,595 thousand in HI 2019).

Changes in net cash and cash equivalents are detailed below.

<i>Euro thousands</i>	June 30, 2020 December 31, 2019	
Opening Cash and Cash Equivalents	85,579	146,831
Cash and cash equivalents	100,191	157,602
Current account overdrafts	(14,612)	(10,771)
Closing Cash and Cash Equivalents	67,208	85,579
Cash and cash equivalents	80,978	100,191
Current account overdrafts	(13,770)	(14,612)

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 Parent's business is divided into five business segments, each of which is composed of various geographical segments, 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 segment.

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

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

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

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

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

Geographical segments – Statement of financial position

The group's key statement of financial position figures by geographical segment, at June 30, 2020 and December 31, 2019, are reported below:

June 30, 2020	Europe	North America	Central & South America	Asia	Rest of the World	Consolidation	F.L.L.A. Group
<i>Euro thousands</i>							
Intangible Assets	143,339	234,745	1,099	22,802	-	61,108	463,093
Property, plant & equipment	67,947	56,007	21,495	39,508	253	-	185,210
Total non-current assets	211,286	290,752	22,594	62,310	253	61,108	648,303
<i>of which Intragroup</i>	(76)						
Inventories	95,474	121,514	33,519	31,305	2,406	(6,358)	277,860
Trade receivables and Other assets	111,255	79,938	47,242	17,148	1,186	(57,384)	199,385
Trade payables and other liabilities	(83,573)	(58,416)	(13,344)	(17,287)	(3,840)	56,410	(120,050)
Other Current Assets and Liabilities	1,085	128	397	(583)	-	-	1,027
Net Working Capital	124,241	143,164	67,814	30,583	(248)	(7,332)	358,222
<i>of which Intragroup</i>	(11,535)	6,658	(2,115)	(3,712)	3,371		
Net Financial Debt	(255,830)	(294,600)	(46,495)	(12,618)	(2,150)	427	(611,266)
<i>of which Intragroup</i>		427					
December 31, 2019							
<i>Euro thousands</i>							
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
<i>of which Intragroup</i>	(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
<i>of which Intragroup</i>	(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)
<i>of which Intragroup</i>		921					

Geographical segments – Statement of comprehensive income

The group's key statement of comprehensive income figures broken down by geographical segment for the six months ended June 30, 2020 and June 30, 2019, are reported below:

H1 2020	Europe	North America	Central - South America	Asia	Rest of the World	Consolidation	F.I.L.A. Group
<i>Euro thousands</i>							
Revenue from sales and services	142,336	168,241	34,725	47,755	1,419	(86,958)	307,518
<i>of which Intragroup</i>	<i>(41,998)</i>	<i>(6,165)</i>	<i>(17,753)</i>	<i>(21,042)</i>			
Gross operating profit (loss)	16,024	23,718	2,632	6,113	(289)	(3,033)	45,166
Operating profit (loss)	7,113	15,817	803	2,116	(677)	(2,855)	22,317
Net financial expense	(785)	(5,775)	(4,470)	(582)	(55)	(5,631)	(17,298)
<i>of which Intragroup</i>	<i>(4,823)</i>	<i>(847)</i>	<i>(20)</i>	<i>8</i>	<i>51</i>		
Profit (loss) for the period	6,133	6,692	(3,556)	866	(791)	(7,194)	2,150
Profit (loss) attributable to non-controlling interests	124	76	-	(827)	(3)	-	(630)
Profit (loss) attributable to the owners of the Parent	6,011	6,616	(3,556)	1,692	(788)	(7,194)	2,780
H1 2019							
<i>Euro thousands</i>							
Revenue from sales and services	159,212	182,702	43,782	62,858	1,493	(99,344)	350,703
<i>of which Intragroup</i>	<i>(45,690)</i>	<i>(16,385)</i>	<i>(15,646)</i>	<i>(24,467)</i>	<i>(155)</i>		
Gross operating profit (loss)	20,422	27,415	4,223	9,489	(417)	(1,194)	59,938
Operating profit (loss)	12,893	20,813	1,846	5,902	(482)	(1,280)	39,692
Net financial income (expense)	6,188	(3,861)	(3,605)	(429)	26	(13,556)	(15,236)
<i>of which Intragroup</i>	<i>10,880</i>	<i>(2,772)</i>	<i>(29)</i>	<i>(9)</i>	<i>(58)</i>		
Profit (loss) for the period	17,155	13,623	(1,696)	3,940	(456)	(14,524)	18,042
Profit attributable to non-controlling interests	387	-	-	673	0	-	1,074
Profit (loss) attributable to the owners of the Parent	16,754	13,623	(1,696)	3,267	(456)	(14,524)	16,968

Geographical Segments – Other Information

The “other information” on the group companies’ investments in property, plant and equipment and intangible assets broken down by geographical segment at June 30, 2020 and June 30, 2019 is reported below:

June 30, 2020	Europe	North Central - South America		Asia	Rest of the World	F.I.L.A. Group
<i>Euro thousands</i>						
Intangible assets	1,135	4	-	26	-	1,165
Property, plant and equipment	667	1,567	269	2,292	113	4,908
Right-of-use assets	2,266	9,295	936	54	-	12,551
Net investments	4,068	10,866	1,205	2,372	113	18,624

June 30, 2019	Europe	North Central - South America		Asia	Rest of the World	F.I.L.A. Group
<i>Euro thousands</i>						
Intangible assets	1,792	66	-	-	-	1,858
Property, plant and equipment	1,441	895	2,098	1,717	3	6,154
Right-of-use assets	18,410	27,821	21,179	12,100	221	79,730
Net investments	21,643	28,782	23,278	13,817	223	87,742

Key events of the reporting period

- 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 specialised in fine art 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 utilising 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 credit lines for Euro 15 million and the partial use of the Revolving Credit Facility for Euro 25 million, through its conversion into a medium/long-term credit line.

- Covid-19 impacts:

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 monitored 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 operating sites and at the production plant. In this regard, the Coronavirus related lockdown resulted in the closure of the Yixing facility from February 4 until February 21 and that of Kunshan from February 4 until February 28, the Indian facilities from March 22

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until May 3, the Italian F.I.L.A. S.p.A. facilities from March 23 to April 10 and the facilities of Industria Maimeri from March 16 to April 30, the Dominican Republic facilities from March 23 to April 3 and those in Mexico from April 6 to April 17. At the reporting date, the Group's plants are all operational, in accordance with the regulations for each country, although not at full capacity in order to protect worker safety. With the exception of India, where production and commercial activity was totally blocked for the entire month of April, shipments to customers have never stopped, although sometimes limited by logistical inefficiencies emerging during the lockdown period. The majority of the Group companies updated their internal procedures to guarantee a safe workplace so as to minimise any infection risk, alternating, where possible, the physical presence of workers with remote working. All subsidiaries introduced all of the social security and corrective measures available to offset the drop in activity, such as containing all fixed costs related to activities not strictly necessary in 2020 and a similar deferment to 2021 of all those investments not considered strictly strategic in the current year. Public aid has principally taken the form of social security schemes to contain labour costs (principally in Italy, France, Germany, the United States and England), while there are no significant outright grants. The impact on the business has mainly been a decrease in sales on the Chinese market in February and part of March, while the decrease in sales in the rest of the world has had a gradual impact only from the second half of March (we indicate the total blockage of the Indian market in April), with the exception of customers selling online and Major Retail, where this impact was however minimal as the sales channels had been operative also in this period.

It is highlighted that Group revenue in April, May and June generally 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 the effect therefore of partially deferring revenue from the second to third quarter.

With regard to potential financial stress scenarios, management has monitored and continues to monitor both the Group's current and future liquidity. In April, the first significant impacts on collection activities directly related to the worldwide spread of the Coronavirus became apparent. The Group therefore introduced a strict customer selection policy to limit future financial difficulties, limiting as much as possible exposure to customers considered most at risk and lengthening collection times where possible. In terms of suppliers, however, actions focused on identifying alternative sources of procurement in the case of any critical logistical or financial situations at the main suppliers; no significant criticalities have emerged to date however. No significant renegotiation of existing contracts with customers and suppliers is

reported. At that date, the available liquidity appears adequate to cover current and future operating needs. The medium/long-term debt of a nominal Euro 453 million is based on a bullet repayment plan (Euro 50.9 million in 2023 and Euro 253.8 million in 2024), with that subject to interest settled through increasing instalments until maturity in 2023; the 2020 instalment amounts to Euro 11.9 million. In addition, the structured debt was negotiated with the lending banks and no default shall be linked to any failure to comply with the financial covenants relating to the June 2020 and December 2020 tests (“holiday covenants”), while the margin to be used to calculate the interest shall continue to be based on the financial statements as at and for the year ended December 31, 2019 (in the case in which dividends are not distributed to shareholders of F.I.L.A. S.p.A. during the second half of 2020). It is indicated however that at June 30, 2020 the financial covenants had been complied with.

The Group has carried out a further sensitivity analysis of the potential operating and financial impacts of the current crisis and has drafted a series of measures to limit these impacts, such as the containment of overheads and of the investments planned for 2020, as described previously. In light of that reported and on the basis of the currently available information, assuming that the schools reopen in September, a slight improvement in the operating and financial performance is expected in the second half of the year in comparison with the first half. Consequently, the reduced revenue and the possible net working capital difficulties shall result in a reduced generation of cash compared to the previous year, although these effects shall be offset by a number of actions taken by management, such as for example the postponement of certain non-strategic investments and the containment of overheads.

It may be stated that Covid-19 to date has not halted or changed any of the Group’s development plans and strategy, only acting to slow them.

The directors of F.I.L.A. S.p.A., considering the effects of the Covid-19 pandemic as a possible impairment indicator, in accordance with IAS 36 “Impairment of assets” (paragraphs 9 and 12), carried out an impairment test on goodwill and intangible assets with finite useful lives recognised in the financial statements in order to ascertain their recoverability. No impairment losses were recognised as a result.

Subsequent events

As regards the lockdown following the Coronavirus pandemic, at the date of this report, the Group's plant are operational, in accordance with the regulations for each country, though not at full capacity in order to protect worker safety.

Outlook

The 2020 outlook will be affected by the instability resulting from the outbreak of the Coronavirus, which was disclosed in the “Key events of the reporting period” section. The F.I.L.A. Group continues to monitor 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.

Treasury shares

At June 30, 2020, the Parent does not hold any treasury shares.

Related party transactions

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

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

Reconciliation between Parent and Group Equity

<i>Euro thousands</i>	Equity December 31, 2019	Echanges in equity	Profit for 2020	Equity June 30, 2020
F.I.L.A. S.p.A. financial statements	271,080	(1,380)	9,550	279,250
Consolidation effect of the financial statements of subsidiaries	76,147	(8,527)	(6,769)	60,852
Translation reserve	(16,057)	(12,980)		(29,037)
F.I.L.A. group consolidated financial statements	331,171	(22,886)	2,780	311,065
Equity attributable to non-controlling interests	26,180	(236,208)	(630)	24,342
Consolidated financial statements	357,351	(259,094)	2,150	335,407



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**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2020

Condensed Interim Consolidated Financial Statements as at and for the six months ended June 30, 2020

Condensed Interim Consolidated Financial Statements

Condensed Statement of Financial Position

		June 30, 2020	December 31, 2019
<i>Euro thousands</i>			
Assets		1,236,288	1,150,978
Non-current assets		670,926	639,773
Intangible assets	Note 1	463,093	430,609
Property, plant and equipment	Note 2	185,210	186,013
Non-current financial assets	Note 3	2,727	3,783
Equity-accounted investees	Note 4	833	947
Other equity investments	Note 5	31	31
Deferred tax assets	Note 6	19,031	18,391
Current assets		565,362	511,206
Current financial assets	Note 3	439	169
Current tax assets	Note 7	6,701	11,097
Inventories	Note 8	277,860	258,409
Trade receivables and other assets	Note 9	199,385	141,339
Cash and cash equivalents	Note 10	80,978	100,191
Liabilities and equity		1,236,288	1,150,978
Equity	Note 12	335,407	357,351
Share capital		46,967	46,876
Reserves		83,702	106,679
Retained earnings		177,616	153,616
Profit for the period		2,780	24,000
Equity attributable to the owners of the parent		311,065	331,171
Equity attributable to non-controlling interests		24,342	26,180
Non-current liabilities		649,339	572,817
Non-current financial liabilities	Note 13	544,377	483,303
Financial instruments	Note 17	23,805	13,571
Employee benefits	Note 14	11,010	11,800
Provisions for risks and charges	Note 15	861	937
Deferred tax liabilities	Note 16	69,245	63,162
Other liabilities	Note 19	41	44
Current liabilities		251,542	220,813
Current financial liabilities	Note 13	124,679	102,706
Current provisions for risks and charges	Note 15	1,140	2,139
Current tax liabilities	Note 18	5,673	7,296
Trade payables and other liabilities	Note 19	120,050	108,670

The notes from pages 44 to 99 are an integral part of these condensed interim consolidated financial statements.

Condensed Statement of Comprehensive Income

		H1 2020	H1 2019
<i>Euro thousands</i>			
Revenue from sales and services	Note 20	307,518	350,703
Other revenue and income	Note 21	5,984	3,688
Total revenue		313,502	354,391
Raw materials, consumables, supplies and goods	Note 22	(167,673)	(174,400)
Services and use of third party assets	Note 23	(53,043)	(61,206)
Other costs	Note 24	(5,507)	(3,829)
Change in raw materials, semi-finished products, work in progress and finished goods	Note 22	24,794	16,349
Personnel expense	Note 25	(66,908)	(71,367)
Amortisation and depreciation	Note 26	(21,586)	(19,465)
Net impairment losses on trade receivables and other assets	Note 27	(1,153)	(733)
Other net impairment losses	Note 28	(109)	(48)
Total operating costs		(291,185)	(314,699)
Operating profit		22,317	39,692
Financial income	Note 29	2,365	2,986
Financial expense	Note 30	(19,597)	(18,311)
Share of profits (losses) of equity-accounted investees	Note 32	(66)	89
Net financial expense		(17,298)	(15,236)
Pre-tax profit		5,020	24,456
Income taxes		(4,252)	(7,740)
Deferred taxes		1,383	1,326
Total taxes	Note 33	(2,869)	(6,414)
Profit from continuing operations		2,150	18,042
Profit for the period		2,150	18,042
<i>Attributable to:</i>			
Non-controlling interests		(630)	1,074
Owners of the parent		2,780	16,967
Other comprehensive expense which may be reclassified subsequently to profit or loss		(24,462)	(8,415)
Exchange gains (losses)		(14,258)	2,242
Hedging reserves		(10,204)	(10,657)
Other comprehensive income which may not be reclassified subsequently to profit or loss		1,041	2
Actuarial gains (losses)		1,333	(69)
Taxes		(292)	71
Other comprehensive expense, net of tax effect		(23,421)	(8,413)
Comprehensive income (expense)		(21,270)	9,629
<i>Attributable to:</i>			
Non-controlling interests		(1,909)	1,434
Owners of the parent		(19,362)	8,195
Earnings per share:			
	<i>basic</i>	0.05	0.35
	<i>diluted</i>	0.05	0.34

The notes from pages 44 to 99 are an integral part of these condensed interim consolidated financial statements.

Condensed Statement of Changes in Equity

Note 12.A Statement of Changes in Equity

	Share capital	Legal reserve	Share premium reserve	Actuarial reserve	Other reserves	Translation reserve	Retained earnings	Profit attributable to the owners of the parent	Equity attributable to the owners of the parent	Capital and reserves att. to non-controlling interests	Profit (loss) attributable to non-controlling interests	Equity attributable to non-controlling interests	Total equity
<i>Euro thousands</i>													
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
Profit for the year								24,000	24,000			2,105	2,105
Other comprehensive income (expense)			-	(961)	(8,402)	6,467			(2,896)		(241)		(241)
Other changes	77		1,839	-	(1,498)	-			418		(583)		(583)
Profit for the year recognised directly in equity	77	-	1,839	(961)	(9,900)	6,467	-	24,000	21,522	(824)	2,105		1,281
Allocation of the 2018 profit		331			(331)		8,747	(8,747)	-			1,714	(1,714)
Dividends							(4,070)		(4,070)			(191)	(19)
December 31, 2019	46,876	7,765	153,608	(4,214)	(34,423)	(16,057)	153,616	24,000	331,171			24,075	2,105
Profit for the year								2,780	2,780			(630)	(63)
Other comprehensive income (expense)			-	1,041	(10,204)	(12,980)			(22,143)		(1,278)		(1,278)
Other changes	91		865	-	(1,699)	-			(743)			342	3
Profit for the year recognised directly in equity	91	-	865	1,041	(11,903)	(12,980)	-	2,780	(20,106)		(936)	(630)	(1,56)
Allocation of the 2019 profit		566			(566)		24,000	(24,000)	-			2,105	(2,105)
Dividends									-			(272)	(27)
June 30, 2020	46,967	8,331	154,473	(3,173)	(46,892)	(29,037)	177,616	2,780	311,065			24,972	(630)
													24,34

Note:

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

The notes from pages 44 to 99 are an integral part of these condensed interim consolidated financial statements.

Condensed Statement of Cash Flows

<i>Euro thousands</i>	H1, 2020	H1, 2019
Profit for the period	2,150	18,042
Non-monetary and other adjustments:	43,295	42,688
Amortisation and depreciation	15,990	14,364
Depreciation of right-of-use assets	5,596	5.101
Net impairment losses on intangible assets and property, plant and equipment	109	48
Impairment gains/losses on trade receivables and write-downs of inventories	1,129	(130)
Accruals for post-employment and other employee benefits	275	1,322
Accruals to/reversals of the provision for risks and charges	-	(60)
Exchange losses on foreign currency trade receivables and payables	47	428
Net gains on the sale of intangible assets and property, plant and equipment	(19)	(36)
Net financial expense	17,232	15,325
Net gains/losses on equity investments	66	(89)
Taxes	2,869	6,414
Addition for:	(3,601)	(2,871)
Income taxes paid	(1,419)	(3,632)
Net unrealised exchange gains/losses on foreign currency assets and liabilities	(1,548)	1,136
Net realised exchange gains/losses on foreign currency assets and liabilities	(635)	(374)
Cash flows from operating activities before changes in net working capital	41,843	57,858
Change s in ne t working capital:	(81,580)	(81,683)
Change in inventories	(24,523)	(15,486)
Change in trade receivables and other assets	(70,856)	(78,163)
Change in trade payables and other liabilities	15,449	14,747
Change in other liabilities, net	(1,024)	(1,602)
Change in post-employment and other employee benefits	(627)	(1,178)
Net cash flows use d in ope rating activities	(39,737)	(23,824)
Net increase in intangible assets	(1,165)	(1,893)
Net increase in property, plant and equipment	(4,908)	(6,119)
Net increase in equity investments	(43,600)	-
Net increase/decrease in other financial assets	239	80
Interest collected	520	68
Net cash flows used in inve sting activitie s	(48,914)	(7,863)
Change in equity	(274)	(4,262)
Financial expense	(11,408)	(13,091)
Lease expense	(3,350)	(2,934)
Net increase/decrease in loans and borrowings and other financial liabilities	86,021	(74,346)
Net increase/decrease in lease liabilities	8,746	(6,315)
Net cash flows from (use d in) financing activities	79,734	(100,948)
Exchange gains/losses	(14,258)	2,242
Other non-monetary changes	4,803	(3,285)
Net cash flows for the period	(18,372)	(133,678)
Opening cash and cash equivalents net of current account overdrafts	85,580	146,831
Closing cash and cash e quivale nts ne t of curre nt account overdrafts	67,208	13,153

- 1) Cash and cash equivalents at June 30, 2020 totalled Euro 80,978 thousand; current account overdrafts amounted to Euro 13,770 thousand net of relative interest.
- 2) 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.
- 3) The cash flows are presented using the indirect method. In order to provide a more complete and accurate presentation of the individual cash flows, the effects of non-monetary items were eliminated (including the translation of statement of financial position items in currencies other than the Euro), where significant. These effects were aggregated and included in the caption "Other non-monetary changes".

<i>Euro thousands</i>	June 30, 2020	December 31, 2019
Opening cash and cash equivalents	85,579	146,831
Cash and cash equivalents	100,191	157,602
Current account overdrafts	(14,612)	(10,771)
Closing cash and cash equivalents	67,208	85,579
Cash and cash equivalents	80,978	100,191
Current account overdrafts	(13,770)	(14,612)

The notes from pages 44 to 99 are an integral part of these condensed interim consolidated financial statements.

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

<i>Euro thousands</i>		June 30, 2020	<i>of which:</i> Related Parties	December 31, 2019	<i>of which:</i> Related Parties
Assets		1,236,288	-	1,150,978	-
Non-current assets		670,926	-	639,773	-
Intangible assets	Note 1	463,093		430,609	
Property, plant and equipment	Note 2	185,210		186,013	
Non-current financial assets	Note 3	2,727		3,783	
Equity-accounted investees	Note 4	833		947	
Other equity investments	Note 5	31		31	
Deferred tax assets	Note 6	19,031		18,391	
Current assets		565,362	-	511,206	-
Current financial assets	Note 3	439		169	
Current tax assets	Note 7	6,701		11,097	
Inventories	Note 8	277,860		258,409	
Trade receivables and other assets	Note 9	199,385		141,339	
Cash and cash equivalents	Note 10	80,978		100,191	
Liabilities and equity		1,236,288	999	1,150,978	572
Equity	Note 12	335,407	-	357,351	-
Share capital		46,967		46,876	
Reserves		83,702		106,679	
Retained earnings		177,616		153,616	
Profit for the period		2,780		24,000	
Equity attributable to the owners of the parent		311,065		331,171	
Equity attributable to non-controlling interests		24,342		26,180	
Non-current liabilities		649,339	-	572,817	-
Non-current financial liabilities	Note 13	544,377		483,303	
Financial instruments	Note 17	23,805		13,571	
Employee benefits	Note 14	11,010		11,800	
Provisions for risks and charges	Note 15	861		937	
Deferred tax liabilities	Note 16	69,245		63,162	
Other liabilities	Note 19	41		44	
Current liabilities		251,542	999	220,813	572
Current financial liabilities	Note 13	124,679		102,706	
Current provisions for risks and charges	Note 15	1,140		2,139	
Current tax liabilities	Note 18	5,673		7,296	
Trade payables and other liabilities	Note 19	120,050	999	108,670	572

The notes from pages 44 to 99 are an integral part of these condensed interim consolidated financial statements.

Condensed statement of comprehensive income with indication of related party transactions pursuant to CONSOB Resolution No. 15519 of July 27, 2006

		June 30, 2020	of which: Related Parties	of which: Non-recurring expenses	June 30, 2019	of which: Related Parties	of which: Non-recurring expenses
<i>Euro thousands</i>							
Revenue from sales and services	Note 20	307,518		(120)	350,703		
Other revenue and income	Note 21	5,984		32	3,688		130
Total revenue		313,502			354,391		
Raw materials, consumables, supplies and goods	Note 22	(167,673)	(1,215)	(749)	(174,400)	(1,135)	(674)
Services and use of third party assets	Note 23	(53,043)	(185)	(5,523)	(61,206)	(167)	(2,742)
Other costs	Note 24	(5,507)			(3,829)		
Change in raw materials, semi-finished products, work in progress and finished goods	Note 22	24,794			16,349		
Personnel expense	Note 25	(66,908)		(1,313)	(71,367)		(1,317)
Amortisation and depreciation	Note 26	(21,586)			(19,465)		
Net impairment losses on trade receivables and other assets	Note 27	(1,153)			(733)		
Other net impairment losses	Note 28	(109)			(48)		
Total operating costs		(291,185)			(314,699)		
Operating profit		22,317			39,692		
Financial income	Note 29	2,365		(200)	2,986		
Financial expense	Note 30	(19,597)			(18,311)		
Share of profits (losses) of equity-accounted investees	Note 32	(66)			89		
Net financial expense		(17,298)			(15,236)		
Pre-tax profit		5,020			24,456		
Income taxes		(4,252)		1,399	(7,740)		858
Deferred taxes		1,383		580	1,326		
Total taxes	Note 33	(2,869)			(6,414)		
Profit from continuing operations		2,150			18,042		
Profit (loss) from discontinued operations		-			-		
Profit for the period		2,150		(5,894)	18,042		(3,745)
<i>Attributable to:</i>							
Non-controlling interests		(630)		(549)	1,074		-
Owners of the parent		2,780		(5,345)	16,967		(3,745)
Other comprehensive expense which may be reclassified subsequently to profit or loss		(24,462)			(8,415)		
Exchange gains (losses)		(14,258)			2,242		
Hedging reserve		(10,240)			(10,657)		
Other comprehensive income which may not be reclassified subsequently to profit or loss		1,041			2		
Actuarial gains (losses)		1,333			(69)		
Taxes		(292)			71		
Other comprehensive expense, net of tax effect		(23,421)			(8,413)		
Comprehensive income (expense)		(21,270)			9,629		
<i>Attributable to:</i>							
Non-controlling interests		(1,909)			1,434		
Owners of the parent		(19,362)			8,195		
Earnings per share :							
	<i>basic</i>		0.05		0.35		
	<i>diluted</i>		0.05		0.34		

The notes from pages 44 to 99 are an integral part of these condensed interim consolidated financial statements.

Notes to the condensed interim consolidated financial statements

Introduction

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

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

The condensed interim consolidated financial statements of the F.I.L.A. Group have been prepared in accordance with International Financial Reporting Standards (IFRS) endorsed 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 Group condensed interim consolidated financial statements, in order to comply with IFRS.

The Condensed Interim Consolidated Financial Statements of the F.I.L.A. Group as at and for the six months ended June 30, 2020 were prepared in accordance with IAS 34 Interim Financial Reporting, as established also by Article 154-ter of the Consolidated Finance Act (Legislative Decree No. 58/1998) and should be read together with Consolidated Financial Statements of the F.I.L.A. Group at December 31, 2019 (the “latest financial statements”). Although not presenting all the information required for complete financial statement disclosure, specific notes are included outlining the events and transactions central to understanding the changes to the F.I.L.A. Group’s financial position and performance since the latest financial statements.

These condensed interim consolidated financial statements are presented in Euro, as the functional currency in which the Group operates and comprise the Condensed Statement of Financial Position, in which assets and liabilities are classified as current and non-current, the Condensed Statement of Comprehensive Income, the Condensed Statement of Cash Flows prepared using the indirect method, the Condensed Statement of Changes in Equity, and these Notes and are accompanied by the Directors’ Report. All amounts reported in the Condensed Statement of Financial Position, the Condensed Statement of Comprehensive Income, the Condensed Statement of Cash Flows, the Condensed 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 related party transactions and the income components from non-recurring items or transactions are indicated separately.

These condensed interim consolidated financial statements were authorised for publication by the Parent's Board of Directors on August 5, 2020.

Basis of preparation

Except for that stated below, these Condensed Interim Consolidated Financial Statements were prepared using the same accounting policies used for the preparation of the latest annual financial statements.

The changes to the accounting standards will also impact the Group's consolidated financial statements as at and for the year ending December 31, 2020.

These condensed interim 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 assumption basis.

Standards, amendments and interpretations applied after January 1, 2020

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

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

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

The amendment updates several references in the IFRS to the previous Conceptual Framework in IFRS Standards, the accompanying documents and the IFRS Practice Statements.

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.

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 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.

Amendment to IFRS 3 – Definition of a Business

The amendment is intended to aid in determining whether a transaction is an acquisition or a business or of a group of assets that does not meet the definition of a business provided in IFRS 3.

With reference to the standards and interpretations that came into force on January 1, 2020, there is no material impact on the measurement of the Group's assets, liabilities, costs and revenue.

Standards, amendments and interpretations not yet endorsed by the EU and applicable after June 1, 2020

Amendment to IFRS 16 - Covid-19-related rent concessions

The amendments introduce a practical expedient that simplifies the way the lessee accounts for leases that are a direct consequence of Covid-19. The amendments will be applicable from periods beginning on June 1, 2020. 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.

Standards, amendments and interpretations not yet endorsed by the EU, not yet mandatory and not adopted early by the Group.

IFRS 17 Insurance Contracts

In May 2017, the IASB published IFRS 17 Insurance Contracts which replaces IFRS 4, issued in 2014. The objective of the standard is 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, 2023, however early application is 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 current and non-current liabilities. These amendments will be applied retrospectively from January 1, 2023. Early application is permitted.

Amendment to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use

The amendments refer to the accounting for the sale of items before the item is available for use. The amendments will be applicable from periods beginning January 1, 2022.

Amendment to IAS 37 - Onerous Contracts: Cost of Fulfilling a Contract

The amendment clarifies the type of costs that must be considered as necessary to fulfil the contract for the measurement of an onerous contract. The amendments will be applicable from periods beginning January 1, 2022.

Annual Improvements to IFRS® Standards 2018–2020

The amendments will be applicable from periods beginning January 1, 2022.

Amendments to IFRS 3 - Reference to the Conceptual Framework

The amendments will be applicable from periods beginning January 1, 2022.

Share-based payment arrangement

2019-2021 Performance Shares Plan

In accordance with IFRS 2 - Share-based payment, the key data regarding the “2019-2021 Performance shares plan” was approved by the Shareholders of F.I.L.A. S.p.A. on April 18, 2019.

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

The total maximum number of shares to be assigned to beneficiaries of the “2019-2021 Performance

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

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

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

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

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

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

Fair value measurement

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

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

Where the input data utilised to calculate the fair value of an asset or a liability may be classified to differing fair value hierarchy levels, the entire measurement is included in the lowest hierarchy level of the input which is significant for the entire measurement.

The Group records the transfers between the various fair value hierarchy levels at the end of the period in which the transfer took place.

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

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

The Parent's management have assessed the consequences of these uncertainties on the carrying amounts of the assets and liabilities stated in these condensed interim consolidated financial statements. Following this assessment, the Group has not identified any indicators of impairment regarding its English subsidiary at June 30, 2020.

Exchange rates adopted for translation

The assets and liabilities of foreign operations, including goodwill and Fair Value adjustments deriving from their acquisition, are translated into Euro utilising the exchange rate at the reporting date. The revenue and costs of foreign entities are translated into Euro utilising the average exchange rate for the year. The exchange differences are recorded under other comprehensive income and included in the translation reserve, with the exception of 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 Closing Exchange Rates	
	H1 2020	June 30, 2020
Argentinean Peso	71.033	78.786
Australian Dollar	1.678	1.634
Brazilian Real	5.417	6.112
Canadian Dollar	1.503	1.532
Swiss Franc	1.064	1.065
Chilean Peso	895.630	918.720
Renminbi Yuan	7.748	7.922
Singapore Dollar	1.541	1.565
Euro	1.000	1.000
Pound	0.874	0.912
Indonesian Rupiah	16080.680	16184.41
Shekel	3.862	3.882
Indian Rupee	81.677	84.624
Mexican Peso	23.857	25.947
Polish Zloty	4.414	4.456
Russian Ruble	76.683	79.630
Swedish Krona	10.661	10.495
Dominican Peso	60.090	65.188
Turkish Lira	7.152	7.676
US Dollar	1.102	1.120
South Africa Rand	18.332	19.443

Source: Banca d'Italia

Note 1 - Intangible Assets

“Intangible Assets” at June 30, 2020 amount to Euro 463,093 thousand (Euro 430,609 thousand at December 31, 2019) and are comprised for Euro 169,212 thousand of intangible assets with indefinite useful lives – goodwill (“Note 1.B - Goodwill”) and for Euro 293,881 thousand of intangible assets with finite useful lives (“Note 1.D – Intangible Assets with definite useful lives”).

The movements in the year were as follows:

Note 1.A - INTANGIBLE ASSETS						
	Goodwill	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other	Assets under development	Total
<i>Euro thousands</i>						
Historical cost						
December 31, 2018	147,334	200	143,464	186,811	3,360	481,169
Increases	3,344	-	2,947	9,263	(1,433)	14,131
Investments	1,932	-	126	2,071	1,839	6,022
Transfers from assets under development	-	-	-	3,326	(3,326)	-
Exchange gains (losses)	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
Increases	21,232	-	12,415	11,162	333	45,142
Investments	-	-	39	593	533	1,165
Transfers from assets under development	-	-	-	200	(200)	-
Increase due to consolidation area change	21,232	-	12,376	10,369	-	43,977
Decreases	219	-	(5,426)	(2,342)	-	(7,548)
Decreases (Disinvestments)	-	-	(536)	-	-	(536)
Exchange gains (losses)	219	-	(4,890)	(2,342)	-	(7,012)
June 30, 2020	169,212	200	152,813	196,439	2,260	520,924
Accumulated amortisation						
December 31, 2018	-	(158)	(24,566)	(13,856)	-	(38,580)
Increases	-	(10)	(5,425)	(10,323)	-	(15,757)
Depreciation	-	(10)	(4,925)	(10,160)	-	(15,095)
Exchange gains (losses)	-	-	(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)
Increases	-	(4)	(2,555)	(5,096)	-	(7,655)
Depreciation	-	(4)	(2,555)	(5,096)	-	(7,655)
Decreases	-	-	1,964	580	-	2,544
Disinvestments	-	-	536	-	-	536
Exchange gains (losses)	-	-	1,428	580	-	2,008
June 30, 2020	-	(172)	(31,019)	(26,640)	-	(57,831)
Carrying amount at December 31, 2018	150,670	42	118,898	172,954	3,360	445,924
Carrying amount at December 31, 2019	147,761	31	115,394	165,496	1,927	430,609
Carrying amount at June 30, 2020	169,212	27	121,793	169,801	2,260	463,093
Change	21,451	(4)	6,399	4,305	333	32,484

Intangible Assets with Indefinite Useful Lives

“Intangible Assets with Indefinite Useful Lives” are comprised entirely of goodwill for a total amount of Euro 169,212 thousand (Euro 147,761 thousand at December 31, 2019). The change on the previous year end was due mainly to the M&A through the French company F.I.L.A.- Arches S.A.S., wholly-owned by F.I.L.A S.p.A., which completed the acquisition of the business unit specialised in fine art operating through the ARCHES® brand.

During the year, net exchange gains came to Euro 219 thousand.

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

The directors of F.I.L.A. S.p.A., considering the effects of the Covid-19 pandemic as a possible impairment indicator, carried out an impairment test on the goodwill in order to ascertain its recoverability, not recognising any impairment.

In accordance with the provisions of IAS 36, goodwill is allocated to the various cash generating units (CGU's).

The cash generating units relate to the operating segments, on a geographical basis, in line with the minimum level at which goodwill is monitored for internal management purposes. The breakdown of the Group assets by CGU and the identification criteria has not changed compared to December 31, 2019.

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

NOTE 1.B GOODWILL BY CASH GENERATING UNIT

	June 30, 2020	December 31, 2019	Change	Goodwill Reallocation ^(A)	Net exchange gains (losses)	Impairment Losses	Change in consolidation scope
<i>Euro thousands</i>							
DOMS Industries Pvt Ltd (India)	33,268	33,275	(7)	-	(7)	-	-
Canson Group (4)	12,486	12,486	-	-	-	-	-
Fila Arches	21,232	-	21,232	-	-	-	21,232
Daler - Rowney Lukas Group(5)	5,922	5,922	-	-	-	-	-
North America(2)	88,111	87,886	225	-	225	-	-
Dixon Group - Central / South America(1)	1,944	1,942	2	-	2	-	-
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	-	-	-	-	-
Lyra Group(3)	1,217	1,217	-	-	-	-	-
FILA SA (South Africa)	83	83	-	-	-	-	-
Total	169,212	147,761	21,451	-	219	-	21,232

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

(2) - Dixon Ticonderoga Company (U.S.A.); Dixon Canadian Holding (Canada); Bridesore srl (Dominican Republic) as CGU North America; Dixon Ticonderoga ART ULC; Castle Hill Crafts (Regno Unito); Princeton Hong Kong (U.S.A)

(3) - Johann Froeschels Lyra Bleistift-Fabrik GmbH & Co. KG (Germany); Fila Nordic AB (Sweden); PT. Lyra Akretus (Indonesia); Daler Rowney GmbH (Germany); Lukas-Nerchau GmbH (Germany); Nerchauer Malifarben 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 Benelus SA (Belgium); Daler Rowney Ltd (UK); Bridesore 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 CGU's or Groups of CGU's based on potential synergies and similar operating strategies on the various markets.

The objective of the impairment test carried out by the Group is 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 of the fair value less costs to sell and the value in use estimated by discounting 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 projected 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 utilised for the purposes of the impairment test are as follows:

In view of the effects of Covid-19 and the fact that the latest Business Plan, approved in February 2019, will be revised in the coming months, at June 30, 2020 the explicit flows were estimated on the basis of the budgets of the individual subsidiaries approved by the respective Boards of Directors, revised in light of the current economic and financial environment, maintaining the forecasts for subsequent years approved by the respective local Boards of Directors unchanged.

The growth rate was identified for each CGU in line with the long-term assumptions relating to the growth rate of the sector and the specific country risk in which each CGU operates. The "Terminal Value" was calculated applying the perpetual yield method.

As of 2019, the effects of the entry into force of IFRS 16 on Impairment Tests was also taken into account. In particular, Right-of-Use assets were included within the CGU being measured, gross of the related Lease Liabilities, 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 average weighed cost of risk capital and borrowing cost considering the tax effects generated from the financial leverage.

The table below outlines the main assumptions for the impairment test. The discount rate was altered from December 31, 2019 to reflect the changed market conditions at June 30, 2020, as commented upon below:

IMPAIRMENT TEST GOODWILL - VALUE IN USE CALCULATION ASSUMPTIONS				
<i>Euro thousands</i>	Discount Rate (W.A.C.C.)	Growth Rate (g rate)	Cash flow horizon	Terminal Value Calculation Method
DOMS Industries Pvt Ltd (India)	13.16%	4.3%	5 years	Perpetuity growth rate
Canson Group (France) ⁽⁴⁾	6.27%	1.9%	5 years	Perpetuity growth rate
Daler-Rowney Lukas Group (UK) ⁽⁵⁾	7.02%	1.6%	5 years	Perpetuity growth rate
North America ⁽²⁾	7.74%	1.7%	5 years	Perpetuity growth rate
Dixon Group - Central / South America ⁽¹⁾	11.01%	3.2%	5 years	Perpetuity growth rate
Industria Maimeri S.p.A. (Italy)	7.70%	1.5%	5 years	Perpetuity growth rate
St. Cuthberts Holding (UK) ⁽⁶⁾	7.02%	1.6%	5 years	Perpetuity growth rate
Lyra Group ⁽³⁾	5.93%	2.0%	5 years	Perpetuity growth rate
Fila Hellas	15.01%	1.5%	5 years	Perpetuity growth rate
Fila Arches	6.27%	1.9%	5 years	Perpetuity growth rate
FILA SA (South Africa)	14.65%	4.8%	5 years	Perpetuity growth rate

(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

(3) - Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG (Germany); FILA Nordic AB (Sweden); PT. Lyra Akrelux (Indonesia); Daler Rowney GmbH (Germany); Lukas-

(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);

(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

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

* Source: Bloomberg

Particular importance was given to the impairment tests on the goodwill allocated to the cash generating units North America of Euro 88,111 thousand (Euro 87,886 thousand at December 31, 2019), DOMS Industries Pvt Ltd (India) of Euro 33,268 thousand (Euro 33,275 thousand at December 31, 2019), Canson-Omyacolor Group of Euro 12,486 thousand (Euro 12,486 thousand at December 31, 2019), and Fila Arches of Euro 21,232 thousand. The goodwill of the above CGUs accounts for 91.7% of the Group's intangible assets with indefinite useful lives of Euro 169,212 thousand. The impairment tests performed indicated headroom of approximately Euro 225 million for the North America CGU, of Euro 9 million for the Indian CGU, Euro 159 million for the Canson CGU and Euro 47 million for Fila Arches.

The DCF (Discounted Cash Flow) method applied to the carrying amount of the above CGUs confirms their carrying amount.

As suggested by ESMA which published on October 28, 2014 the Public Statement "European common enforcement priorities for 2014 financial statements", an analysis was carried out on the sensitivity of the impairment test result to changes in the underlying assumptions used to calculate discounted cash flows. In particular, it has been verified that the Recoverable Value remains higher than the Carrying amount in the presence of both an increase and a decrease of 0.5% in

the *Growth Rate* and W.A.C.C.

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

The cash flows and assumptions used for the Impairment Test were approved by the Board of Directors on August 5, 2020.

Intangible Assets with Finite Useful Lives

The changes at June 30, 2020 of “Intangible Assets with Finite Useful Lives” are reported below:

Note 1.D - INTANGIBLE ASSETS WITH FINITE USEFUL LIVES					
	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other	Assets under development	Total
<i>Euro thousands</i>					
Historical cost					
December 31, 2018	200	143,464	186,811	3,360	333,835
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
Increases	-	12,415	11,162	333	23,910
Investments	-	39	593	533	1,165
Transfers from assets under development	-	-	200	(200)	-
Increase due to consolidation area change	-	12,376	10,369	-	22,745
Decreases	-	(5,426)	(2,342)	-	(7,767)
Disinvestments	-	(536)	-	-	(536)
Exchange gains (losses)	-	(4,890)	(2,342)	-	(7,231)
June 30, 2020	200	152,813	196,438	2,260	351,711
Accumulated amortisation					
December 31, 2018	(158)	(24,566)	(13,856)	-	(38,580)
Increases	(10)	(4,771)	(9,854)	-	(15,757)
Investments	(10)	(4,925)	(10,160)	-	(15,095)
Reclassifications	-	(469)	469	-	-
Exchange gains	-	(500)	(163)	-	(662)
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)
Increases	(4)	(2,555)	(5,096)	-	(7,655)
Depreciation	(4)	(2,555)	(5,096)	-	(7,655)
Decreases	-	1,964	580	-	2,544
Disinvestments	-	536	-	-	536
Exchange gains (losses)	-	1,428	580	-	2,008
June 30, 2020	(172)	(31,019)	(26,640)	-	(57,831)
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
Carrying amount at June 30, 2020	27	121,793	169,801	2,260	293,881
Change	(4)	6,933	4,305	333	11,033

“Industrial Patents and Intellectual Property Rights” amount to Euro 27 thousand at June 30, 2020 (Euro 31 thousand at December 31, 2019).

The average residual useful life of the “Industrial Patents and Intellectual Property Rights”, recognised at June 30, 2020, is 5 years.

“Concessions, Licences, Trademarks and Similar Rights” amount to Euro 121,793 thousand at June 30, 2020 (Euro 115,394 thousand at December 31, 2019).

The carrying amount increased compared to December 31, 2019 by Euro 6,399 thousand, mainly due to the change in the consolidation scope of Euro 12,376 thousand, partially offset by amortisation of the period of Euro 2,555 thousand and net exchange losses of Euro 3,462 thousand. In addition, a significant amount of the amortisation relates to the “Business combinations” undertaken in 2018 and concerning the brands held by the Pacon Group (Euro 31,903 thousand) and with regards to that undertaken in 2016 and relating to the brands held by the English Group Daler Rowney (Euro 40,223 thousand) and by the Canson Group (Euro 32,400 thousand).

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

The average useful life of the “Concessions, Licenses, Trademarks and Similar Rights”, recognised at June 30, 2020, is 30 years. Trademarks are amortised on the basis of their useful lives and tested for impairment to below their recoverable amount when there are signs that they may have become impaired.

Other Intangible Assets amount to Euro 169,801 thousand at June 30, 2020 (Euro 165,496 thousand at December 31, 2019) and include principally “Customer Relationships” and “Development Technologies”, emerging from the “Purchase Price Allocation”. The change on the previous year was Euro 4,305 thousand and mainly concerned the change in the consolidation scope of Euro 10,369 thousand for the measurement by means of Purchase Price Allocation of the Customer Relationship concerning the new business unit, net investments of Euro 593 thousand and the entry into use of assets under development for a total of Euro 200 thousand, all partially offset by amortisation of the period of Euro 5,096 thousand and net exchange losses of Euro 1,762 thousand.

Amortisation was Euro 5,096 thousand and concerns in particular the “Development Technology” recognised by the companies of the Daler-Rowney Lukas Group (Euro 30,532 thousand), the Canson Group (Euro 1,500 thousand) and St. Cuthberts (UK) (Euro 2,462 thousand), identified as strategic assets through the “Purchase Price Allocation” within the business combinations undertaken in 2016 and the amount of the “Customer Relationship” determined via the “Purchase Price Allocation” as part of the business combination resulting in the acquisition of the Pacon Group (Euro 131,420

thousand).

The average useful life of “Other Intangible Assets”, recognised at June 30, 2020, is 30 years.

“Assets under development” totalled Euro 2,260 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).

For the impairment tests carried out as a result of the Covid-19 pandemic, which included the carrying amount of intangible assets with finite useful lives, along with goodwill, in the capital employed of the related CGUs reference should be made to the previous paragraph.

Note 2 - Property, Plant and Equipment

“Property, Plant and Equipment” at June 30, 2020 amount to Euro 185,210 thousand (Euro 186,013 thousand at December 31, 2019), comprising Euro 102,889 thousand of Property, Plant and Equipment (“Note 2.A - Property, Plant and Equipment”) and Euro 82,321 thousand of Right-of-Use assets (“Note 2.B - Right-of-Use assets”).

The movements in the year are shown below:

Note 2.A - PROPERTY, PLANT AND EQUIPMENT							
	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
<i>Euro thousands</i>							
Historical cost							
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
Net 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, 2019	13,442	63,359	135,575	20,202	9,862	4,441	246,881
Increases	119	1,743	6,299	2,145	348	(696)	9,958
Investments	119	496	3,194	1,291	255	222	5,577
Transfers from assets under construction	-	111	2,177	66	67	(2,421)	-
Reclassifications	-	-	(788)	788	-	-	-
Increase due to change in consolidation scope	-	1,136	1,634	-	10	1,503	4,283
Other	-	-	82	-	16	-	98
Decreases	(475)	(1,612)	(4,954)	(512)	(605)	(699)	(8,856)
Disinvestments	-	(75)	(587)	(142)	(173)	(424)	(1,401)
Impairment losses	-	-	(109)	-	(9)	-	(118)
Net exchange losses	(475)	(1,537)	(4,258)	(370)	(423)	(275)	(7,337)
June 30, 2020	13,086	63,491	136,919	21,835	9,606	3,046	247,983
Accumulated depreciation							
December 31, 2018		(31,866)	(73,140)	(16,477)	(10,123)		(131,606)
Increases		(2,629)	(12,155)	(3,177)	(261)		(18,223)
Depreciation		(2,498)	(11,134)	(1,190)	(616)		(15,429)
Reclassifications		-	6	(1,805)	528		(1,271)
Change in consolidation scope		-	(4)	4	-		-
Net exchange losses		(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, 2019		(34,633)	(83,050)	(15,855)	(7,703)		(141,241)
Increases		(1,195)	(5,873)	(917)	(424)		(8,409)
Depreciation		(1,195)	(5,807)	(917)	(416)		(8,335)
Impairment losses		-	(1)	-	5		4
Other		-	(65)	-	(13)		(78)
Decreases		516	3,219	402	421		4,557
Disinvestments		43	459	140	107		749
Revaluation		-	5	-	-		5
Net exchange gains		473	2,755	262	314		3,803
June 30, 2020		(35,313)	(85,704)	(16,369)	(7,707)		(145,093)
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, 2019	13,442	28,726	52,524	4,348	2,159	4,441	105,640
Carrying amount at June 30, 2020	13,086	28,178	51,215	5,466	1,898	3,046	102,889
Change	(356)	(548)	(1,309)	1,118	(261)	(1,395)	(2,751)

“Land” at June 30, 2020 amounts to Euro 13,086 thousand (Euro 13,442 thousand at December 31, 2019) and includes the land relating to the buildings and production facilities owned by the Parent F.I.L.A. S.p.A. (Rufina Scopeti – Italy), by the subsidiary Lyra KG (Germany), by DOMS Industries Pvt Ltd (India), Daler Rowney Ltd (UK) and by Canson SAS (France). The decrease of Euro 356 thousand is due to the net exchange losses of Euro 475 thousand, offset by investments of Euro 119 thousand by the Indian subsidiary DOMS Industries Pvt Ltd which over recent years has undertaken a series of purchases of land close to the main production plant in order to extend the centralised storage and production site.

“Buildings” at June 30, 2020 amount to Euro 28,178 thousand (Euro 28,726 thousand at December 31, 2019) and principally concern the buildings of the Group production facilities. The decrease on December 31, 2019 was Euro 548 thousand. Net investments amounted to Euro 464 thousand, in addition to capitalised work in progress of Euro 111 thousand. Net investments were principally by DOMS Industries PVT Ltd (India) (Euro 147 thousand) and F.I.L.A.-Dixon, S.A. de C.V. (Mexico) (Euro 77 thousand) and relate to the storage and production site extension plan.

The change in the consolidation scope concerns the building forming part of the new acquired business unit.

Depreciation of Euro 1,195 thousand particularly concerns Canson SAS (France), F.I.L.A. S.p.A., Dixon Ticonderoga Company (U.S.A), and DOMS Industries Pvt Ltd (India).

“Plant and Machinery” amount to Euro 51,215 thousand (Euro 52,524 thousand at December 31, 2019). Compared to the first half of the previous year, this caption decreased Euro 1,309 thousand. The main movements in this category concern net investments of Euro 3,066 thousand, mainly by DOMS Industries Pvt Ltd (India) for Euro 2,005 thousand, and by F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for Euro 415 thousand. In addition, assets under construction of Euro 2,177 thousand and net exchange losses of Euro 1,503 thousand were reclassified. These increases were offset by depreciation of Euro 5,807 thousand.

The change in the consolidation scope concerns the Plant and Machinery included in the acquired business unit.

“Industrial and Commercial Equipment” amount to Euro 5,466 thousand at June 30, 2020 (Euro 4,348 thousand at December 31, 2019). An increase of Euro 1,118 thousand is reported, mainly due to the acquisitions of Dixon Ticonderoga Company (U.S.A.) (Euro 1,204 thousand).

“Other Assets” amount to Euro 1,898 thousand at June 30, 2020 (Euro 2,159 thousand at December 31, 2019) and include furniture and office equipment, EDP and motor vehicles. The item decreased in the

period by Euro 261 thousand. The movements in this category concern net investments of Euro 188 thousand, mainly by DOMS Industries Pvt Ltd (India) for Euro 144 thousand, in addition to reclassified assets under construction of Euro 67 thousand and net exchange losses of Euro 108 thousand. These increases were offset by depreciation of Euro 416 thousand.

“Assets under construction” include internal constructions undertaken by the individual companies of the Group which are not yet operational. The carrying amount at June 30, 2020 was Euro 3,046 thousand, decreasing on the previous period end by Euro 1,395 thousand, mainly due to the transfer to assets, principally by the French subsidiary Fila Arches (Euro 1,251 thousand) and by the Mexican subsidiary F.I.L.A.-Dixon, S.A. de C.V. (Euro 952 thousand).

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

Right-of-Use assets

The movements in the year are shown below:

Nota 2.B RIGHT-OF-USE ASSETS					
	Buildings	Plant and machine rv	Industrial and commercial e quipme nt	Other assets	Total
<i>Euro thousands</i>					
Historical cost					
December 31, 2019	86,006	952	417	3,506	90,881
Increases	12,703	169	49	654	13,574
Investments	12,703	169	49	654	13,574
Decreases	(6,337)	(760)	(38)	(461)	(7,596)
Decreases (Disinvestments)	(710)	(594)	(26)	(316)	(1,646)
Impairment losses	(189)	-	-	-	189
Net exchange losses	(4,416)	(166)	(12)	(145)	(4,739)
Other	(1,022)	-	-	-	(1,022)
June 30, 2020	92,372	361	428	3,699	96,860
Accumulated depreciation					
December 31, 2019	(8,775)	(487)	(73)	(1,173)	(10,508)
Increases	(4,126)	62	(60)	(582)	(4,654)
Depreciation	(4,851)	(52)	(64)	(628)	(5,596)
Impairment losses	189	-	-	-	189
Net exchange gains	536	114	4	100	753
Decreases	72	323	26	202	623
Decreases (Disinvestments)	72	323	26	202	623
June 30, 2020	(12,831)	(102)	(108)	(1,498)	(14,539)
Carrying amount at December 31, 2019	77,231	465	344	2,333	80,373
Carrying amount at June 30, 2020	79,541	259	320	2,201	82,321
Change	2,310	(206)	(24)	(132)	1,948

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 historical cost of “Buildings” at June 30, 2020 was Euro 92,372 thousand, mainly concerning the buildings of the US subsidiary Dixon Ticonderoga Company (U.S.A.) for Euro 41,357 thousand, the subsidiary Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for Euro 13,655 thousand and the subsidiary Daler Rowney Ltd (United Kingdom) for Euro 11,198 thousand. Accumulated depreciation on “Buildings” at June 30, 2020 amounts to Euro 12,831 thousand. During the period, this item increased by Euro 2,310 thousand, relating to net investments of Euro 12,064 thousand, mainly by the US subsidiary Dixon Ticonderoga Company (U.S.A.) for Euro 10,319 thousand, partially offset by depreciation of the period of Euro 4,851 thousand, mainly concerning Dixon Ticonderoga Company (U.S.A.) (Euro 1,902 thousand), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) (Euro 577 thousand) and Daler Rowney Ltd (United Kingdom) (Euro 535 thousand). Finally, net exchange losses of Euro 3,880 thousand were recognised. The historical cost of “Plant and Machinery” at June 30, 2020 was Euro 361 thousand and mainly concerns the subsidiary Daler Rowney Ltd (United Kingdom) for Euro 237 thousand. Accumulated depreciation on “Plant and Machinery” at June 30, 2020 amounts to Euro 102 thousand. During the period, the item decreased by Euro 206 thousand, relating to net disinvestments of Euro 102 thousand, regarding the Brazilian subsidiary Canson Brasil I.P.E. LTDA, depreciation of the period of Euro 52 thousand, mainly concerning the subsidiary Daler Rowney Ltd (United Kingdom) and net exchange losses of Euro 52 thousand.

The historic cost of “Industrial and Commercial Equipment” at June 30, 2020 was Euro 428 thousand and mainly concerned the subsidiaries Industria Maimeri S.p.A. (Italy) for Euro 191 thousand, Daler Rowney Ltd (United Kingdom) for Euro 132 thousand and FILA Dixon Stationery (Kunshan) Co. Ltd. (China) for Euro 88 thousand. Accumulated depreciation on “Industrial and Commercial Equipment” at June 30, 2020 was Euro 108 thousand. During the period, the item decreased by Euro 24 thousand, relating to the net investments of Euro 49 thousand, mainly by the Chinese subsidiary FILA Dixon Stationery (Kunshan) Co. Ltd. (China) for Euro 28 thousand, depreciation in the period of Euro 64 thousand, of which the majority by Daler Rowney Ltd (United Kingdom) (Euro 27 thousand) and FILA Dixon Stationery (Kunshan) Co. Ltd. (China) (Euro 24 thousand) and net exchange losses of Euro 8 thousand.

The historic cost of “Other Assets” at June 30, 2020 was Euro 3,699 thousand and mainly related to the parent F.I.L.A. S.p.A. (Italy) for Euro 706 thousand and the subsidiaries Canson SAS (France) for Euro

1,221 thousand, Dixon Ticonderoga Company (U.S.A.) for Euro 484 thousand and Canson Brasil I.P.E. LTDA (Brazil) for Euro 246 thousand. The accumulated depreciation provision of “Other Assets” amounts to Euro 1,498 thousand. During the period, this item decreased by Euro 132 thousand, as a result of net investments of Euro 541 thousand, particularly by the French subsidiary Canson S.A.S. for Euro 245 thousand and the parent F.I.L.A. S.p.A. for Euro 161 thousand, depreciation of the period of Euro 628 thousand, also in this case corresponding mainly to the parent F.I.L.A. S.p.A. and to the French subsidiary Canson S.A.S., respectively for Euro 189 thousand and Euro 180 thousand and net exchange losses of Euro 45 thousand.

Note 3 – Financial assets

“Financial assets” amount to Euro 3,166 thousand at June 30, 2020 (Euro 3,952 thousand at December 31, 2019):

Note 3.A - FINANCIAL ASSETS			
<i>Euro thousands</i>	Loans and Receivables	Other financial assets	Total
December 31, 2019	1,151	2,801	3,952
non-current portion	1,070	2,713	3,783
current portion	81	88	169
June 30, 2020	259	2,907	3,166
non-current portion	179	2,548	2,727
current portion	80	359	439
Change	(892)	106	(786)
non-current portion	(891)	(165)	(1,056)
current portion	(1)	271	270

Loans and Receivables

These amount to Euro 259 thousand and concern receivables of a financial nature claimed from third parties and recognised by F.I.L.A. S.p.A. for Euro 68 thousand and Dixon Ticonderoga Company (U.S.A.) for Euro 111 thousand.

Other Financial Assets

“Other Financial Assets” totalled Euro 2,907 thousand (Euro 2,801 thousand at December 31, 2019), increasing Euro 106 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 (India) (Euro 1,366 thousand) and Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) (Euro 313 thousand). The financial assets of Dixon Ticonderoga Company (U.S.A.) of Euro 613 thousand concern 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

“Equity-Accounted Investees” amount to Euro 833 thousand (Euro 947 thousand at December 31, 2019).

Note 4.A EQUITY-ACCOUNTED INVESTEEES	
<i>Euro thousands</i>	Inv. in associates
December 31, 2018	767
Increases	180
Investments	180
Decreases	(7)
Net exchange losses	(7)
December 31, 2018	947
Decreases	(114)
Investments	(66)
Net exchange losses	(48)
December 31, 2019	833
Change	(114)

The increase in the year relates to the investments in associates held by DOMS Industries Pvt Ltd (India). At June 30, 2020, the carrying amount of the investments was adjusted in line with the share of Equity held in the associates. The investment in Uniwrite Pens Plastics Pvt Ltd decreased by Euro 126 thousand, partially offset by the increase in the investment held in Pioneer Stationary Pvt Ltd (India) for an amount of Euro 60 thousand. Net exchange losses of Euro 48 thousand were recognised.

Note 5 - Other Equity Investments

Other Investments, amounting to Euro 31 thousand, relate to the Parent’s investment of Euro 28 thousand in Maimeri S.p.A., corresponding to 1% of the share capital, and in the consortiums Conai, Energia Elettrica Zona Mugello and Energia Elettrica Milano at June 30, 2020.

Note 6 – Deferred Tax Assets

“Deferred Tax Assets” amount to Euro 19,031 thousand at June 30, 2020 (Euro 18,391 thousand at December 31, 2019).

The changes in “Deferred Tax Assets” are illustrated in the table below with indication of the opening balance, changes during the year and the closing balance at June 30, 2020.

Note 6.A - CHANGES IN DEFERRED TAX ASSETS	
<i>Euro thousands</i>	
December 31, 2018	20,554
Increase	2,917
Utilisation	(5,568)
Net exchange gains	283
Increase recognised in equity	204
December 31, 2019	18,391
Increase	2,570
Utilisation	(1,282)
Increase due change in consolidation scope	164
Net exchange losses	(516)
Increase recognised in equity	(296)
June 30, 2020	19,031
Change	640

Increases in the period mainly concern the elimination of inventory margins of Euro 1,038 thousand and the tax effect from the consultancy deriving from the change in the consolidation scope of Euro 580 thousand.

Deferred tax assets accounted for through an equity reserve relate to the change in the IAS 19 reserve.

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

Note 7 - Current Tax Assets

At June 30, 2020, tax assets relating to corporation tax amounted overall to Euro 6,701 thousand (Euro 11,097 thousand at December 31, 2019) and refer principally to the Parent F.I.L.A. S.p.A. for Euro 1,708 thousand, DOMS Industries Pvt Ltd (India) for Euro 1,574 thousand and Dixon Ticonderoga Co. (USA) for Euro 2,231 thousand.

Note 8 - Inventories

Inventories at June 30, 2020 amount to Euro 277,860 thousand (Euro 258,409 thousand at December 31, 2019).

Note 8.A - INVENTORIES				
<i>Euro thousands</i>	Raw materials, consumables and supplies	Work in progress and semi-finished products	Finished goods	Total
December 31, 2019	60,089	28,346	169,974	258,409
June 30, 2020	63,313	29,681	184,866	277,860
Change	3,224	1,335	14,892	19,451

The caption increased by Euro 19,451 thousand, mainly relating to the subsidiaries Dixon Ticonderoga Company (U.S.A.) for Euro 14,801 thousand, Canson S.A.S. (France) for Euro 4,413 thousand, Grupo F.I.L.A.-Dixon, S.A. de C.V for Euro 3,821 thousand and DOMS Industries Pvt Ltd (India) for Euro 1,490 thousand. In addition, the consolidation scope changed for Euro 2,702 thousand.

Inventories are presented net of the allowance for write-down of inventory (Euro 1,558 thousand), work-in-progress (Euro 291 thousand) and finished goods (Euro 4,444 thousand). The allowance refers 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				
<i>Euro thousands</i>	Raw materials, consumables and supplies	Work in progress and semi-finished products	Finished goods	Total
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)
Net exchange gains	1	-	5	6
December 31, 2019	1,621	437	4,367	6,425
Accruals	95	49	286	430
Utilisation	(154)	(194)	(105)	(453)
Release	(4)	(1)	-	(5)
Net exchange losses	-	-	(104)	(104)
June 30, 2020	1,558	219	4,444	6,293
Change	(63)	(146)	77	(132)

Note 9 – Trade receivables and Other Assets

Trade receivables and other assets amount to Euro 199,385 thousand at June 30, 2020 (Euro 141,339 thousand at December 31, 2019):

Note 9.A - TRADE RECEIVABLES AND OTHER ASSETS			
<i>Euro thousands</i>	June 30, 2020	December 31, 2019	Change
Trade receivables	183,370	126,094	57,276
Tax assets	3,097	3,005	92
Other	8,233	7,317	916
Prepayments and accrued income	4,685	4,923	(238)
Total	199,385	141,339	58,046

Trade receivables increased on December 31, 2019 by Euro 57,276 thousand, which net of the net exchange losses of Euro 10,392 thousand, is mainly due to Dixon Ticonderoga Company (U.S.A.) for Euro 38,801 thousand, F.I.L.A. S.p.A. for Euro 13,308 thousand and Canson SAS (France) for Euro 5,584 thousand.

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

Note 9.C - CHANGES IN THE LOSS ALLOWANCE	
<i>Euro thousands</i>	
December 31, 2018	7,361
Accruals	1,892
Utilisation	(3,275)
Release	(68)
Net exchange gains	61
Other changes	(26)
December 31, 2019	5,945
Accruals	603
Utilisation	(403)
Release	(179)
Net exchange losses	(162)
Other changes	(298)
June 30, 2020	5,505
Change	(439)

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 credit losses, 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 assess the asset - in addition to information indicative of expected developments - is included. The allowance was utilised for Euro 403 thousand, mainly due to the US subsidiary Dixon Ticonderoga Company (Euro 203 thousand) and the parent F.I.L.A. S.p.A. (Euro 132 thousand).

At June 30, 2020, "Tax Assets" totalled Euro 3,097 thousand (Euro 3,005 thousand at December 31, 2019) and include VAT assets (Euro 1,992 thousand) and other tax assets for local taxes other than direct income taxes (Euro 1,105 thousand). The increase compared to December 31, 2019 is principally the net effect of increases related to DOMS Industries Pvt Ltd (India) (Euro 272 thousand) and Dixon Beijing (China) (Euro 220 thousand) and the decrease related to Canson SAS (Euro 431 thousand).

"Other Assets" amount to Euro 8,233 thousand at June 30, 2020 (Euro 7,317 thousand at December 31, 2019) and mainly concern advances paid to suppliers (Euro 3,288 thousand), principally concerning the Indian and Chinese subsidiaries, receivables from employees (Euro 319 thousand), and from social security institutions (Euro 40 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 10 - Cash and Cash Equivalents

“Cash and Cash Equivalents” at June 30, 2020 amount to Euro 80,978 thousand (Euro 100,191 thousand at December 31, 2019):

Note 10 - CASH AND CASH EQUIVALENTS			
<i>Euro thousands</i>	Bank and postal deposits	Cash in hand and other cash equivalents	Total
December 31, 2019	100,056	135	100,191
June 30, 2020	80,806	172	80,978
Change	(19,250)	37	(19,213)

"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 33,028 thousand and current accounts of the subsidiaries for Euro 47,776 thousand, in particular: F.I.L.A. Iberia S.L. (Euro 8,365 thousand), Daler Rowney Ltd (UK) (Euro 6,487 thousand), the Chinese subsidiaries of the Dixon Group (Euro 6,236 thousand), Dixon Ticonderoga Company (U.S.A.) (Euro 5,552 thousand), Grupo F.I.L.A.-Dixon, S.A. de C.V. (Euro 3,026 thousand) and the Canadian subsidiary Dixon Ticonderoga Art ULC (Euro 3,024 thousand).

“Cash in hand and other cash equivalents” amount to Euro 172 thousand, of which Euro 7 thousand relates to the Parent F.I.L.A. S.p.A. and Euro 165 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 “Statement of Financial Position” section for comments relating to the Net Financial Position of the F.I.L.A. Group.

Note 11 - Net Financial Debt

The F.I.L.A. Group “Net Financial Debt” at June 30, 2020 was Euro 611,266 thousand, up Euro 113,116 thousand on December 31, 2019. This increase is due also to financial liabilities from the new loans drawn down by the parent F.I.L.A. S.p.A.

<i>Euro thousands</i>		June 30, 2020	December 31, 2019	Change
A	Cash	172	135	37
B	Other cash equivalents	80,806	100,057	(19,251)
C	Securities held-for-trading	-	-	-
D	Liquidity (A + B + C)	80,978	100,192	(19,214)
E	Current loan assets	439	169	270
F	Current bank loans and borrowing	(87,359)	(79,511)	(7,848)
G	Current portion of non-current loans and borrowings	(26,111)	(15,008)	(11,103)
H	Other current loans and borrowing	(11,209)	(8,187)	(3,022)
I	Current financial debt (F + G + H)	(124,679)	(102,706)	(21,973)
J	Net current financial debt (I + E+ D)	(43,262)	(2,345)	(40,917)
K	Non-current bank loans and borrowing	(459,282)	(402,546)	(56,736)
L	Bonds issued	-	-	-
M	Other non-current loans and borrowing	(108,900)	(94,328)	(14,572)
N	Non-current financial debt (K + L + M)	(568,182)	(496,874)	(71,309)
O	Net financial debt (J+N)	(611,444)	(499,219)	(112,226)
P	Loans issued to third parties	179	1,070	(891)
Q	Net financial debt (O + P) - F.I.L.A. Group	(611,266)	(498,150)	(113,116)

Reference should be made to the “Statement of Financial Position” section 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 share capital at June 30, 2020 of the Parent F.I.L.A. S.p.A., fully paid-in, comprises 51,040,048 shares, as follows:

- 42,958,192 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	42,958,192	84.16%	39,530,525	MTA - STAR Segment
Class B shares (multiple votes)	8,081,856	15.84%	7,436,029	Unlisted Shares

According to the available information, published by Consob and updated at June 30, 2020, the main shareholders of the Parent were:

Shareholder	Ordinary shares	%
Pencil S.p.A.	13,694,564	31.88%
Venice European Investment Capital S.p.A.	3,310,866	7.71%
Sponsor	361,291	0.84%
Market investors	25,591,471	59.57%
Total	42,958,192	

Shareholder	Ordinary shares	Class B shares	Total	Voting rights
Pencil S.p.A.	13,694,564	8,081,856	21,776,420	56.46%
Venice European Investment Capital S.p.A.	3,310,866		3,310,866	4.93%
Space Holding Srl	361,291		361,291	0.54%
Market investors	25,591,471		25,591,471	38.08%
Total	42,958,192	8,081,856	51,040,048	

Each ordinary share attributes voting rights without limitations.

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

Legal Reserve

At June 30, 2020, this caption amounted to Euro 8,331 thousand. The increase of Euro 566 thousand as per the Shareholders' resolution of April 22, 2020, is reported, which allocated a portion of the profit for the year to the legal reserve in accordance with Article 2430 of the Civil Code.

Share premium reserve

The reserve at June 30, 2020 amounts to Euro 154,473 thousand (Euro 153,608 thousand at December 31, 2019). The increase of Euro 865 thousand is due to the price difference of the shares allocated in application of the medium/long-term incentive plan in favour of F.I.L.A. Group management.

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 (India) (Euro

15,052 thousand), in accordance with Article 6, paragraph 1, letter a) of Legislative Decree No. 38 of February 28, 2015, following the purchase of the majority interest.

Actuarial Reserve

Following the application of IAS 19, the actuarial reserve is negative for Euro 3,173 thousand, increasing by Euro 1,041 thousand limited to the share of the F.I.L.A. Group.

Other Reserves

At June 30, 2020, the reserve is negative for Euro 46,892 thousand, decreasing by Euro 12,469 thousand on December 31, 2019. The change concerns 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 (France); at June 30, 2020 the reserve was negative for Euro 23,775 thousand, recording an increase of Euro 10,204 thousand compared to December 31, 2019 (negative for Euro 13,571 thousand). This change relates for Euro 8 thousand to the fair value adjustment of the derivative of Canson SAS (France), for Euro 695 thousand to the fair value adjustment of the derivative of F.I.L.A. S.p.A. and for Euro 9,501 thousand to the fair value adjustment of the derivative of the US subsidiary Dixon Ticonderoga Company (U.S.A.);
- ▶ “Share Based Premium” reserve, totalling Euro 2,213 thousand and decreasing by Euro 1,620 thousand compared to the previous year end, of which Euro 664 thousand following the adjustment of the probability of occurrence of the vesting condition under the medium/long-term incentive plan in favour of F.I.L.A. Group management, in view of the current economic and social environment consequent to the Covid-19 pandemic, net of the portion accruing in the period, and for Euro 956 thousand due to the exercise of the portion allocated to the US management. 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 within the caption “Other reserves and retained earnings”, over the period in which the employees will obtain the unconditional right to the incentives. The amount recorded as cost is adjusted to reflect the effective number of incentives (options) for which the conditions have matured and the achievement of “non-market” conditions, in order that the final cost recorded is based on the number of incentives which will mature. Similarly, in the initial estimate of the fair value of the options assigned, consideration is taken of the non-maturation conditions. The changes to market value subsequent to the grant date shall not produce any financial statement effect.

Translation reserve

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

The changes in the “Translation Reserve” in H1 2020 are illustrated below (limited to the share regarding Group Equity):

TRANSLATION RESERVE	
<i>Euro thousands</i>	
December 31, 2019	(16,057)
Changes	
Difference between the average rate for the year and the closing rate	(13,353)
Difference between the historical rate and the closing rate	373
June 30, 2020	(29,037)
Change	(12,980)

Retained earnings

The reserve totalled Euro 177,616 thousand and increased on the previous year end by Euro 24,000 thousand, entirely relating to the allocation of the 2019 profit.

Equity attributable to Non-Controlling Interests

Equity attributable to non-controlling interests decreased by Euro 1,838 thousand, principally due to: ➤ loss for the period attributable to non-controlling interests of Euro 630 thousand;

- Distribution of dividends to non-controlling interests of Euro 272 thousand;
- Net exchange losses of Euro 1,278 thousand;
- Other decreases for Euro 342 thousand concerning the subsidiary Industria Maimeri S.p.A..

Basic and diluted earnings per share

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

The diluted earnings/(loss) per share is calculated by dividing the profit or loss of the Group by the weighted average number of ordinary shares outstanding during the period 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 that of the group and the reconciliation between the profit for the period of the Parent F.I.L.A. S.p.A. and that of the group:

Reconciliation at June 30, 2020 between the equity of the Parent and F.I.L.A. Group

Euro thousands

F.I.L.A. S.p.A. equity	279,250
Elimination of infragroup margins and other consolidation entries	(2,858)
Consolidation effect FILA Art and Craft (Israel)	249
Consolidation effect DixonTiconderoga group	46,886
Consolidation effect Lyra group	1,103
Consolidation effect FILA Stationary and Office Equipment Industry Ltd. Co. (Turkey)	(1,831)
Consolidation effect FILA Stationary O.O.O. (Russia)	(755)
Consolidation effect FILA Hellas (Greece)	809
Consolidation effect Industria Maimeri S.p.A. (Italy)	(1,723)
Consolidation effect FILA S.A. (South Africa)	(2,065)
Consolidation effect Fila Polska Sp. Z.o.o (Poland)	926
Consolidation effect DOMS Industries Pvt Ltd (India)	20,466
Consolidation effect Daler & Rowney Lukas Group	(21,913)
Consolidation effect St. Cuthberts Holding (England)	818
Consolidation effect FILA Iberia S.L. (Spain)	6,268
Consolidation effect Canson Group	7,939
Consolidation effect FILA Art Product AG (Switzerland)	80
Consolidation effect Pacon Group	2,719
Consolidation effect Fila Arches	(963)
Total equity	335,406
Consolidation effects attributable to non-controlling interests	24,342
F.I.L.A. group equity	311,065

Reconciliation at June 30, 2020 between profit for the period of the Parent and F.I.L.A. Group

Euro thousands

F.I.L.A. S.p.A.'s profit for the period	9,550
Profit for the period of the subsidiaries of the Parent	(206)
Elimination of the effects of transactions between consolidated companies:	
Dividends	(16,014)
Net Inventory Margins	(2,575)
Adjustments to Group accounting policies	
Stock Option Plan recognised by the Parent to the Subsidiaries	307
FTA of IFRS 9	120
Impairment gain on equity investment	10,388
Tax impact on consultancy fee for Fila Arches consolidation	580
Total profit for the period	2,150
Loss for the period attributable to owners of the parent	(630)
Profit for the period attributable to the owners of the Parent	2,780

Note 13 - Financial Liabilities

The balance at June 30, 2020 amounts to Euro 669,056 thousand (Euro 586,009 thousand at December 31, 2019), of which Euro 544,377 thousand non-current and Euro 124,679 thousand current. The account refers to both non-current and current portions of the loans granted by banks, other lenders and bank overdrafts in addition to financial liabilities arising from the application of IFRS 16.

The breakdown at June 30, 2020 is illustrated below:

Note 13.A - FINANCIAL LIABILITIES: Third parties									
Euro thousands	Bank loans and borrowings		Other loans and borrowings		Current account overdrafts		Lease liabilities		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
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
June 30, 2020	565,356	(6,446)	4,974	(16)	13,770	72	91,346		- 669,056
non-current portion	466,835	(7,553)	557	(17)	-	-	84,555		- 544,377
current portion	98,521	1,107	4,417	1	13,770	72	6,791		- 124,679
Change	78,797	(2,196)	3,769	15	(842)	(72)	3,576		- 83,047
non-current portion	58,695	(1,959)	137	6	-	-	4,195		- 61,074
current portion	20,102	(237)	3,632	9	(842)	(72)	(619)		- 21,973

Bank Loans and Borrowings

With reference to “Bank Loans and Borrowings”, the total exposure of the Group amounts to Euro 558,910 thousand, of which Euro 98,521 thousand considered as current (Euro 78,419 thousand at December 31, 2019) and Euro 459,282 thousand as non-current (Euro 402,546 thousand at December 31, 2019).

The increase in the non-current portion of Euro 56,736 thousand mainly concerns:

- Increases of Euro 69,330 thousand regarding the parent F.I.L.A. S.p.A. following the signing of two new loans, the first of which with Cassa Depositi e Prestiti for Euro 30,000 thousand and the second with the same banking syndicate as used for the structured loan for the purchase of the Pacon Group, totalling Euro 40,000 thousand and used for the acquisition of the Arches brand products business. Euro 25,000 thousand obtained from the drawdown of the Revolving Credit Facility already in place;
- Decreases for the current portion of structured loans of Euro 12,417 thousand;
- Net exchange losses of Euro 557 thousand;
- Decreases for new interest measured at amortised cost of Euro 436 thousand, stemming from the new loan undertaken for the acquisition of the Arches brand products business.

The new structured loan was contracted with the same banking syndicate as for the previous structured loan, 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 and in support of the acquisition of the business unit involved in the production and sale of Arches brand products. This loan disbursed to F.I.L.A. S.p.A. inherits from the previous structured loan the breakdown into three Facilities and the repayment plan.

The amounts of each facility at June 30, 2020 are detailed below:

Note 13.C - BANK LOANS AND BORROWINGS: BREAKDOWN			
	Principal F.I.L.A. Dixon S.p.A.	Principal Ticonderoga Company (U.S.A.)	Total
<i>Euro thousands</i>			
Facility A	67,500	70,724	138,224
Facility A2	5,091	-	5,091
Facility B	90,000	156,732	246,732
Facility B2	8,750	-	8,750
Facility C	25,000	-	25,000
Facility C2	893	-	893
RCF	25,000	-	25,000
Total	222,234	227,456	449,690

Facility A (Euro 138,224 thousand) and Facility A2 (Euro 5,091 thousand) stipulate a residual repayment plan consisting of 12 half-yearly instalments, of which 4 instalments classified as current, as scheduled for December 4, 2020 and for June 4, 2021, Facility B (Euro 246,732 thousand) and Facility B2 (Euro 8,750 thousand) and Facility C (Euro 25,000 thousand) and Facility C2 (Euro 893 thousand) are Bullet loans, with fixed single repayment 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, currently utilised for Euro 25,000 thousand.

The repayment plans by Facility are outlined below:

Note 13.D - BANK LOANS AND BORROWINGS: REPAYMENT PLAN				
	Facility	Principal F.I.L.A. S.p.A.	Principal Dixon Ticonderoga Company (U.S.A.)	Total
<i>Euro thousands</i>				
December 4, 2020	Facility A	5,625	5,894	11,519
June 4, 2021	Facility A	5,625	5,894	11,519
December 6, 2021	Facility A	7,500	7,858	15,358
June 6, 2022	Facility A	7,500	7,858	15,358
December 5, 2022	Facility A	11,250	11,787	23,037
June 2, 2023	Facility A	30,000	31,433	61,433
Total - Facility A		67,500	70,724	138,224
December 4, 2020	Facility A2	402		402
June 4, 2021	Facility A2	402		402
December 6, 2021	Facility A2	536		536
June 6, 2022	Facility A2	536		536
December 5, 2022	Facility A2	804		804
June 2, 2023	Facility A2	2,411		2,411
Total - Facility A2		5,091	-	5,091
Bullet Loan - June 4, 2024	Facility B	90,000	156,732	246,732
Total - Facility B		90,000	156,732	246,732
Bullet Loan - June 4, 2024	Facility B2	8,750		8,750
Total - Facility B2		8,750	-	8,750
Bullet Loan - June 4, 2023	Facility C	25,000		25,000
Total - Facility C		25,000	-	25,000
Bullet Loan - June 4, 2023	Facility C2	893		893
Total - Facility C2		893	-	893
Bullet Loan - June 4, 2023	RCF	25,000		25,000
Total - RCF		25,000	-	25,000

The loans were 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 carried out 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 on the statement of comprehensive income in H1 2020 of the amortised cost method on the structured loan is interest expense of Euro 307 thousand (of which interest income of Euro 273 thousand concerning F.I.L.A. S.p.A. and interest expense of Euro 580 thousand concerning Dixon Ticonderoga (U.S.A.)). The non-current portion, in addition to the loan, includes also the fair value of the negotiation charges related to the derivative financial instruments.

The residual value of the non-current financial liabilities, net of the above loans, amounts at June 30, 2020 (for the non-current portion) to Euro 425,848 thousand, while the net exchange losses and decreases for the current portion amount to Euro 4,940 thousand and mainly concern the medium/long-term portions 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 312 thousand;
- Canson SAS (France) from Intesa Sanpaolo for Euro 4,028 thousand.

The current portion of bank loans and borrowing totalled Euro 98,521 thousand, increasing Euro 20,102 thousand on 2019 and principally concerns the non-current portion of the above-mentioned loan of Euro 23,842 thousand, partially offset by the lower use of the credit lines granted to Group companies.

The main exposure of the Group companies to banks concerns:

- Credit Line issued by Unicredit S.p.A., Intesa Sanpaolo and Bank of the West, with a total exposure at June 30, 2020 of Euro 25,183 thousand of the US subsidiary Dixon Ticonderoga Company. The current portion of the structured loan of Euro 12,211 thousand was also classified as short-term. The total exposure is higher by Euro 3,654 thousand compared to December 2019 and including net exchange losses of Euro 126 thousand;
- Credit Lines granted by Banamex S.A., Grupo Financiero BBVA Bancomer S.A., Banco Santander S.A./Banco Sabadell S.A., Scotiabank Inverlat S.A. and HSBC Mexico S.A. to Grupo F.I.L.A.-Dixon, S.A. de C.V. (Mexico) for a total of Euro 41,091 thousand. During the period, total bank loans and borrowings increased Euro 4,612 thousand, of which Euro 6,656 thousand due to net exchange gains;
- Credit Lines issued to Lyra KG (Germany) by Commerzbank for Euro 1,500 thousand at June 30, 2020. The current debt of the German company also comprises the loans issued by Hypo Real Estate for Euro 5,000 thousand entirely classified as short-term. The company's total financial exposure decreased by Euro 543 thousand on December 31, 2019.
- The current portion of the loan contracted by Canson SAS (France) for Euro 851 thousand, in addition to a credit line disbursed by Credit trésorerie STG for Euro 5,200 thousand at June 30, 2020;
- The current portion of the loan and the credit lines granted to DOMS Industries Pvt Ltd (India) by HDFC Bank for Euro 4,804 thousand; the exposure increased by Euro 1,994 thousand on December 31, 2019;
- Credit line in favour of Canson Brasil I.P.E. LTDA BNP (Brazil) for a total of Euro 325 thousand (Euro 818 thousand at December 31, 2019);
- The current portion of the loans of Euro 400 thousand granted to Industria Maimeri (Italy) by

Banca Popolare di Milano, BPER and Creval;

- Credit line granted in favour of Fila Dixon Stationery (Kunshan) Co., Ltd. (China) by Intesa Sanpaolo S.p.A. for Euro 253 thousand, decreasing on December 31, 2019 for Euro 119 thousand;
- Short-term loans granted to Fila Iberia S.L. (Spain) by Bank of Sabadell and Bank of Santander for Euro 782 thousand;
- Short-term loans granted to Fila Chile Ltda (Chile) by Bank BICE and Bank BCI for Euro 1,110 thousand.

Covenants

The F.I.L.A. Group, against the debt undertaken with leading banks (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) and Net Financial expense, 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 gross operating profit (loss) are established by the related loan contract. The covenants for the loan signed by F.I.L.A. S.p.A. and Dixon Ticonderoga Company (U.S.A.) are outlined below, applied from June 30, 2020:

June 2020 Leverage Ratio: $NFD / \text{Gross operating profit (loss)} < 5.45$

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

At June 30, 2020, the FILA Group had complied with the above covenants.

The structured debt was in any case negotiated with the lending banks in advance and no default shall be linked to any failure to comply with the financial covenants relating to the June 2020 and December 2020 tests ("covenants holiday"), while the margin to be used to calculate the interest shall continue to be based on the financial statements as at and for the year ended December 31, 2019 (in the case in which dividends are not distributed to shareholders of F.I.L.A. S.p.A. during the second half of 2020).

Financial Liabilities - Other Loans and borrowings

“Financial Liabilities – Other Loans and Borrowings” at June 30, 2020 totalled Euro 4,958 thousand (Euro 1,174 thousand at December 31, 2019), with the current portion totalling Euro 4,418 thousand (Euro 777 thousand at December 31, 2019).

Financial Liabilities - Current Account Overdrafts

“Current Account Overdrafts” amounted to Euro 13,770 thousand (Euro 14,612 thousand at December 31, 2019) and mainly concern the overdrafts of Industria Maimeri S.p.A. (Italy) (Euro 6,275 thousand), Fila Stationary O.O.O. (Russia) (Euro 1,337 thousand) and Canson SAS (France) (Euro 6,157 thousand).

IFRS 16

Financial liabilities at June 30, 2020 include the effects deriving from the adoption by the Group of IFRS 16 which came into force on January 1, 2019 and which led to an increase of Euro 3,576 thousand as at June 30, 2020, of which Euro 4,195 thousand as the non-current portion, offset by a decrease of Euro 619 thousand as the current portion.

Liabilities at fair value at June 30, 2020 and December 31, 2019 are broken down as follows by hierarchy level:

<i>Euro thousands</i>	June 30, 2020	Measurement model	Level 1	Level 2	Level 3
Financial Liabilities					
Bank Loans and Borrowings	558,911	<i>Amortised cost</i>			
Other Loans and Borrowings	4,958	<i>Amortised cost</i>			
Current account overdrafts	13,841	<i>Amortised cost</i>			
Financial Instruments	23,805	<i>Fair value</i>			23,805
Trade Payables and Other Liabilities	120,050	<i>Amortised cost</i>			
Total Financial Liabilities	721,565		-	-	23,805
<i>Euro thousands</i>	December 31, 2019	Measurement model	Level 1	Level 2	Level 3
Financial Liabilities					
Bank Loans and Borrowings	482,309	<i>Amortised cost</i>			
Other Loans and Borrowings	1,174	<i>Amortised cost</i>			
Current account overdrafts	14,756	<i>Amortised cost</i>			
Financial Instruments	13,571	<i>Fair value</i>			13,571
Trade Payables and Other Liabilities	108,670	<i>Amortised cost</i>			
Total Financial Liabilities	620,480		-	-	13,571

Fair value is divided into the following hierarchy 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.

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 remuneration agreed between the parties on hiring.

The other Group companies, particularly 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 grants 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 amount of the obligation recognised in the financial statements reflects the probability that the payment will be made and the duration for which it will be made. These plans are calculated on an actuarial basis, utilising the “projected unit credit” method.

The amounts at June 30, 2020 were as follows:

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

<i>Euro thousands</i>	Post-employment benefits (Italy)	Other employee benefits	Total
December 31, 2018	2,220	8,711	10,931
Benefits paid	(1,095)	(1,210)	(2,305)
Interest expense	24	122	146
Service cost	947	876	1,823
Actuarial losses	108	932	1,040
Net exchange losses	-	165	165
December 31, 2019	2,204	9,596	11,800
Benefits paid	(583)	(43)	(626)
Interest expense	35	37	72
Service cost	515	425	940
Actuarial gains/losses	17	(1,365)	(1,348)
Variation due to change in consolidation scope	568	-	568
Net exchange gains	-	(396)	(396)
June 30, 2020	2,756	8,254	11,010
Change	552	(1,342)	(790)

Actuarial losses totalled Euro 1,348 thousand and were recognised, net of the tax effect, in the statement of comprehensive income and are mainly attributable to Daler Rowney Ltd (UK) for Euro 1,261 thousand and to the French subsidiary Canson SAS (France) for Euro 103 thousand.

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

EMPLOYEE BENEFIT PLANS		
1. Employee benefit obligations	June 30, 2020	December 31, 2019
Present value of obligations unfunded by plan assets	2,756	2,204
	2,756	2,204
Present value of obligations funded by plan assets	10,965	13,165
Fair value of plan assets relating to the obligations	(2,711)	(3,569)
	8,254	9,596
Total	11,010	11,800

The financial assets at June 30, 2020 invested by the F.I.L.A. Group to cover financial liabilities arising from “Employee Benefits” amount to Euro 2,711 thousand (Euro 3,569 thousand at December 31, 2019) and relate to Dixon Ticonderoga Company (USA) (Euro 1,896 thousand) and F.I.L.A.-Dixon, S.A. de C.V. (Mexico) (Euro 815 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 June 30, 2020 did not change on the previous year.

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

2. Cost recognised in profit or loss	June 30, 2020	December 31, 2019
Service cost	940	1,823
Interest expense	72	146
Cost recognised in profit or loss	1,012	1,969

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

3. Main actuarial assumptions at reporting date (average amounts)	June 30, 2020	December 31, 2019
Annual technical discount rate	3.1%	3.1%
Increase in cost of living index	4.0%	4.0%
Future salary increase	3.2%	3.2%
Future pension increase	2.8%	2.8%

Note 15 - Provisions for Risks and Charges

“Provisions for Risks and Charges” at June 30, 2020 amount to Euro 2,001 thousand (Euro 3,076 thousand at December 31, 2019), of which Euro 861 thousand (Euro 937 thousand at December 31, 2019) concerning the non-current portion and Euro 1,140 thousand (Euro 2,139 thousand at December 31, 2019) concerning the current portion.

Note 15.A - PROVISIONS FOR RISKS AND CHARGES						
	Provisions for tax disputes	Provisions for legal disputes	Pension and similar provisions	Restructuring provisions	Other provisions	Total
<i>Euro thousands</i>						
December 31, 2019	-	485	796	952	843	3,076
non-current portion	-	-	787	-	150	937
current portion	-	485	9	952	693	2,139
June 30, 2020	-	174	764	735	328	2,001
non-current portion	-	-	754	-	107	861
current portion	-	174	10	735	221	1,140
Change	-	(311)	(32)	(217)	(515)	(1,075)
non-current portion	-	-	(33)	-	(43)	(76)
current portion	-	(311)	1	(217)	(472)	(999)

The changes in “Provisions for Risks and Charges” at June 30, 2020 are as follows:

Note 15.B PROVISIONS FOR RISKS AND CHARGES: CHANGES						
	Provisions for tax disputes	Provisions for legal disputes	Pension and similar provisions	Restructuring provisions	Other provisions	Total
<i>Euro thousands</i>						
December 31, 2018	9	289	710	2,222	4,007	7,237
Utilisation	(9)	-	-	(2,319)	(611)	(2,939)
Accruals	-	196	13	1,033	427	1,669
Discounting	-	-	73	-	-	73
Exchange gains (losses)	-	(1)	-	17	62	78
Other	-	-	-	-	(3,042)	(3,042)
December 31, 2019	-	485	796	952	843	3,076
Utilisation	-	(291)	(68)	(194)	(504)	(1,057)
Accruals	-	-	22	-	85	107
Release	-	-	-	-	(85)	(85)
Discounting	-	-	14	-	-	14
Exchange gains (losses)	-	(20)	-	(24)	(10)	(54)
June 30, 2020	-	174	763	735	329	2,001
Change	-	(311)	(33)	(217)	(514)	(1,075)

Provisions for Legal Disputes

The provisions concern accruals made in relation to:

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

The provisions, compared to the previous year end, decreased by Euro 311 thousand due to the utilisations by the US subsidiary Dixon Ticonderoga Company (U.S.A.) for Euro 291 thousand. In addition, net exchange losses of Euro 21 thousand were recognised.

Pension and similar provisions

The caption includes the agents' leaving indemnity provision at June 30, 2020 of the parent F.I.L.A. S.p.A. and of the Italian subsidiaries Industria Maimeri S.p.A. and Canson Italy S.r.l.. The actuarial loss for H1 2020 was Euro 14 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 accrued provisions for risks and charges concerning personnel mobility plans for a total of Euro 735 thousand at June 30, 2020. The plans involve in particular the reorganisation of the North American strategic segment beginning in 2019, recording total utilisations of Euro 194 thousand, the majority of which by the US subsidiary Dixon Ticonderoga Company (U.S.A.) (Euro 184 thousand).

Other Provisions

These total Euro 329 thousand and decreased by Euro 514 thousand, mainly due to the utilisation of provisions for Euro 504 thousand relating to the US subsidiary Dixon Ticonderoga Company (U.S.A.) for the closure of individually insignificant positions.

Note 16 - Deferred Tax Liabilities

“Deferred Tax Liabilities” amount to Euro 69,245 thousand at June 30, 2020 (Euro 63,162 thousand at December 31, 2019).

Note 16.A CHANGES IN DEFERRED TAX LIABILITIES	
<i>Euro thousands</i>	
December 31, 2018	72,015
Increase	(462)
Utilisation	(10,275)
Net exchange gains	1,073
Decrease recognised in equity	(112)
December 31, 2019	63,162
Decrease	70
Utilisation	(165)
Increase due change in consolidation scope	7,513
Net exchange losses	(1,325)
Decrease recognised in equity	(11)
June 30, 2020	69,245
Change	6,083

The change on the previous year end amounting to Euro 6,083 thousand is principally due to the deferred taxes accrued on the higher amount of intangible assets and property, plant and equipment recorded through the “Purchase Price Allocation”, on the new business unit acquired for Euro 7,513 thousand, in addition to those previously recorded 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 Parent gradually releases the related deferred taxes.

The change in Equity (Euro 11 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.

Note 17 - Financial Instruments

“Financial Instruments” at June 30, 2020 amount to Euro 23,805 thousand (Euro 13,571 thousand at December 31, 2019) and refer mainly to the fair value of derivatives on loans (hedged instrument), issued in favour of F.I.L.A. S.p.A. (Euro 4,492 thousand) and Dixon Ticonderoga Company (U.S.A.) (Euro 19,188 thousand), both for the acquisition of the Pacon Group and the refinancing of the debt contracted 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 hedging derivative instruments correlated with the borrowings (hedged instrument) contracted 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 125 thousand at June 30, 2020.

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

Nota 18 - Current Tax Liabilities

“Current tax liabilities” total Euro 5,673 thousand at June 30, 2020 (Euro 7,296 thousand at December 31, 2019), relating mainly to Dixon Ticonderoga Company (U.S.A.) (Euro 2,122 thousand) and DOMS Industries Pvt Ltd (India) (Euro 1,479 thousand).

Note 19 - Trade payables and Other Liabilities

“Trade payables and Other Liabilities” at June 30, 2020 amount to Euro 120,050 thousand (Euro 108,670 thousand at December 31, 2019). 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			
<i>Euro thousands</i>	June 30, 2020	December 31, 2019	Change
Trade payables	86,604	76,197	10,407
Tax liabilities	8,323	9,735	(1,412)
Other	24,293	21,670	2,623
Accrued expenses and deferred income	830	1,068	(238)
Total	120,050	108,670	11,380

The increase in “Trade Payables” was Euro 10,407 thousand and principally concerned the US

The increase in “Trade Payables” was Euro 10,407 thousand and principally concerned the US subsidiary Dixon Ticonderoga Company for Euro 16,126 thousand and the Indian subsidiary DOMS Industries Pvt Ltd, negative for Euro 2,623 thousand, in addition to net exchange gains of Euro 2,459 thousand.

The change is principally due to the seasonality of the F.I.L.A. Group’s business, with procurement concentrated in the initial months of the year in support of production and supplies for peak sales.

The carrying amount of trade payables at the reporting date approximates their “fair value”.

The trade payables reported above are due within 12 months.

The caption “Tax liabilities” to third parties amounts to Euro 8,323 thousand at June 30, 2020 (Euro 9,735 thousand at December 31, 2019), of which Euro 5,979 thousand related to VAT liabilities and Euro 2,343 thousand concerning tax liabilities other than current taxes principally relating to F.I.L.A. S.p.A. (Euro 294 thousand) for consultants withholding taxes. The residual amount mainly refers to Canson SAS (France) (Euro 565 thousand), Dixon Ticonderoga Company (USA) (Euro 550 thousand) and the Dixon Group’s Chinese subsidiaries (Euro 309 thousand).

“Other” amounts to Euro 24,293 thousand at June 30, 2020 (Euro 21,670 thousand at December 31, 2019) and primarily includes:

- ▶ Employee wages and salaries of Euro 13,882 thousand (Euro 12,476 thousand at December 31, 2019);
- ▶ Social security contributions to be paid of Euro 6,494 thousand (Euro 5,027 thousand at December 31, 2019);
- ▶ Payables for agent commissions of Euro 704 thousand (Euro 208 thousand at December 31, 2019);
- ▶ Residual liabilities of Euro 3,210 thousand mainly concerning advances to customers (Euro 3,950 thousand at December 31, 2019).

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 June 30, 2020 amounted to Euro 41 thousand and refers to deposits paid by customers to guarantee long-term supply contracts of the Indian company DOMS Industries Pvt Ltd.

Note 20 – Revenue from Sales and Services

Revenue in the first half of 2020 amounted to Euro 307,518 thousand (Euro 350,703 thousand in H1 2019).

Note 20.A - REVENUE FROM SALES AND SERVICES

<i>Euro thousands</i>	H1 2020	H1 2019	Change
Revenue	333,911	374,824	(40,913)
Adjustments to Sales	(26,393)	(24,121)	(2,272)
<i>Returns on Sales</i>	(7,072)	(6,685)	(387)
<i>Discounts, Allowances and bonuses</i>	(19,321)	(17,436)	(1,885)
Total	307,518	350,703	(43,185)

“Revenue from Sales and Services” of Euro 307,518 thousand decreased by Euro 43,185 thousand on the same period of the previous year.

In the first half of 2020, the contraction concerned, in addition to the Covid-19 pandemic, net exchange losses of Euro 164 thousand (mainly due to the weakening of the Indian Rupee and the Mexican Peso, only partially offset by the strengthening of the US Dollar) and the net negative M&A effect of Euro 1,964 thousand (from the joint impact of higher revenue of Euro 1,883 thousand following the acquisition in March 2020 of the new ARCHES® business unit and the lower revenue of Euro 3,847 thousand following the sale of the “Superior” brand business in October 2019).

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

Revenue compared with the same period of the previous year by “Strategic Segments”, broken down by “Entity Location” in accordance with IFRS 15, is presented below:

H1 2020	Europe	North America	Central - South America	Asia	Rest of the World	F.I.L.A. Group
<i>Euro Thousand</i>						
Fine Art, Hobby & Digital	38,411	52,023	1,824	3,499	1,017	96,774
Industrial	4,935	3,363	382	356	14	9,050
School & Office	56,993	106,690	14,766	22,857	389	201,695
Revenue	100,339	162,076	398,590	26,712	1,419	307,518
H1 2019	Europe	North America	Central - South America	Asia	Rest of the World	F.I.L.A. Group
<i>Euro Thousand</i>						
Fine Art, Hobby & Digital	40,399	44,748	2,094	3,627	716	91,584
Industrial	5,481	3,133	709	61	1	9,384
School & Office	67,643	118,435	25,333	37,703	621	249,735
Revenue	113,522	166,136	28,136	41,391	1,338	350,703

Note 20.B - REVENUE FROM SALES AND SERVICES BY GEOGRAPHICAL SEGMENT

<i>Euro thousands</i>	H1 2020	H1 2019	Change
Europe	100,339	113,522	(13,183)
North America	162,076	166,316	(4,240)
Central - South America	16,972	28,135	(11,163)
Asia	26,712	41,391	(14,679)
Rest of world	1,419	1,339	80
Total	307,518	350,705	(43,185)

Note 21 – Other Revenue and Income

The caption relates to ordinary operations and does not include the sale of goods and provision of services or realised and unrealised exchange gains on commercial transactions.

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

“Other Revenue and Income” in H1 2020 amounted to Euro 5,984 thousand (Euro 3,688 thousand in H1 2019).

Note 21 – OTHER REVENUE AND INCOME

<i>Euro thousands</i>	H1 2020	H1 2019	Change
Gains on the Sale of Intangible Assets	2	-	2
Gains on the Sale of Property, Plant and Equipment	17	36	(19)
Unrealised Exchange Gains on Commercial Transactions	2,730	1,476	1,254
Realised Exchange Gains on Commercial Transactions	2,302	1,179	1,123
Other Revenue and Income	933	997	(64)
Total	5,984	3,688	2,296

“Other Revenue and Income” in H1 2020 of Euro 933 thousand principally includes income from the sale of production waste by Group companies.

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

“Raw Materials, Consumables, Supplies and Goods” include all purchases of raw materials, semi-finished products, transport for purchases, goods and consumables for operating activities.

The caption totalled Euro 167,673 thousand in H1 2020 (Euro 174,400 thousand in H1 2019).

The breakdown is provided below:

Note 22 - RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS			
<i>Euro thousands</i>	H1 2020	H1 2019	Change
Raw materials, Consumables, supplies and Goods	(141,849)	(152,319)	10,470
Transport costs	(8,829)	(6,531)	(2,298)
Packaging	(3,386)	(5,580)	2,194
Import Charges and Customs Duties	(7,091)	(3,004)	(4,087)
Other purchase costs	(6,773)	(7,072)	299
Maintenance Materials	(402)	(526)	124
Adjustments to Purchases	658	632	26
Returns on purchases	221	578	(357)
Discounts, rebates and rewards on purchases	438	54	384
Total	(167,673)	(174,400)	6,728

The change in “Raw materials, Consumables, Supplies and Goods” in H1 2020 was Euro 6,728 thousand and concerned the decrease in revenue, partly offset by the actions taken by management to contain costs. The changes in inventories in H1 2020 were positive for Euro 24,794 thousand, of which:

- Increase in “Raw Materials, Consumables, Supplies and Goods” of Euro 5,328 thousand (increase of Euro 5,054 thousand in H1 2019);
- Increase in “Contract Work in Progress and Semi-Finished products” of Euro 941 thousand (increase of Euro 3,030 thousand in H1 2019);
- Increase in “Finished Goods” of Euro 18,525 thousand (increase of Euro 8,265 thousand in H1 2019).

For further details, reference should be made to the “Normalised financial performance” section of the Directors’ Report.

Note 23 - Services and Use of Third Party Assets

“Services and Use of Third Party Assets” amounted to Euro 53,043 thousand in H1 2020 (Euro 61,206 thousand in H1 2019).

Services are broken down as follows:

Note 23 - SERVICES AND USE OF THIRD PARTY ASSETS			
<i>Euro thousands</i>	H1 2020	H1 2019	Change
Sundry services	(5,921)	(4,531)	(1,390)
Transport	(13,406)	(15,841)	2,435
Warehousing	(921)	(934)	13
Maintenance	(5,559)	(6,145)	586
Utilities	(4,558)	(5,190)	632
Consultancy fees	(6,498)	(5,288)	(1,210)
Directors' and Statutory Auditors' Fees	(2,223)	(2,252)	29
Advertising, Promotions, Shows and Fairs	(2,896)	(3,794)	898
Cleaning	(511)	(642)	131
Bank Charges	(497)	(507)	10
Agents	(3,388)	(4,133)	745
Sales representatives	(1,410)	(2,803)	1,393
Sales Commissions	(1,108)	(2,124)	1,016
Insurance	(1,336)	(1,262)	(74)
Other Service Costs	(1,090)	(3,036)	1,946
Rent	(955)	(2,346)	1,391
Royalties and Patents	(766)	(378)	(388)
Total	(53,043)	(61,206)	8,163

The change in “Services and Use of Third Party Assets” compared to H1 2019 was Euro 8,163 thousand. This change is mainly due to lower variable production costs, such as transport costs and sale incentive costs, as impacted by the drop in revenue, in addition to the actions taken by the management to contain commercial, administrative and marketing overheads. Consultancy costs principally increased as a result of the M&A carried out by the Parent F.I.L.A. S.p.A.

Note 24 – Other Costs

These totalled Euro 5,507 thousand in H1 2020 (Euro 3,829 thousand in H1 2019).

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

“Other costs” are broken down as follows:

Note 24 – OTHER COSTS			
<i>Euro thousands</i>	H1 2020	H1 2019	Change
Unrealised Exchange Losses on Commercial Transactions	(2,276)	(1,327)	(949)
Realised Exchange Losses on Commercial Transactions	(2,803)	(1,756)	(1,047)
Other Operating Charges	(428)	(746)	318
Total	(5,507)	(3,829)	(1,678)

The decrease in “Other operating charges” of Euro 318 thousand in H1 2020 primarily relates to tax charges other than income taxes, such as municipal taxes on property.

Note 25 – Personnel Expense

“Personnel Expense” includes all costs and expenses incurred for employees.

They amounted to Euro 66,908 thousand in H1 2020 (Euro 71,367 thousand in H1 2019).

These costs are broken down as follows:

Note 25 – PERSONNEL EXPENSE			
<i>Euro thousands</i>	H1 2020	H1 2019	Change
Wages and Salaries	(52,014)	(55,195)	3,182
Social Security Charges	(12,703)	(12,351)	(352)
Employee Benefits	(425)	(1,117)	692
Post-Employment Benefits	(515)	(362)	(153)
Other	(1,251)	(2,341)	1,090
Total	(66,908)	(71,367)	4,459

“Personnel expense” decreased Euro 4,459 thousand on H1 2019. The change was mainly due to the specific measures taken by management to contain personnel expense, through the use of accrued vacations, mechanisms similar to the lay-off schemes and the downsizing of the workforce, mainly of temporary workers where possible.

The following table reports the breakdown of the F.I.L.A. Group workforce at June 30, 2020 and December 31, 2019 by geographical segment:

	Europe	North America	Central - South America	Asia	Rest of the World	Total
December 31, 2019	1,081	717	1,915	6,331	23	10,067
June 30, 2020	1,124	651	1,832	6,392	23	10,022
Change	43	(66)	(83)	61	-	(45)

Note 26 – Amortisation and Depreciation

“Amortisation and Depreciation” in H1 2020 amounted to Euro 21,586 thousand (Euro 19,465 thousand in H1 2019). Amortisation and depreciation in 2020 and 2019 are reported below:

Note 26 – AMORTISATION AND DEPRECIATION			
<i>Euro thousands</i>	H1 2020	H1 2019	Change
Depreciation	(8,335)	(7,222)	(1,113)
Amortisation	(7,655)	(7,141)	(514)
Depreciation of right-of-use assets	(5,596)	(5,101)	(495)
Total	(21,586)	(19,465)	(2,121)

The change in “Amortisation and depreciation” mainly concerned the increased amounts recognised in the period for investments made.

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 1,153 thousand in H1 2020 (Euro 733 thousand in H1 2019).

Note 27 - NET IMPAIRMENT LOSSES ON TRADE RECEIVABLES AND OTHER ASSETS			
<i>Euro thousands</i>	H1 2020	H1 2019	Change
Net impairment losses on trade receivables and other assets	(1,153)	(733)	(420)
Total	(1,153)	(733)	(420)

The increase in “Net impairment losses on Trade Receivables and Other Assets” is mainly due to increased accruals to cover the greater doubtful debt risk as a result of Covid-19. There are also direct credit losses amounting to Euro 730 thousand, mainly attributable to the North American subsidiary Dixon Ticonderoga Co.

Nota 28 – Other net impairment losses

Total “Other net impairment losses” amount to Euro 109 thousand in H1 2020 (Euro 48 thousand in H1 2019):

Note 28 – OTHER NET IMPAIRMENT LOSSES			
<i>Euro thousands</i>	H1 2020	H1 2019	Change
Net impairment losses on Property, Plant and Equipment	(109)	(48)	(61)
Total	(109)	(48)	(61)

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

Note 29 – Financial Income

The caption amounted to Euro 2,365 thousand in H1 2020 (Euro 2,986 thousand in H1 2019).

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

Note 29 – FINANCIAL INCOME			
<i>Euro thousands</i>	H1 2020	H1 2019	Change
Interest income on Bank Deposits	125	82	43
Other Financial Income	60	336	(276)
Unrealised Exchange Gains on Financial Transactions	2,086	2,260	(174)
Realised Exchange Gains on Financial Transactions	94	308	(214)
Total	2,365	2,986	(621)

The decrease concerns “Unrealised Exchange e Gains on Financial Transactions” and “Realised Exchange Gains on Financial Transactions”.

Note 30 – Financial Expense

The caption amounted to Euro 19,597 thousand in H1 2020 (Euro 18,311 thousand in H1 2019).

Financial expense, together with the main changes on the same period of the previous year, was as follows:

Note 30 - FINANCIAL EXPENSE			
<i>Euro thousands</i>	H1 2020	H1 2019	Change
Interest expense on current account Overdrafts	(87)	(87)	-
Interest expense on Bank Loans and borrowings	(10,903)	(12,464)	1.561
Interest expense on other loans and borrowings	(113)	(27)	(86)
Other Financial Expense	(1,088)	(1,421)	333
Unrealised Exchange Losses on Financial Transactions	(4,088)	(1,273)	(2,815)
Realised Exchange Losses on Financial Transactions	(227)	(105)	(122)
Lease interest expense	(3,091)	(2,934)	(157)
Total	(19,597)	(18,311)	(1,286)

The Euro 1,286 thousand decrease in “Financial expense” in H1 2020, net of exchange differences, relates to decreased “Interest expense on bank loans and borrowings” incurred by the parent F.I.L.A. S.p.A. and by the US subsidiary Dixon Ticonderoga Co. The portion of amortised cost accrued in 2020 on the new loan contracted by F.I.L.A. S.p.A. and Dixon Ticonderoga Company (U.S.A.) at June 30, 2020 amounted to Euro 307 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 H1 2020 are reported below:

Note 31 - FOREIGN CURRENCY TRANSACTIONS			
<i>Euro thousands</i>	H1 2020	H1 2019	Change
Unrealised Exchange Gains on Commercial Transactions	2,730	1,476	1,254
Realised Exchange Gains on Commercial Transactions	2,302	1,179	1,123
Unrealised Exchange Losses on Commercial Transactions	(2,276)	(1,327)	(949)
Realised Exchange Losses on Commercial Transactions	(2,803)	(1,756)	(1,047)
Net exchange losses on commercial transactions	(47)	(428)	381
Unrealised Exchange Gains on Financial Transactions	2,086	2,259	(173)
Realised Exchange Gains on Financial Transactions	94	308	(214)
Unrealised Exchange Losses on Financial Transactions	(4,088)	(1,273)	(2,815)
Realised Exchange Losses on Financial Transactions	(227)	(105)	(122)
Net exchange gains (losses) on financial transactions	(2,135)	1,189	(3,324)
Net exchange gains (losses)	(2,182)	761	(2,943)

Exchange rate differences in H1 2020 arose from transactions against the Euro, in addition to the movement in the year of assets and liabilities in foreign currencies, following commercial and financial transactions.

Note 32 – Share of profits (losses) of Equity-Accounted Investees

“Share of profits (losses) of Equity-Accounted Investees” is a loss of Euro 66 thousand (profit of Euro 89 thousand in H1 2019), due to the adjustment of the investments in associates held by DOMS Industries Pvt Ltd (India), consolidated using the Equity method.

Note 33 – Income Taxes

“Income taxes” overall in the first half of 2020 amounted to Euro 2,869 thousand (Euro 6,414 thousand in H1 2019) and comprised current taxes of Euro 4,252 thousand (Euro 7,740 thousand in H1 2019) and deferred tax income of Euro 1,383 thousand (Euro 1,326 thousand in H1 2019).

Note 33.A – Current Taxes

The relative detail is shown below:

Note 33.A - CURRENT TAXES			
<i>Euro thousands</i>	H1 2020	H1 2019	Change
Italy	(179)	(190)	11
Abroad	(4,073)	(7,550)	3,477
Total	(4,252)	(7,740)	3,488

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

The breakdown of foreign current taxes is illustrated below:

Note 33.A.1 - FOREIGN INCOME TAXES			
<i>Euro thousands</i>	H1 2020	H1 2019	Change
OMYACOLOR (France)	-	(45)	45
Dixon Ticonderoga Company (U.S.A.)	(2,455)	(1,671)	(784)
Dixon (China)	(215)	(156)	(58)
Dixon Canadian Holding Inc.	-	(33)	33
FILA (Chile)	-	(30)	30
FILA (Argentina)	-	(37)	37
Lyra KG (Germany)	(71)	(73)	3
Lyra Verwaltungs (Germany)	-	(1)	1
Fila Nordic (Scandinavia)	(41)	(45)	4
Lyra Akrelux (Indonesia)	(28)	(40)	12
DOMS Industries PVT Ltd (India)	14	(1,152)	1,166
FILA (Russia)	-	(54)	54
FILA Hellas (Greece)	(62)	(129)	67
Fila Dixon (Kunshan)	(591)	(572)	(19)
FILA Benelux	(79)	(99)	20
Daler Rowney Ltd (UK)	-	(122)	122
Brideshore srl (Dominican Republic)	(21)	(41)	21
FILA (Poland)	(54)	(58)	4
FILA (Yixing)	(97)	(72)	(24)
Canson Qingdao (China)	(5)	-	(5)
St.Cuthberts Mill Limited Paper (UK)	(80)	-	(80)
FILA Hiberia	(674)	(614)	(59)
Canson SAS (France)	754	(427)	1,181
Fila Art and Craft Ltd	(30)	(2)	(28)
Pacon Corporation	-	(1,594)	1,594
Dixon Ticonderoga Art ULC	(239)	(298,)	59
Princeton Hong Kong	(101)	(23)	(79)
Creativity International	-	(159)	159
Total	(4,073)	(7,550)	3,477

Nota 33.B – Deferred Taxes

The breakdown is provided below:

Note 33.B DEFERRED TAXES			
<i>Euro thousands</i>	H1 2020	H1 2019	Change
Change in deferred tax assets	95	2,064	(1,969)
Change in deferred tax liabilities	792	(1,193)	1,985
Change in deferred tax assets on right-of-use assets	496	455	41
Total	1,383	1,326	57

Attachments

Attachment 1 - Related party transactions

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

In accordance with Consob Communication No. 6064293 of July 28, 2006, the following table outlines the commercial and financial transactions with related parties for the first half of 2020:

F.I.L.A. GROUP RELATED PARTIES - 2019													
Euro thousands		June 30, 2020						June 30, 2020					
		Statement of Financial Position						Statement of comprehensive income					
		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	-	-	-	-	-	640	-	-	-	737	-	-
Arda S.p.A.	Trade Supplier	-	-	-	-	-	319	-	-	-	400	-	-
Studio Legale Salonia e Associati	Legal Consultancy	-	-	-	-	-	40	-	-	-	-	164	-
Pynturas y Texturizados S.A. de C.V.	Trade Supplier	-	-	-	-	-	-	-	-	-	78	5	-
HR Trustee	Service Supplier	-	-	-	-	-	-	-	-	-	-	16	-
Total		-	-	-	-	-	999	-	-	-	1,215	185	-

F.I.L.A. GROUP RELATED PARTIES - 2018													
Euro thousands		December 31, 2019						December 31, 2019					
		Statement of Financial Position						Statement of comprehensive income					
		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	-	-	-	743	-	-
Arda S.p.A.	Trade Supplier	-	-	-	-	-	170	-	-	-	324	-	-
Studio Legale Salonia e Associati	Legal Consultancy	-	-	-	-	-	59	-	-	-	-	153	-
Pynturas y Texturizados S.A. de C.V.	Trade Supplier	-	-	-	-	-	-	-	-	-	68	9	-
HR Trustee	Service Supplier	-	-	-	-	-	-	-	-	-	-	5	-
Total		-	-	-	-	-	572	-	-	-	1,135	167	-

Nuova Alpa Collanti S.r.l.

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

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.

Studio Legale Salonia e Associati

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

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

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

HR Trustee

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

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

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

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

Company	Country	Segment IFRS 8 ¹	Year of acquisition	% Held directly (F.I.L.A. S.p.A.)	% Held indirectly	% Held F.I.L.A. Group	Held By	Recognition	Non-controlling interests
Johann Froeschels 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 Froeschels 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 Froeschels 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 Maimerì 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 Froeschels 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 Mideo 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 Mideo 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 Sr.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%
Fila Specialty Paper LLC	U.S.A.	NA	2019	0.00%	50.00%	50.00%	Dixon Ticonderoga Company	Line-by-Line	50.00%
Pioneer Stationery Pvt Ltd.	India	AS	2015	0.00%	51.00%	51.00%	DOMS Industries Pvt Ltd	Equity method	49.00%
Unwrite Pens and Plastics Pvt Ltd	India	AS	2016	0.00%	60.00%	60.00%	DOMS Industries Pvt Ltd	Equity method	40.00%

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

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

Attachment 3 - Business combinations

Arches

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 specialised in fine art 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.

In H1 2020, the acquisition only contributed to the profit/loss for the period between March 2, 2020 and June 30, 2020.

In such period, the subsidiary generated revenue from third parties of Euro 1,883 thousand, in addition to Euro 2,018 thousand of revenue from other Group companies, and reported a loss of Euro 963 thousand. Management consider that if the acquisition of the business had taken place on January 1, 2020, the consolidated revenue for the first half of the year would have been Euro 2,626 thousand higher (therefore Euro 310,144 thousand). In calculating this amount, management assumed that the fair value adjustments at the acquisition date would have been the same even if the acquisition took place on January 1, 2020.

The acquisition involves the payment of a net consideration of Euro 43,032 thousand, based on the initial price of Euro 43,600 thousand, adjusted for liabilities for post-employment benefits transferred and concerning personnel previously at Ahlstrom-Munksjö Arches of Euro 568 thousand. The acquisition was accounted for by applying the purchase method, based on the definition of a business in IFRS 3, in accordance with the recently introduced amendments to such standard.

The fair values of the assets acquired and liabilities assumed at the acquisition date are summarised below:

Business unit at March 2, 2020	
Assets	29,881
Non-current assets	27,179
Intangible assets	12,376
Customer Relationships	10,369
Property, plant and equipment	4,270
Deferred tax assets	164
Current assets	2,702
Inventories	2,702
Liabilities and equity	(8,010)
Equity	-
Non-current liabilities	(8,081)
Post-employment benefits	(568)
Deferred tax liabilities	(7,513)
Current liabilities	-
Net identifiable assets	21,800

The differential between the financial outlay of Euro 43,032 thousand and the value of the business unit acquired at that date resulted in the recognition of Goodwill of Euro 21,232 thousand. The breakdown of the calculation of Goodwill considering the above-stated effects at the transaction date are reported in detail:

Financial outlay	43,032
Fair value of the net identifiable assets	21,800
Goodwill	21,232

Goodwill deriving from the acquisition refers to the future economic benefits resulting from the integration of the business unit acquired in the Group's fine art sector.

The verifications carried out at the time of the final PPA did not lead to significantly different conclusions than those emerging for the provisional PPA at March 31, 2020.

Atypical and/or Unusual Transactions

In accordance with Consob Communication of July 28, 2006, it is noted that during H1 2020 the F.I.L.A. Group did not carry out any atypical and/or unusual transactions as defined by this communication, whereby atypical and/or unusual transactions refer to transactions which for size/importance, nature of the counterparties, nature of the transaction, method in determining the transfer price or time period (close to the period end) may give rise to doubts in relation to: the correctness/completeness of the information in the financial statements, conflicts of interest, the safeguarding of the group's assets and the protection of non-controlling shareholders.

The Board of Directors

THE CHAIRMAN

Giovanni Gorno Tempini
(signed on the original)



Statement of the Manager in Charge of Financial Reporting and Corporate Bodies



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

August 5, 2020

Statement of the Manager in Charge of Financial Reporting and Corporate Bodies - Half-Year Report (ref. Article 154-bis, paragraph 5)

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

- o the adequacy in relation to the characteristics of the group and
- o the effective application

of the administrative and accounting procedures for the preparation of the Consolidated Half-Year Report.

The assessment of the adequacy of the administrative-accounting procedures for the preparation of Half-Year Report at June 30, 2020 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. Consolidated Half-Year Report at June 30, 2020:
 - o is drawn up in conformity with the applicable International Financial Reporting Standards recognised by the European Union in conformity with Regulation (EC) No. 1606/2002 of the European Parliament and the Commission of July 19, 2002;
 - o matches the underlying accounting records and books;
 - o give a true and fair view of the financial position and performance of the issuer and of the other companies in the consolidation scope.
2. The Directors Report at June 30, 2020 includes a reliable analysis of the significant events in the first six months of the year and their impact on the condensed Interim consolidated financial statements, with a description of the principal risks and uncertainties for the remaining six months. The Report also includes a reliable analysis of the information on significant related party transactions.

The Chief Executive Officer

Massimo Candela

Manager in Charge
of Financial Reporting
Stefano De Rosa

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

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F.I.L.A. Fabbrica Italiana Lapis ed Affini. 1920 - 2020



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)

Report on review of condensed interim consolidated financial statements

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

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the F.I.L.A. Group, comprising the statement of financial position as at 30 June 2020, the statements of comprehensive income, changes in equity and cash flows for the six months then ended and notes thereto. The directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

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

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

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Pescara Roma Torino Treviso
Tiriate Varese Verona

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F.I.L.A. Group
Report on review of condensed interim consolidated financial statements
30 June 2020

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the F.I.L.A. Group as at and for the six months ended 30 June 2020 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 6 August 2020

KPMG S.p.A.

(signed on the original)

Angelo Pascali
Director of Audit